

# STOCK-EXCHANGE PRACTICES

TUESDAY, FEBRUARY 20, 1934

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

The committee met at 10 a.m., pursuant to adjournment on Friday, February 16, 1934, in room 301 of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Adams, Townsend, Couzens, Steiwer, and Kean.

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 committee will come to order, please.

Mr. PECORA. Mr. Wright, will you take the stand, please?

## TESTIMONY OF CHARLES C. WRIGHT, STOCK BROKER, NEW YORK CITY

The CHAIRMAN. Mr. Wright, you do solemnly swear that the testimony you are about to give in the matters under investigation by this committee will be the truth, the whole truth, and nothing but the truth. So help you God.

Mr. WRIGHT. I do.

Mr. PECORA. Mr. Wright, will you give your full name and address for the record?

Mr. WRIGHT. My name is Charles C. Wright; age 46; residence, 1040 Fifth Avenue, New York City.

Mr. PECORA. What is your business or occupation, Mr. Wright?

Mr. WRIGHT. Broker.

Mr. PECORA. Stock broker?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. How long have you been in that business?

Mr. WRIGHT. Since 1901.

Mr. PECORA. Since 1901, continuously?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Are you a member of any firm?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Engaged in that business?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And what is the name of the firm?

Mr. WRIGHT. Wright & Sexton.

Mr. PECORA. Who are the other members of that firm?

Mr. WRIGHT Jere A. Sexton, George S. Simpson, and Alexander V. Doyle.

Mr. PECORA. Are you a member of the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. How long have you been a member of it?

Mr. WRIGHT. Seven years.

Mr. PECORA. Are any other of your partners connected with that exchange or any other exchange?

Mr. WRIGHT. Mr. Doyle and Mr. Simpson are both members of the stock exchange.

Mr. PECORA. Do you or any of your partners hold memberships in any other securities exchanges than the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. What other exchanges?

Mr. WRIGHT. We are members of the New York Curb, Chicago Stock Exchange, Philadelphia Stock Exchange, Commodity Exchange, Produce Exchange, and Chicago Board of Trade.

Senator ADAMS It might be easier to ask him which ones he is not a member of.

Mr. PECORA. Are you a member of any of the standing committees of the New York Stock Exchange?

Mr. WRIGHT. No, sir.

Mr. PECORA. Is any of your partners?

Mr. WRIGHT. No, sir.

Mr. PECORA. Are any of your partners or yourself a member of any committee of any other stock exchange than the New York Stock Exchange?

Mr. WRIGHT. No, sir.

Mr. PECORA. Are you one of the so-called "specialists" among the members of the New York Stock Exchange, Mr. Wright?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. For what stocks are you the specialist on the floor of that exchange?

Mr. WRIGHT. On the stock exchange?

Mr. PECORA. Yes.

Mr. WRIGHT. American Commercial Alcohol.

Mr. PECORA. Any other securities?

Mr. WRIGHT. Eaton Axle, Foundation Co. Those are about the three principal ones.

Mr. PECORA. Foundation Co. You say those are the principal ones?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Are there any others?

Mr. WRIGHT. There are other books at my post which we alternate and take. If one man is busy with one of his books they pitch in and help him. Those are the three stocks that I devote my time to.

Mr. PECORA. The stock for which a member of the New York Stock Exchange is appointed a specialist is referred to as the book?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And how long have you held the book in American Commercial Alcohol?

Mr. WRIGHT. Three years.

Mr. PECORA. How long have you had the book in Eaton Axle?

Mr. WRIGHT. Probably 6 years.

Mr. PECORA. And the Foundation Co.?

Mr. WRIGHT. Six years.

Senator ADAMS. There is a single specialist in a particular stock on a stock exchange?

Mr. WRIGHT. Sometimes there are 3 or 4. There are rival books. In my particular case I am the only specialist in those stocks.

Senator COUZENS. What do you mean by "rival books?" Do you mean you compete to get the business?

Mr. WRIGHT. Yes, sir.

Senator COUZENS. Do you work on a commission basis or a salary?

Mr. WRIGHT. We work on a commission basis prescribed by the rules of the stock exchange.

Senator COUZENS. You are not employed by any particular broker or agency?

Mr. WRIGHT. No, sir.

Senator COUZENS. How do you get to be a specialist in these particular stocks that you have just enumerated?

Mr. WRIGHT. Well, there is no particular set rule about how you get them. The exchange does not appoint you a specialist. You just seem to drift into it over a period of time. As a general rule, a man starts out helping a specialist in a stock and gradually he works his way in until he is a specialist.

Senator COUZENS. How did you happen to be a specialist in those particular stocks that you have just enumerated?

Mr. WRIGHT. I don't know how I could answer that, Senator.

Senator COUZENS. You don't know how you can answer it?

Mr. WRIGHT. No; I just kind of drifted into them, I guess.

Senator COUZENS. Did you drive the other fellows out, or were there any ahead of you?

Mr. WRIGHT. I never had any rival specialists.

Senator COUZENS. You never had any rival specialists in any of your books?

Mr. WRIGHT. No, sir.

Senator ADAMS. Is there any difference in the commission which the specialist gets and that which the ordinary floor broker gets?

Mr. WRIGHT. Exactly the same.

Senator ADAMS. And is there any requirement in the transactions in which the stock in which a particular man is a specialist whereby it must go through him or his book?

Mr. WRIGHT. No, sir.

Senator ADAMS. They can be transactions on the floor just the same?

Mr. WRIGHT. Yes, sir.

Senator COUZENS. In other words, you get to be known as a specialist for this alcohol stock the same as a Senator may get to be known as a motor Senator or sugar Senator or power Senator, or what-not; is that it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Mr. Wright, I show you document typewritten and signed "Wright & Sexton" and which purports to be the answers

to a questionnaire which was addressed to your firm last November in behalf of this committee. Will you look at it and tell me if you recognize it to be the original return to that questionnaire made in behalf of your firm?

Mr. WRIGHT. Yes, sir. I was in Europe at the time the return was made by my office.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted.

(Answer of Wright & Sexton to questionnaire, dated Nov. 17, 1933, was thereupon designated "Committee Exhibit No. 32, February 20, 1934", and is as follows:)

COMMITTEE EXHIBIT No 32, FEBRUARY 20, 1934

WRIGHT & SEXTON, MEMBERS NY STOCK EXCHANGE, MEMBERS NY. CURB EXCHANGE

ONE WALL STREET, NEW YORK

NOVEMBER 17, 1933.

Mr. FERDINAND PECORA,

*Counsel, U.S. Senate Subcommittee on Banking and Currency,  
235 Madison Avenue, New York City.*

DEAR SIR: We wish to submit the following answers to the Questionnaire which you sent us as a member form of the New York Stock Exchange.

Question 1:

(a) No.

(b) No.

(c) Charles C Wright, Specialist

(d) George S Simpson, Specialist on New York Curb Exchange

Question 2:

Charles C. Wright, Specialist in the following: American Commercial Alcohol, Eaton Manufacturing Company, Foundation Company, Indian Refining Co., Inc., Panhandle Producing & Refining, Timken-Detroit Axle Co

Question 3:

(a) None.

(b) None.

Question 4:

(a) Purchases 411,872 shares—Sold 416,051 shares

(b) Charles C Wright—Purchased 8,750 shares—sold 2,000 shares

Question 5:

None

Question 6:

(a) Yes (Copies of options attached)

(b) Yes (Copies of options attached)

Question 7:

(a) Yes (See answer to Question 6).

(b) Yes (See answer to Question 6).

(c) No.

Question 8

(a) No.

(b) No

Question 9:

(a) No.

(b) No.

Question 10:

Statement of Receipts & Disbursements attached.

Question 11:

(a) Not engaged in odd lot business.

(b) Not engaged in odd lot business.

Trusting this is the information you desire, we remain,

Very truly yours,

WRIGHT SEXTON.

Mr. PECORA. I think in order to make the record intelligible, it would also be well to offer in evidence the printed part of this exhibit, the printed form of the questionnaire to which the exhibit itself is a reply. That would be necessary, in view of the fact that the replies to the questionnaire does not state what the questions are. The printed form of questionnaire will be just what the questions are.

The CHAIRMAN. Let it be admitted.

(Printed questionnaire was thereupon designated "Committee Exhibit No. 33, Feb. 20, 1934", and the same appears in the record in full, as follows:)

COMMITTEE EXHIBIT NO. 33—FEBRUARY 20, 1934

COMMITTEE ON BANKING AND CURRENCY, UNITED STATES SENATE

QUESTIONNAIRE

MEMBER FIRMS OF THE NEW YORK STOCK EXCHANGE

1 Furnish the information requested below as of July 31, 1928; July 31, 1929; December 31, 1929, December 31, 1930, December 31, 1931; December 31, 1932; and September 30, 1933.

(a) Did any member partner of your firm on or about the above dates act primarily as a floor trader in stocks? If so, furnish the name or names of such member partner or member partners and set forth upon which of said dates each acted in such capacity.

(b) Did any member partner of your firm on or about the above dates act primarily as a floor broker in stocks? If so, furnish the name or names of such member partner or member partners and set forth upon which of said dates each acted in such capacity.

(c) If the answers to (a) and (b) are negative, furnish the name or names of your member partners who were active on the floor of the exchange on or about the above dates, and in what capacity.

(d) Furnish list of all member partners not included in (a), (b) or (c), describing the duties of each on or about the above dates.

2 If any of the member partners of your firm were specialists in listed stocks on the floor of the New York Stock Exchange on July 1, 1933, furnish as to each, a list of such stocks.

3. Submit the following information for the whole year 1929 and for the period from January 1, 1933, to September 1, 1933.

(a) Approximate total number of customers (persons, partnerships, and/or corporations) who bought or sold any securities through your firm.

(b) Approximate total number of the above whose transactions were of a cash character.

4 (a) State total numbers of shares bought and total number of shares sold on the New York Stock Exchange for the account of your firm for the month of July 1933, excluding transactions in error accounts.

(b) Submit on behalf of each member and nonmember partner (whether active or inactive) a statement showing the approximate total number of shares bought and the approximate total number of shares sold on the New York Stock Exchange for their respective personal accounts for the month of July 1933 (odd lot houses need not answer question 5).

5 State the approximate total number of accounts on the firm's books having debit balances as of December 31, 1928, July 31, 1929, December 31, 1929; December 31, 1930, December 31, 1931, December 31, 1932, and June 30, 1933.

6 (a) State whether your firm held any option or had a participation in any option, exceeding 10,000 shares of any single security during the years 1929 to 1933, inclusive. If answer is in the affirmative and firm held the original option or acted for the optionee or optionees, furnish a photostatic copy of each of such options.

(b) State whether any partner of your firm or any person acting on behalf of your firm or any partner thereof, held any option or had a participation in any option, exceeding 10,000 shares of any single security during the years 1929 to 1933, inclusive. If answer is in the affirmative, furnish the name or names of such person or persons, and if such person or persons held the original option or acted for the optionee, or optionees, furnish a photostatic copy of each such options

7. (a) State whether your firm participated in the profits and/or losses in any syndicate, pool, and/or joint account during the years 1929 to 1933, inclusive. If the answer is in the affirmative and your firm was manager or acted for the manager or managers for such accounts, furnish a photostatic copy of each of said syndicate, pool and/or joint account agreements

(b) State whether any partner of your firm or any person acting for or on behalf of your firm or of any partner thereof, participated in the profits and/or losses in any syndicate, pool and/or joint account during the years 1929 to 1933, inclusive. If the answer is in the affirmative, furnish the names of all such partners or persons, and if such partners or persons were the managers or acted for the managers for such accounts, furnish a photostatic copy of each of such syndicate, pool and/or joint account agreements

(c) State whether any joint syndicate and/or pool accounts have been maintained on the firm books during the years 1929 to 1933 inclusive, in which the firm or any partner thereof had no proprietary interest. If answer is in the affirmative and the firm was the manager or acted for the manager or managers for such accounts, furnish photostatic copies of each of syndicate, pool and/or joint account agreements.

NOTE—For the purposes of this questionnaire a syndicate, pool, or joint account shall be deemed to be an account in which two or more parties participated for the purpose of trading actively in a single security listed on the New York Stock Exchange and in which account more than 10,000 shares were bought and sold

8. (a) Has firm during the years 1929 to 1933, inclusive underwritten or has it participated in the underwriting of any securities which were subsequently offered for public sale? Give separate answer as to each year.

(b) Has firm during the years 1929 to 1933, inclusive made any public offering of securities or has it participated with others in a public offering of securities? Give separate answer as to each year

9. (a) Has firm acted as promoter, organizer, or manager under contract of any investment trust of the management type during the period 1929 to 1933, inclusive? If the answer is in the affirmative, furnish name of such investment trust or trusts and describe the relationship existing between firm and such trust or trusts, giving in each case the period of such relationship

(b) Has any partner of the firm or agent thereof acted as promoter, organizer, officer, director or manager under contract of any investment trust of the management type during the period 1929 to 1933, inclusive? If the answer is in the affirmative, furnish name or names of such investment trust or trusts, the names of any partners of the firm or agents thereof, having any of the said relationships thereto; a description of the relationship of such partners or agents and the period of such relationship

10. Furnish on behalf of the firm for each year from 1928 to 1932, inclusive, and for the period January 1, 1933 to September 1, 1933, inclusive, a detailed annual income statement of receipts and disbursements by classification. Such statement should clearly specify the net commissions and net interests

11. The following information is to be furnished only by firms engaging in the odd-lot business:

(a) State the total number of shares bought by your firm in odd lots during the periods from January 2, 1929 to December 31, 1929, inclusive, and from April 1, 1933 to July 31, 1933, inclusive

(b) State the total number of shares sold by your firm in odd lots during the periods from January 2, 1929 to December 31, 1929, inclusive, and from April 1, 1933 to July 31, 1933, inclusive.

Mr. PECORA. The questionnaire has been marked "Exhibit No. 33." The answer to this questionnaire made in behalf of the firm of Wright & Sexton and identified by the witness is marked "Exhibit No. 32."

Now, Mr. Wright, I want to call your attention to question no. 2 on the questionnaire, in which your firm was asked if any of the

member partners of your firm were specialists in listed stocks on the floor of the New York Stock Exchange on July 1, 1933—"furnish as to each a list of such stocks." In answer to that question your return, marked "Exhibit No. 32", lists the following stocks as those in which you were the specialist: American Commercial Alcohol, Eaton Manufacturing Co., Foundation Co., Indian Refining Co., Inc., Panhandle Producing & Refining, Timken-Detroit Axle Co. In your answer here this morning you have mentioned only 3 of those 6 stocks or issues.

Are you also the specialist in the other three, namely, Indian Refining Co., Inc., Panhandle Producing & Refining Co., Timken-Detroit Axle Co.?

Mr. WRIGHT. Mr. Arthur J. Vogel is the specialist in those stocks, but the stocks are considered my books. He is not a member of the firm. He is an associate that works on the floor with me. He handles the cheaper class of stocks that we have as specialties.

Mr. PECORA. When you say the books in those three stocks are considered your books, although someone else is the specialist, just what do you mean by that?

Mr. WRIGHT. Well, you see, Mr. Pecora, it would be impossible for one man to handle all those books; so Mr. Vogel, who is a member of the exchange, takes a certain group of the books on one side of the post and we take a certain group on the other side. If he gets busy at any time we jump in and help him, and if I get busy he jumps in and helps me. He is not associated with me.

Mr. PECORA. Do you consider yourself a specialist in those three issues?

Mr. WRIGHT. Yes, sir; American Commercial Alcohol, Foundation Co., and Eaton Axle.

Mr. PECORA. And also Indian Refining Co., Panhandle Producing & Refining, and Timken-Detroit Axle Co.?

Mr. WRIGHT. No, sir.

Mr. PECORA. Then why was the return to the questionnaire so drawn as to show that you were the specialist in those three issues as well?

Mr. WRIGHT. That I don't know anything about. But on my pads, on my report pads which are sent out to brokers on the execution of an order, all these various stocks are given, and they copy that from my report pads. Sometimes those report pads are kept 4 or 5 years.

Mr. PECORA. Is it at all necessary or has it been the practice or custom for members of the New York Stock Exchange who want to become specialists in a stock traded in on the floor of that exchange to obtain the approval of the governing authorities of the stock exchange in order to become such a specialist?

Mr. WRIGHT. No, sir.

Mr. PECORA. Isn't there a practice or custom under which the governing authorities of the exchange may take away a book from a specialist and give it to another broker?

Mr. WRIGHT. If he is unable to handle it; yes, sir.

Mr. PECORA. Well, isn't there a rule, practice, or custom under which the stock exchange may for any other reason take a book away from the so-called "specialist" and give it to another member?

Mr. WRIGHT. I never heard of it, Mr. Pecora.

Senator COUZENS. What is the commission fixed by the New York Stock Exchange?

Mr. WRIGHT. Stocks under \$10, a dollar and a quarter a hundred; stocks over \$10, two and a half a hundred.

Senator ADAMS. That is an increase over the former schedule, isn't it?

Mr. WRIGHT. Yes; it is about a 25-cent increase over the dollar rate and a 50-cent increase over what used to be \$2.

The CHAIRMAN. Who fixes that?

Mr. WRIGHT. The stock exchange.

The CHAIRMAN. Has that been stabilized at that price for some years past?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. How long; do you know?

Mr. WRIGHT. I should say 5 or 6 years.

The CHAIRMAN. They can change it at any time they like?

Mr. WRIGHT. I do not know in exactly what form it would go through the exchange, but it would be in the hands of only one, and as long as I have been in the Street I have not known it to be changed.

The CHAIRMAN. What other expense is there in connection with an operation of that kind? I mean, is there anything more than the commission that you have mentioned?

Mr. WRIGHT. What other expense?

The CHAIRMAN. Yes. What other deductions are made in the transaction as against a customer?

Mr. WRIGHT. Nothing at all.

Senator ADAMS. Well, you have a tax deduction.

Mr. WRIGHT. No; I have not.

Senator KEAN. You have stamps on a transaction.

Mr. WRIGHT. If you are trading, do you mean?

Senator KEAN. No. But you have to attach stamps to the sale ticket.

Mr. WRIGHT. No, sir. The original party attaches the stamps to it.

Senator KEAN. Well, you are the original party.

Mr. WRIGHT. No, sir. If you are acting as a specialist you are acting for other people, and they attach the stamps.

Senator KEAN. But the customer has to pay for the stamps.

Mr. WRIGHT. Yes, sir. And he is the principal.

Senator KEAN. That is the thing I am getting at. The customer has to pay for the stamps.

Mr. WRIGHT. Yes; but I am acting——

Senator KEAN (interposing). But you are nothing but the broker. You are executing orders for other people, in other words.

Mr. WRIGHT. Yes, sir.

Senator COUZENS. And you have to be a member of the stock exchange?

Mr. WRIGHT. Yes, sir.

Senator KEAN. But you are executing orders, and in this case not for the customer but for brokers.

Mr. WRIGHT. Yes, sir; that is right.

Senator KEAN. And therefore your responsibility ceases with the order, and you only get a small commission

Mr. WRIGHT. That is right.

Senator KEAN. But as far as the customer is concerned, he not only has to pay that commission, I mean a commission which is different from what you stated here.

Mr. WRIGHT. Yes, sir.

Senator KEAN. Well, now, what commission does he have to pay?

Mr. WRIGHT. According to the price of the stock.

Senator KEAN. Go ahead and give it to us for the record.

Mr. WRIGHT. I do not know the exact rates. I haven't got a commission card here with me. It runs from \$6 25 to stocks under \$5— and this is only as far as my memory goes; and I believe from \$10 to \$20 it is about \$10.50, and then it runs into the \$15 class for stocks selling higher.

Senator KEAN. That is practically a quarter of 1 percent.

Mr. WRIGHT. That is graded according to the prices.

Senator KEAN. And in addition to that the customer has to pay the stamp tax.

Mr. WRIGHT. On the sale of the securities; yes.

Senator KEAN. That was what you wanted, Mr. Chairman, I believe.

The CHAIRMAN. Yes. I wanted to get at what the customer has to pay, as well as the commission to the broker. The broker pays you, I suppose?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. And he then charges it against the customer?

Mr. WRIGHT. Yes, sir.

Senator KEAN. But, as far as this particular commission we have been talking about, the customer pays you nothing.

Mr. WRIGHT. Yes he does. He pays me \$2.50.

Senator KEAN. No; the broker pays you.

Mr. WRIGHT. I beg pardon, Senator Kean, but that comes out of the commission. If the commission is \$12.50, he pays me \$2.50 out of it.

Senator KEAN. But, as far as the customer goes, he pays you nothing. The broker who hires you pays you \$2.50.

Mr. WRIGHT. Yes; out of the customer's commission.

Senator KEAN. That may be, or out of his own commission, or out of his own pocket if he is trading for himself. So that so far as the customer is concerned he pays nothing himself to the broker.

Mr. WRIGHT. Yes, sir.

Senator ADAMS. It makes no difference to the customer whether the transaction is made on the floor or goes through your hands.

Mr. WRIGHT. Yes, sir.

Senator ADAMS. But the broker gets a little less if it goes through your hands, because he pays you a part of his commission.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Mr. Wright, as a specialist, did you execute orders for the account of customers principally, or orders given to you by other brokers for the account of their own customers?

Mr. WRIGHT. For brokers, for the account of their customers.

Mr. PECORA. Is that exclusively the kind of orders you execute?

Mr. WRIGHT. No, sir.

Mr. PECORA. You also execute orders for the account of your own customers, then?

Mr. WRIGHT. I have no customers.

Mr. PECORA. Question no. 3 of the questionnaire which has been marked in evidence "Committee Exhibit No. 33", reads as follows:

Submit the following information for the whole year 1929, and for the period from January 1, 1933, to September 1, 1933

(a) The approximate total number of customers, persons, partnerships and/or corporations who bought or sold any securities through your firm

(b) The approximate total number of above whose transactions were not, and/or their character

In reply to that questionnaire your answer to subdivision (a) of question no. 3 is "None." And your answer to subdivision (b) of question no. 3, likewise is "None." That indicates that the orders executed by you were practically all for the account of your firm.

Mr. WRIGHT. Orders executed by me were practically all for the account of other brokers.

Mr. PECORA. Well, then, the answer "None" to the question that you were to give the approximate number of customers, persons, partnerships, and/or corporations who bought or sold any securities through your firm for the year 1929 and for the period from January 1, 1933, to September 1, 1933, was so given for what reason?

Mr. WRIGHT. Because we give up the other side of the business immediately on the transaction of the particular order. I have no customers, carry no margin accounts whatsoever, and the answer would be "None."

The CHAIRMAN. Are you now referring to yourself or to your firm or to both?

Mr. WRIGHT. I am referring to my firm.

Senator ADAMS. The term "customer" as you understand it does not include the broker who deals as you do at your post.

Mr. WRIGHT. No, sir; a customer is a client you have in your office. We do not count brokers as customers.

Mr. PECORA. Have you ever participated in any pool account trading in the stock of any listed security?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, what do you understand by the term "pool" or "pool account", Mr. Wright?

Mr. WRIGHT. I do not understand those terms, Mr. Pecora. I have never been able to understand them.

Mr. PECORA. Well, you stated that you had participated in pool accounts, and then you say you do not understand what a pool account is. How do you know you have been a participant in such an account?

Mr. WRIGHT. Well, from the subscribing to the other members of the exchange or firms or individuals, where we have bought a block of stock and where we have redistributed that stock. Whether that comes under the reference to "a pool operation" I don't know.

Mr. PECORA. Well, you have held a membership in the New York Stock Exchange for a period of 7 years, I believe you said.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Prior to that time were you a broker without holding a seat on the stock exchange?

Mr. WRIGHT. No, sir; I was a broker on the curb.

Mr. PECORA. For how many years prior to the time when you bought a seat on the New York Stock Exchange were you a member of the curb?

Mr. WRIGHT. For 12 to 15 years.

Mr. PECORA. So that you have been a stock broker actively engaged in the business of buying and selling securities for a period of around 20 years?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And still you say you do not know what a pool account is?

Mr. WRIGHT. I will swear to you, Mr. Pecora, that I could not answer what a pool account is.

Mr. PECORA. Well, you have often heard the term, have you not?

Mr. WRIGHT. I have often heard it, and have tried to define it, but I cannot answer the question. There are some pools that are put together for the apparent purpose of buying, and for the apparent purpose of selling, and some for distributing stocks, and for the purpose of making a market in stocks, and some for this purpose, that purpose, and the other purpose. I just have no way of defining the term.

Mr. PECORA. Well, let us take a pool organized for the purpose of making a market in a stock. You have been a participant in such pools in the past, I take it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. How do such pools operate? Will you tell the committee from your familiarity with the activities of such a pool account, how it is operated?

Mr. WRIGHT. Some pool accounts operate on options, that is, some by way of direct purchase of stock and redistribute it, and others may be accumulation pools where they accumulate stocks that somebody desires. Each one is in a different group.

Mr. PECORA. Well, let us take a pool account organized for the purpose of making a market in a stock.

Mr. WRIGHT. All right.

Mr. PECORA. In which an account is organized to trade in the stock.

Mr. WRIGHT. All right.

Mr. PECORA. How does such a pool actually operate in the market? How does it make a market?

Mr. WRIGHT. By creating activity.

Mr. PECORA. And how does it do that?

Mr. WRIGHT. By trading in the stock.

Mr. PECORA. That is, the pool buys and sells the stock.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. For its own account.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And frequently, if not invariably, such a pool has an option covering the stock in which it trades.

Mr. WRIGHT. That is right.

Mr. PECORA. And it gets that option as a rule from what kind of persons?

Mr. WRIGHT. Sometimes from individuals, and sometimes from officers of the company, and sometimes from large stockholders, and

sometimes from the corporation which might hold a good block of stock and which wanted to get rid of it.

Mr. PECORA. And as a rule what is the object sought to be accomplished by those persons who organize a pool account in order to make a market in the stock?

Mr. WRIGHT. Will you put that question again, please?

Mr. PECORA. The committee reporter will read it to you.

(Thereupon the committee reporter read the last question.)

Mr. WRIGHT. To redistribute the stock at a higher price if possible.

Mr. PECORA. That is, to raise the price level of the stock as much as possible.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. So that they may distribute whatever accumulation of stock they have at a higher price and at a profit.

Mr. WRIGHT. But it does not often work out at a profit.

The CHAIRMAN. In short, you are trying to make money? That is the idea, isn't it?

Mr. WRIGHT. Trying to make money; yes.

Senator ADAMS. It is quite possible and not at all unknown to have a syndicate or pool account trying to run the price of the stock down some, isn't that true?

Mr. WRIGHT. I never heard of that.

Senator COUZENS. Do you say you never heard of that?

Mr. WRIGHT. I have never heard of a pool to depress stocks; no, sir.

Senator KEAN. Well, you have certainly heard of a pool trying to accumulate stocks in the market, I take it?

Mr. WRIGHT. Yes, sir.

Senator KEAN. With the object in view that they wanted to buy them.

Mr. WRIGHT. Yes, sir.

Senator KEAN. And trying to keep the market steady.

Mr. WRIGHT. Yes, sir; I have heard of those.

Senator KEAN. So that any stocks that came in on the market they would accumulate, without putting up the price.

Mr. WRIGHT. Well, I have heard of them.

Mr. PECORA. Mr. Wright, where a pool is organized for the purpose indicated by Senator Kean in the question just propounded to you, such a pool would not operate under an option, would it?

Mr. WRIGHT. No, sir.

Mr. PECORA. Because, having an option to purchase stock at prices fixed in the option, it would not be necessary for such persons to go into the market to buy the stock, would it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. What was that answer?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Do you say it would be necessary?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Where they have an option on stock?

Mr. WRIGHT. Yes. Frequently where you have an option on stock you have to step into the market and buy stocks to put the stock up.

Mr. PECORA. Well, what is the advantage of that to the person who merely wants to accumulate stock?

Mr. WRIGHT. Well, Mr. Pecora, you and I are a little bit confused on the issue, I think.

Mr. PECORA. Well, perhaps I am confused.

Mr. WRIGHT. No; I am. Where there is an option it is one thing, and where it is just a matter of accumulation it is another thing. We are not working on that thing right, I am afraid. An accumulation is just a desire to buy for one group, or one person, or syndicate, an amount of that company's stock. He tries to buy it at as cheap a price as possible. Then, when you have an option it is different. When you have an option on stock the only way you can create activity in the stock is by buying it. It frequently happens when you have an option that you have to step into the market and buy a great deal of the stock in order to create activity.

Mr. PECORA. Well, that is where the person having the option to buy stock, in addition to acquiring that stock under the option, wants to sell it through his market operations at higher prices, or at a profit.

Mr. WRIGHT. That is right.

Mr. PECORA. Well, I was talking about the kind of pool that I understood Senator Kean was questioning you about when he asked you about a pool being organized to accumulate stock. If the purpose of a pool be only to accumulate stock, such a pool would not operate under that option, would it?

Mr. WRIGHT. No, sir.

Mr. PECORA. Because it would not be necessary for it to go into the market to buy stock if its sole purpose was to acquire or accumulate stock when as a matter of fact the pool had an option.

Mr. WRIGHT. That is right.

Mr. PECORA. So that where a pool operates under an option, the fact that it has such an option is a sure indication that the purpose of the pool, or at least one of the purposes of the pool, is to distribute the stock covered by the option at higher prices.

Mr. WRIGHT. That is right.

Mr. PECORA. And in order to do that they operate, of course, through brokers who are members of exchanges where the stock is listed.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And frequently members of exchanges who execute orders for such pools of participants in the pools themselves.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And that has been your experience, hasn't it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. As a matter of fact, when you stated that your firm had no customers at all, did you mean to indicate that the business of your firm is principally the executing of orders for other brokers and not buying and selling for its own account?

Mr. WRIGHT. That is right.

Senator KEAN. I should like to ask Mr. Wright a question or two about pools: A pool, of course, as a rule, or options held by a pool as a rule are bases, say, on so many shares at a little below the market, and so many shares at the market, and so many shares at so much above the market, and so many shares above that price.

Mr. WRIGHT. That is generally so.

Senator KEAN. Therefore, if you are going to operate for that pool you have to create a market or else you wouldn't exercise the option to buy at the prices given about a point or two, or at something higher than the market at the time you take the option?

Mr. WRIGHT. That is right.

Senator KEAN. Is that a fact?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, Mr. Wright, take the case of a pool that is organized to distribute stock which it has under option, at higher prices than the market price.

Mr. WRIGHT. All right.

Mr. PECORA. You have handled many such pool accounts, have you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And you have participated in many such pool accounts?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, you have stated before that such a pool goes into the market, buys and sells for its own account in order to create activity in the stock.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, that activity, as trades are made for that pool account, are recorded on the ticker, but they do not appear on the ticker as an activity that is engendered or fomented simply by the members of the pool as distinguished from the general trading public, do they?

Mr. WRIGHT. No, sir.

Mr. PECORA. Now, Mr. Wright, by such processes or activities on behalf of pool accounts, especially where trading for such pool accounts is done by brokers who are also members of the pool or participants in it, isn't it a fact that the public get a false notion of the activity in the stock?

Mr. WRIGHT. I would have to think for a second before I try to answer that question.

Mr. PECORA. Surely. You may do that.

Mr. WRIGHT (after a pause of a few moments). Do you want me to talk freely and frankly on this?

Mr. PECORA. Yes, very frankly indeed.

Mr. WRIGHT. Because the public will not trade in stocks that are not active. Naturally when you make a stock active the public will trade in that stock. And many times you are successful and many times you are unsuccessful in such an effort in any particular stock; and if you are running a pool and they do not trade in the stock, that is your hard luck.

Mr. PECORA. Then activities engendered by pools that are organized to distribute stocks that they hold under option, or which they have already accumulated, at prices which would represent profits to themselves, are activities designed primarily to induce the public to come in and buy, so that distribution may be effected at higher levels?

Mr. WRIGHT. Yes, sir; which is just the same as distributing groceries or any other commodities.

Senator ADAMS. In other words, it is just like anybody going fishing, he wants to fish where the other fellows are.

Mr. WRIGHT. Yes, sir. In many cases, Mr. Pecora, prices of stocks go far beyond what anybody had in mind. I think the history of almost every stock downtown is that some days it goes far beyond any dream that anybody had.

Mr. PECORA. In other words, these pool operations are sometimes organized to distribute stocks held by pool members, or stocks which they have under option, and they succeed beyond the original expectations of the pool participants.

Mr. WRIGHT. Yes, sir. It is like in the case of the American Commercial Alcohol Corporation and—

Mr. PECORA (interposing). That succeeded beyond the expectations of the participants, did it?

Mr. WRIGHT. Yes, sir. I think the price shuffled up so far—well, I shiver every time I think of it, of the price at which the stock was distributed and the price which it went to.

Mr. PECORA. You do what?

Mr. WRIGHT. I either shiver or laugh every time I think of the difference there.

Mr. PECORA. And I suppose the laugh is on the investing public as to its going to the higher prices.

Mr. WRIGHT. Well, the investing public got the stock at the lower prices.

Mr. PECORA. And who got the stock at the higher prices?

Mr. WRIGHT. Well, there was no operation in American Commercial Alcohol Corporation stock after the original 25,000 shares had been distributed, and then the stock went up 50 points beyond that. It was carried up purely and simply by the grace of the people who wanted to invest in whisky stocks.

Mr. PECORA. And that was a course that was engendered at first by the pool operations in that stock?

Mr. WRIGHT. The pool operations in that stock were small. They just simply executed orders. That particular stock was carried up by the rise in National Distillers and United States Industrial Alcohol and Hiram Walker, and all the so-called "whisky" stocks. As to that particular stock there was no attempted manipulation, no, but just simply execution of orders in the stock.

Mr. PECORA. Don't you know that the pool that was organized and managed by Thomas E. Bragg, under the option that he received from Russell R. Brown and others associated with him who were officers and directors of the American Commercial Alcohol Corporation, carried on trading operations for the account of the pool up to and including the 24th of July last, beginning with the 3d of May, last?

Mr. WRIGHT. Well, now, I have some records here which I should like to read to you. In the month of May I received from W. E. Hutton & Co., where Mr. Bragg makes his office, \$1,270 of commissions in American Commercial Alcohol, and in the month of June that went down to \$533, and the month of July it was \$203, which would look to me as if that pool's activities faded at the end of May.

Mr. PECORA. Well, it was admitted by a member of the firm of W. E. Hutton & Co. who testified before this committee last week that the operations of that so-called "Bragg" pool in American

Commercial Alcohol Corporation stock, commenced on May 2, 1933, which was the date on which the option was given to Bragg, and terminated on July 31. Don't you know that?

Mr. WRIGHT. Well, Mr. Bragg went to Europe in the early part of June, or in the middle of June, and from then on my knowledge of the operations of the pool, outside of the testimony I heard here, were nothing.

Senator ADAMS. Is Mr. Bragg quite a traveler?

Mr. WRIGHT. He is a great traveler.

Mr. PECORA. And he is a great market operator.

Mr. WRIGHT. The cleanest in the the Street.

Mr. PECORA. And during his travels who gives his orders in his market operations?

Mr. WRIGHT. Well, I would imagine, Mr. Pecora, what he did was to telephone his orders in to his own office, at W. E. Hutton & Co., and that they were distributed from there.

Mr. PECORA. Do you know that this pool account which was carried on the books of W. E. Hutton & Co. as account no. 296, traded in American Commercial Alcohol stock from May 2, 1933, up to and including July 31, 1933?

Mr. WRIGHT. I know it simply because I heard the testimony here.

Mr. PECORA. Did you handle those trades for that account?

Mr. WRIGHT. I handled them in May and for a part of June.

Mr. PECORA. Do you know who handled them after that?

Mr. WRIGHT. No, sir.

Mr. PECORA. And do you recall when the high price for that stock was reached, last summer?

Mr. WRIGHT. I will never forget it!

Mr. PECORA. What date was it?

Mr. WRIGHT. The 18th of July.

Mr. PECORA. And what was the high price of the stock?

Mr. WRIGHT. It was 89 $\frac{7}{8}$ .

Mr. PECORA. And, according to the testimony of Mr. Foster, of the firm of W. E. Hutton & Co., this pool was operating on that date, and from that date to the end of July, and you heard that testimony given here last week, didn't you?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. You say the public were not buying or dealing in this stock at all in July?

Mr. WRIGHT. Yes; they were buying it and selling. They d—n near ruined me, I know. [Laughter.] That thing got to be a nightmare with me.

The CHAIRMAN. How did it affect you? Were you in the stock?

Mr. WRIGHT. No, sir; I was the specialist in that stock, and I was held responsible for every stop order, for the execution of every order in that stock. And I want to say that there was never any complaint filed with the New York Stock Exchange as to my handling of that particular stock. I was only the specialist, who stood by and took all the stop orders during the terrific break in liquor stocks.

The CHAIRMAN. Well, as I understand, you did not have any money at stake. You were either making commissions or not making commissions.

Mr. WRIGHT. Well, one day it cost me between \$45,000 and \$50,000, and I wouldn't like to tell you what it cost me on other days in making the market and keeping it, and keeping on with it. I was the specialist and the only man to come to for the market.

The CHAIRMAN. But you did not have anything at stake. You were simply the specialist in the stock, as I understand you.

Mr. WRIGHT. I was the specialist in the stock, and it was also my privilege to trade in the stock.

The CHAIRMAN. Then you lost money trading in the stock and not as a specialist, but as a trader. A specialist, as I understand, executes orders for other people, while a trader executes his own orders.

Mr. WRIGHT. Well, Senator Fletcher, there were times in that stock when there wasn't even a single bid for it, when the break came, at a time as I remember distinctly that I bought 11,000 shares of the stock at a price some 11 points down from the last sale, in an effort to make a market in that stock. And then it broke 30 points more. Yes, it was a nightmare to me. And in these fluctuations in stocks the specialist suffers a nightmare, because he is the one held responsible for the execution of every stop order, and has charge of every order brought in to the post.

Senator COUZENS. Do you think that a specialist should have the privilege of trading in stock?

Mr. WRIGHT. Well, if you take away that privilege you take away 75 percent of the liquidity of the stock market.

Senator ADAMS. Do you mean that as a specialist that is really a part of his duty?

Mr. WRIGHT. He is the man who supports and keeps the market stable to the best of his ability. And 75 percent of the liquidity of the market in a stock would be lost if you stopped the specialist from trading.

Senator ADAMS. Then a specialist isn't merely a broker?

Mr. WRIGHT. No, sir.

Senator ADAMS. He is a dealer in the stock.

Mr. WRIGHT. He is a dealer in the securities, and is held responsible for the gyrations of that security by the governors of the exchange.

Senator TOWNSEND. Then the specialist is the most important man, according to your testimony?

Mr. WRIGHT. No, sir; but in that class of stocks he is.

Senator TOWNSEND. In what class of stocks?

Mr. WRIGHT. Well, there are 3 or 4 different classes of stocks on the exchange—and, Mr. Pecora, do you want me to continue along that line?

Mr. PECORA. Yes; go ahead and explain it.

Mr. WRIGHT. There is a class of stocks, like United States Steel, General Motors, and so on, and for that class of stocks the market is automatically made. In other words, there are always bids and offers. But in the case of a stock like American Commercial Alcohol, United States Distillers, and others, the market is not made, and as to them there may be a tremendous vacuum. These breaks would not occur in the case of United States Steel or General Motors, because for such stocks a market is automatically made. Those are

volume stocks and are stabilized. But these other stocks are not stabilized stocks.

Mr. PECORA. You mean the alcohol stocks?

Mr. WRIGHT. Yes, sir; they are fairly stable now, but they were not in those days.

Mr. PECORA. Mr. Wright, I have before me data that was furnished to the committee on business conduct of the New York Stock Exchange in connection with an inquiry or investigation which the stock exchange caused to be made last summer at my suggestion, into the activities of the so-called "alcohol stocks", for the period between May 3 and the end of July 1933. And bearing on your statement made here a few minutes ago, that you did not trade in the stock of American Commercial Alcohol after June, I want to call your attention to the fact that the data furnished us by the stock exchange shows trades executed by you generally throughout the month of July 1933.

Mr. WRIGHT. Well, when I made that statement to you, Mr. Pecora, I made the statement that I had not traded for Mr. Bragg, that I had received no orders from him. But I have traded in the stock up to this morning.

Mr. PECORA. Well, you executed orders for W. E. Hutton & Co., didn't you, during June and July of 1933?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And weren't they for the Bragg account?

Mr. WRIGHT. As to that I don't know. W. E. Hutton & Co. are rather a large firm, and who they were trading for then I don't know, who their customers were I don't know.

Mr. PECORA. What orders did you have?

Mr. WRIGHT. I can show you the orders. I have brought everything down here with me so that I can show you everything you may want. W. E. Hutton & Co. might have a thousand customers. The particular orders I had for Bragg were through the month of May and the early part of June, and then he went to Europe. Now, when Hutton sends me any orders I don't know who their customers are. The particular orders I got from Bragg I got over the telephone.

Mr. PECORA. You got certain orders in American Commercial Alcohol stock during the life of his option, from Bragg?

Mr. WRIGHT. Directly from his office to the floor.

Mr. PECORA. And his office was in the office of W. E. Hutton & Co.?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you get any of those orders also from B. W. Smith?

Mr. WRIGHT. No, sir.

Mr. PECORA. I meant from B. E. Smith.

Mr. WRIGHT. No, sir.

Senator TOWNSEND. Is Thomas E. Bragg a member of the New York Stock Exchange?

Mr. WRIGHT. No, sir.

Mr. PECORA. Did you get any orders from Mr. Quinn, who testified last week with respect to his association with B. E. Smith?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Well, those orders were for the account of Smith, weren't they?

Mr. WRIGHT. For the account of Bragg so far as I can understand. I heard the testimony given here.

Senator TOWNSEND. Can you receive orders from anyone who is not a member of the exchange?

Mr. WRIGHT. Well, you see, Senator Townsend, the form of procedure is that when I get orders over the telephone from W. E. Hutton & Co., or from any individual in the office, I hold W. E. Hutton & Co. responsible for the delivery of those orders to me. We consider that the order is executed for the account of W. E. Hutton & Co., not for the account of Thomas E. Bragg.

Senator TOWNSEND. Although they might be given by Bragg?

Mr. WRIGHT. Although they might be orders given by Bragg. We receive those orders at the regular specialist's commission of \$2.50 on each 100 shares of stock.

Mr. PECORA. Why did you say before that the higher prices paid in American Commercial Alcohol stock toward the middle of July 1933 were not prices paid by the public?

Mr. WRIGHT. I did not say they were not prices paid by the public.

Mr. PECORA. I understood you to say that the prices were not made by the public.

Mr. WRIGHT. You see, Mr. Pecora, I never have any means of knowing who is buying or selling the stock, except for the firms. I do not know the individuals. Naturally it was the public, or whoever was trading in the stock. It was trading in the stock that put the stock up. The operations of the pool in that stock did not put the price up. That was carried up by the tremendous uprising in National Distillers and United States Industrial Alcohol, and so on.

Mr. PECORA. And weren't pools working in those stocks?

Mr. WRIGHT. As to that I don't know.

Mr. PECORA. Well, you knew that the Bragg pool was working in it, didn't you?

Mr. WRIGHT. In American Commercial Alcohol; yes, sir. But I did not know anything about National Distillers, or United States Industrial Alcohol, or Commercial Solvents, which were advancing very rapidly at the same time.

Mr. PECORA. Didn't you notice externally indications that pools were operating in those stocks, too?

Mr. WRIGHT. I did not have any change to see about those stocks.

Mr. PECORA. Now, when you were executing orders, whether conveyed to you by Bragg or by W. E. Hutton & Co., or by Quinn, in American Commercial Alcohol Corporation stock, between the beginning of May and the end of July of last year, were any of them limited orders, so-called?

Mr. WRIGHT. Why, yes.

Mr. PECORA. Now, will you describe to the committee what is meant by the term "limited orders"?

Mr. WRIGHT. A limited order is where a man says to you: Sell 2,000 American Commercial Alcohol at 30. That is a limited order, because he has fixed the price at which he wants to sell the stock.

Mr. PECORA. At 30 or better?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. That is, he gives you that selling order at the minimum price for which he wants to sell the stock?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And if you can get a better price, so much the better for him?

Mr. WRIGHT. Yes, sir; then whoever the customer may be he benefits.

Mr. PECORA. And where an order is a buying order he also gives a minimum order?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Or maximum order rather, the price which he will pay.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. But in his case you have discretion to execute the order at a lower price for his account?

Mr. WRIGHT. If I can; yes, sir.

Mr. PECORA. And that is known as a limited order?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And what does the term "market order" denote?

Mr. WRIGHT. A man will say: Sell 2,000 American Commercial Alcohol at the market, which may be  $27\frac{1}{4}$ ; and he wants you to sell it at the market and doesn't limit the price. If you sell the stock at 26, it is all right. And if it is a buy order, it switches around to the other side in the same way.

Mr. PECORA. That is the broker might execute the order at the market?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. The broker is allowed a certain latitude, although the time itself may be very brief, in the execution of the order.

Mr. WRIGHT. Sometimes he is so allowed, and sometimes he is not allowed.

Mr. PECORA. All depending upon market conditions?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. You understand the term "discretionary order", do you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. When is such an order given to a broker, or I mean when such an order is given to a broker, what is understood by that term?

Mr. WRIGHT. He simply gives you an order and puts discretion on executing that order into your hands.

Mr. PECORA. That is both as to price and as to time of execution?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Those elements are left entirely to the discretion of the broker?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, as the specialist in American Commercial Alcohol Corporation stock, did you execute many discretionary orders last summer?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Between May and the end of July?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And for whose account principally?

Mr. WRIGHT. In May for the account of Bragg, and as to the rest, any order, for the account of any man who had a buying or selling

order, and because they are all smart enough that whenever they have a market order and the stock is gyrating or fluctuating violently, they are smart enough to pass it on to the specialist for execution, because then the specialist is held responsible for the execution of the order, as to time, price, and everything else, and not the broker.

Mr. PECORA. Do you know how the volume of orders executed by you directly on the order of Bragg in American Commercial Alcohol was in June and July of last year?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Give us the totals.

Mr. WRIGHT. I can give you the totals, but I can give you that by way of only the amounts for days. Mention any day and I will show you the original orders from the specialist's sheets for that day, and the purchases and sales.

Mr. PECORA. Give us that information for May 2, 1933.

Mr. WRIGHT. Here they are. [Pointing to a book.] On May 2 there were 1, 2, 4, 5, 7, 800 shares bought for the account of various firms. You will see there: Of whom purchased, description of stock, price, for whose account purchased. It shows the whole thing. But the trading was very small that day.

Mr. PECORA. You mean trading was very inactive in that stock that day?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. That was the date when the Bragg syndicate commenced operations?

Mr. WRIGHT. Yes, sir. If you will look here, I will show you if I did any business for W. E. Hutton & Co. on that day. [Looks over the pages of a book.] No; nothing was done by me for W. E. Hutton & Co. on that day.

Mr. PECORA. How about on May 3, either for W. E. Hutton & Co. or for Bragg?

Mr. WRIGHT. I wouldn't know whether it was for Bragg or for Hutton.

Mr. PECORA. Well, you would know if you got the order directly from Bragg, wouldn't you, because you would enter it on your books as an order received from Bragg?

Mr. WRIGHT. No.

Mr. PECORA. In that case would you enter it up as from W. E. Hutton & Co.?

Mr. WRIGHT. Yes, sir; W. E. Hutton & Co. is my principal. If you will pick out one principal day I will show you what orders I received, and from what firm.

Mr. PECORA. One minute. What were the public quotations of American Alcohol stock on May 2, 1933?

Mr. WRIGHT. The high was 21 and the low was 20. There was very little activity.

Mr. PECORA. There was considerable activity the following day, May 3, was there not?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And did you execute orders on May 3 for the account of W. E. Hutton & Co.?

Mr. BRAGG (looking at his book of record). Practically nothing.

Mr. PECORA. Well, from whom were your principal orders on May 3?

Mr. WRIGHT. For these people [holding up a package of tickets].

Mr. PECORA. Can you give their names?

Mr. WRIGHT. You will find practically every name on the stock exchange, in here. If you want to look through them you can see. Suppose you look through them and then let me read them off from this book.

Mr. PECORA. All right.

Mr. WRIGHT. Here are the original orders received on that day.

Mr. PECORA. All right.

Senator ADAMS. That is, your orders came in on those slips, do you mean?

Mr. WRIGHT. These are the original orders. I keep everything for 1 year. And here is my specialist book on that day.

Senator ADAMS. Then do you put them on those ledger figures there?

Mr. WRIGHT. Yes, sir.

Senator ADAMS. And then you transfer them into your permanent book?

Mr. WRIGHT. Yes, sir.

Senator ADAMS. Then you have three entries?

Mr. WRIGHT. Yes, sir. This is the specialist book kept in this way; this is the way we run our books.

Senator ADAMS. And here are your prices.

Mr. WRIGHT. Yes, sir. Here are 22,  $22\frac{1}{2}$ ,  $22\frac{3}{8}$ , and 23. Here are the orders to buy, and here are the orders to sell, at these figures.

The CHAIRMAN. As a specialist you have orders to pay a certain price, and you have orders to sell at a certain price.

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. And as a trader you can operate between the two prices for you own benefit, can't you?

Mr. WRIGHT. Yes, sir. But sometimes it is not to my own benefit as it turns out. Would you like to see, Mr. Pecora, the orders on that terrific day, the day of the big break?

Mr. PECORA. Yes; was that July 18?

Mr. WRIGHT. Yes, sir. I will have my assistant get the specialist sheet.

Mr. PECORA. I do not see it here in this book.

Mr. WRIGHT. I will get the other book for you. On July 18, the day of the big break in the market for American Commercial Alcohol, the volume was 43,600 shares.

Mr. PECORA. And the stock ranged between 77 and  $89\frac{7}{8}$  on that date, didn't it?

Mr. WRIGHT. No, sir—well, here is  $89\frac{7}{8}$ ; yes, sir; that is right.

Mr. PECORA. In other words, from a low of 77 to a high of  $89\frac{7}{8}$ .

Mr. WRIGHT. Yes, sir. The next day it was a little bit worse. It went down 29 points the next day.

Senator ADAMS. You only had 11,000 shares that day yourself?

Mr. WRIGHT. Yes, sir.

Senator TOWNSEND. And on July 12 there were 65,000 shares dealt in.

Mr. WRIGHT. That was the run-up market.

Mr. PECORA. That was what?

Mr. WRIGHT. The market was running up. Here, I will give you an idea of the situation from this book, as to the total number of shares traded in in that stock. Here are my specialist's sheets. But I will get the original orders. You can see that on this date what a tremendous amount of orders there were in that stock.

Mr. PECORA. On what date?

Mr. WRIGHT. July 18.

Mr. PECORA. We have it in the book, I believe.

Mr. WRIGHT. This only shows orders executed. This other shows the amount of orders given, and a great many of the orders possibly were not executed.

Mr. PECORA. Were there any other specialists in the stock of American Commercial Alcohol in May, June, and July of 1933?

Mr. WRIGHT. Well, as I am telling you, in July it does not help me out, because I was being swamped with stocks. During July many brokers came in to help me out, owing to the violent fluctuations in the stock, and owing to the impossibility of getting orders in my books, and so forth.

Senator ADAMS. When people came in to help you the commissions went to them, did they?

Mr. WRIGHT. Yes, sir. Whatever men worked on that day they got paid for it.

Senator ADAMS. And they carry whatever responsibility goes with it?

Mr. WRIGHT. Oh, no. The responsibility is all mine.

Senator ADAMS. Then they left that with you?

Mr. WRIGHT. Yes, sir. When a man comes in to help, you do not ask him to assume any responsibility. You assume it all yourself. Now, this is the other side to look at, Mr. Pecora.

Mr. PECORA. What is that?

Mr. WRIGHT. This is the other side, the other interesting thing to look at. This will show where the stock broke. Would you like to look at it?

Mr. PECORA. Yes.

Mr. WRIGHT. Here are the original books of that day when we were getting orders. And these are the selling orders that night. The reason why the stock broke you will see from that that there were no bids.

Mr. PECORA. As of the date July 18?

Mr. WRIGHT. Yes, sir. This is the buy side and this is the sell side. You will notice nothing but selling orders, with no bids. That is the explanation why the stock broke. You will see that we were getting few bids in here, and only a few any day right along there.

Mr. PECORA. What you have referred to are a few sheets of paper loosely bound together, which constitute what is called the book, is that it?

Mr. WRIGHT. That constitutes the market in the stock.

Mr. PECORA. As of July 18, 1933?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And in this book there are entered both the buying and the selling orders, at various prices at which trades were made on that day, from your book, isn't it?

Mr. WRIGHT. Yes, sir.

Senator COUZENS. And the reason the market broke was because there were no buying orders?

Mr. WRIGHT. Because the selling orders outnumbered the buying orders.

Mr. PECORA. That is, when the stock got to a level of around 89 the public would not buy any more at those figures, and then those who had the stock wanted to sell.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And get the benefit of those high levels.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And that produced an avalanche of selling orders, with practically no buying orders at all?

Mr. WRIGHT. That is correct.

Senator TOWNSEND. What is the stock bringing now, Mr. Pecora?

Mr. PECORA. It is around 49 now. Or, Mr. Wright, what is it quoted at now?

Mr. WRIGHT. At about 49.

The CHAIRMAN. And it went down to around what point?

Mr. WRIGHT. It went from  $89\frac{7}{8}$  to  $29\frac{7}{8}$

Mr. PECORA. Within 3 days' time.

Mr. WRIGHT. Yes, sir; within 3 or 4 days.

Mr. PECORA. Between July 18 and July 21.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. The pools did not do any buying at the higher levels from July 18 and for a few days thereafter, did they?

Mr. WRIGHT. What pools?

Mr. PECORA. Whatever pools were in existence.

Mr. WRIGHT. I don't know about that.

Mr. PECORA. Don't you really know, Mr. Wright, what pools were in existence?

Mr. WRIGHT. Sure. I bought some when pools were dealing in the stock, and I got mine.

Mr. PECORA. How many pools were in existence at that time?

Mr. WRIGHT. I don't know.

Mr. PECORA. I mean at the time when the break came.

Mr. WRIGHT. Well, as to that I don't know.

Mr. PECORA. Would you, for the benefit of the committee, describe the mechanics of the handling of a book by a floor specialist of the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Assume, now, that we know nothing about the mechanics of the operation, and that you are going to give us a complete education of the process of handling the book.

Mr. WRIGHT. Tell me what date you want, and you can pick out any date.

Mr. PECORA. Well, I will leave that to you.

Mr. WRIGHT. Well, I will pick this one [pointing to a book]. This was on the 11th of July.

Mr. PECORA. Well, that was a pretty active date, when 52,700 shares were traded in.

Mr. WRIGHT. That is a good day to work on.

Mr. PECORA. All right. You may go ahead.

Mr. WRIGHT. Here are my two books. I run in that what we call the odd orders, and here is the even book; that is, we will say when the stock is at 88, and the odd book we will say is when the stock is at 87. Is that much now plain to you?

Mr. PECORA. Yes; I think so.

Senator ADAMS. Why is it helpful to you to handle it in that manner?

Mr. WRIGHT. Well, because when we have two books it means that when I got through with the odd book I can grab that even book from the man who has been writing it up. In that way I always have a book in my hand. On this particular day there was a price range of what? Do you have it there, Mr. Pecora?

Mr. PECORA. My record shows a low of 43 $\frac{3}{8}$  and a high of 53.

Mr. WRIGHT. As I receive orders from the various firms, which constitute all of the firms on the stock exchange, those orders are handed to me. Here are the orders I received from the various firms on the stock exchange that day [holding up a bunch of what appeared to be tickets]. As an order is brought in to me, either by a broker or the boy—

The CHAIRMAN (interposing). Read one of the orders to us.

Mr. WRIGHT. This says: Buy 100 A.C. at 46 $\frac{1}{2}$ . That means American Commercial Alcohol.

Senator COUZENS. Order given by whom?

Mr. WRIGHT. By Harris, Upham & Co. That order is immediately entered in my book. Here is the price, at the top here. We run each page one half a point. This is a page from 46 $\frac{1}{3}$  to 46 $\frac{7}{8}$ . Here is the other side, I mean on that day, being the selling side. Here is an order from Jackson Bros., Boesel & Co. entered on my book. We usually abbreviate the names and all sorts of things in order to save time in the execution of the order.

Now, is there anything else that I can explain to you about it?

Mr. PECORA. Go ahead.

Mr. WRIGHT. As the stocks are sold at these prices I write alongside here who I bought it from and who I sold it to. Well, I cannot read my own writing myself at times. As that stock is bought or sold a report is immediately sent to the firm for whose account I received the order. I am, as specialist, held responsible for every order in that book.

The CHAIRMAN. Where is the stock in the meantime? Where are the actual shares of stock?

Mr. WRIGHT. Well, they are around in the offices.

The CHAIRMAN. You do not handle them?

Mr. WRIGHT. I have nothing to do with them.

Senator ADAMS. To what extent does the specialist have an obligation to take stock that is offered in case there are no purchase orders?

Mr. WRIGHT. That is a matter of pride and judgment. The way you figure that out, or the way I figure it out, and I will explain it to you fully if you would like.

Senator ADAMS. I wish you would.

Mr. WRIGHT. Well, I got my business for a number of years while specializing in that stock. Then when the break came I felt that I could not take the responsibility of refusing to take all those market orders, so I just took all the market orders as they came. And, as

I have already said, there was not one complaint on the part of the exchange over the execution of any order either during the upward rise or the downward swing. I stood responsible for the execution of every order that came, and it cost me as high as \$50,000 on one day.

Senator COUZENS. Tell us what would have happened if you had not assumed the responsibility for that order.

Mr. WRIGHT. I don't know.

Senator COUZENS. Well, let us assume a case where a specialist did not assume that responsibility.

Mr. WRIGHT. Well, during the last of July it was suspended from 1 to 2 hours' time trying to get bids.

Senator COUZENS. That is, the specialist was trying to get bids?

Mr. WRIGHT. We suspended trading when we did not have bids. The way that is: We call a governor over and tell him the situation. In my particular case as I say I had 11,000 or 12,000 shares to sell at the market, and he says: What do you want me to do about it? I says: I will bid such a price for it. And if he says O.K. then, all right. But in this case that took place, because one sale was touching off another, one stock was touching off another stock.

Mr. PECORA. Do you think that is an evil?

Mr. WRIGHT. Yes.

Mr. PECORA. Why?

Mr. WRIGHT. Because of these terrific breaks in stocks.

Mr. PECORA. And because of that would you recommend the abolition of stop-loss orders by customers?

Mr. WRIGHT. I am in no position to recommend anything. But stop-loss orders are an evil in such a case, I mean in a stock like that. That is because it differs from the case of General Motors or United States Steel, because in the case of those stock there are orders to take care of sales. But in the case of these stocks they are an evil.

Senator ADAMS. How do you define a stop-loss order?

Mr. WRIGHT. Well, we will pick out 1 day. The way it runs in the case of a stock like this: We will say that a man wants to sell 100 shares at 47 or 48, and the stock may be selling at 50. You, as the specialist, are held responsible, and the minute that stock sells at 48 that becomes a market order for execution, and you are held responsible for the next sale. That is true no matter what it is you are holding. If you have no buyers you have to purchase that stock yourself.

Mr. PECORA. At the stop-loss price?

Mr. WRIGHT. Then at the market.

Senator TOWNSEND. And if it goes below that price, what then?

Mr. WRIGHT. I have seen some purchases 3 or 4 points beyond. And on the sell side I have seen them as low as 3 or 4 points below.

Mr. PECORA. Is there any obligation imposed upon the specialist by the rules of the New York Stock Exchange to take orders whether there are any public orders or not?

Mr. WRIGHT. No, sir.

Mr. PECORA. So that when a specialist does that he does it of his own initiative or discretion?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Or his own moral sense of responsibility?

Mr. WRIGHT. Yes, sir; in his own moral sense, judgment, or discretion, whichever you want to call it.

Senator ADAMS. Was there a suspension of trading in this stock?

Mr. WRIGHT. Yes, sir; of 1 hour. I believe the stock had sold at 89¾, and then I believe the next sale was at 79¾. We suspended trading for 1 hour, and during the suspension of trading for 1 hour selling orders kept pouring in until they became a nightmare.

Mr. PECORA. And buying orders were scarce?

Mr. WRIGHT. There were none.

Mr. PECORA. And did you then buy in order to give support to the stock?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. To what extent?

Mr. WRIGHT. I think 11,000 shares of stock that were for sale.

Mr. PECORA. Do you recall the range of prices at which you bought those 11,000 shares?

Mr. WRIGHT. I think I bought all of the stock at—the price range that day was from 79 to—let me see. [Looking over some records.]

Mr. PECORA. It was from 77, or at 77, down from 89¾.

Mr. WRIGHT. That was it.

Senator COUZENS. When you did that were you confident in your own mind that you would stand a loss?

Mr. WRIGHT. No; I was praying.

Senator COUZENS. Praying that you would not stand a loss?

Mr. WRIGHT. Yes, sir.

Senator COUZENS. Was that all that you had to rely on; prayer?

Mr. WRIGHT. Yes, sir; that was all.

Senator ADAMS. Is that rather helpful on the stock exchange?

Mr. WRIGHT. No, sir. [Laughter.]

Mr. PECORA. Mr. Wright, have you answered my question?

Mr. WRIGHT. Yes. I have shown that the stop-loss orders were—

Mr. PECORA (interposing). No. The question I asked you was, At what range did you buy those 11,000 shares when the break in the market came?

Mr. WRIGHT. From 85½ down to as low as 77.

Mr. PECORA. Were you short of the market at that time?

Mr. WRIGHT. No, sir.

Mr. PECORA. Were you ever short of the market during the movement of this stock between May and the 1st of August of last year?

Mr. WRIGHT. No, sir. And I have my daily position here, which will answer that question right away.

Mr. PECORA. All right; but your statement is sufficient.

Mr. WRIGHT. What date do you want to know about? Here is one date where I was short 600 shares, but I do not know what happened that day.

Mr. PECORA. What day was that?

Mr. WRIGHT. The 19th.

Mr. PECORA. The 19th of July?

Mr. WRIGHT. Yes. And here is another day, the 27th, when I was short 300 shares.

Senator TOWNSEND. How were you short 600 shares on the 19th of July? I mean, when you had made such heavy purchases as 11,000 shares.

Mr. WRIGHT. I sold it all out. On the 18th I bought 9,800 shares and sold 10,900 shares for my own account. On the 17th I was long 1,700 shares, and I bought 8,200 shares and sold 8,800 shares, running out at the end of the day 8,900 shares long. When we see these things coming we keep as near even as possible.

Senator ADAMS. There must have been some purchasers available in order for you to make those sales, which do not seem to be indicated on your books as I see them.

Mr. WRIGHT. They come in. They will always come in when a stock has had a drastic break.

Mr. PECORA. Did you trade actively for your own account or for your firm's account in American Commercial Alcohol during the months of May, June, and July of last year?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And at the end of July did your trades show a net profit or a loss for the 3 months' period from May to July?

Mr. WRIGHT. A profit.

Mr. PECORA. It showed a profit, do you say?

Mr. WRIGHT. Yes, sir. It showed a profit of \$138,000.

Mr. PECORA. So that when the nightmare was over it was not so bad after all?

Mr. WRIGHT. Yes, sir; it was very bad.

Mr. PECORA. Well, how much would you have to make in order to avoid a nightmare? [Laughter.]

The CHAIRMAN. Mr. Wright, you spoke about your losses a while ago. It seems that the ultimate result was fairly good for you, wasn't it?

Mr. WRIGHT. It was fairly good, but I had some very severe days.

Senator ADAMS. Well, if we might speak of a fellow who was murdered, you were a pretty live corpse.

Mr. WRIGHT. Well, that is my business.

Mr. PECORA. And it is fair to say that you know your business.

The CHAIRMAN. Did I understand you to say that you think stop-loss orders ought to be abolished?

Mr. WRIGHT. Well, I am, unfortunately, a member of the exchange, and I can make no public comment on that.

Mr. PECORA. Is there any rule which prohibits a member of the exchange from making any comments or recommendations with regard to the market?

Mr. WRIGHT. No, sir.

Mr. PECORA. Well, then, why do you say that in answer to the chairman's question?

Mr. WRIGHT. Well, I told you a few minutes ago what I thought of stop-loss orders, that in this class of stock they are a detriment to the market. I told you that a few moments ago.

The CHAIRMAN. How about the customer or trader or man dealing in stocks—isn't it a good thing for him to have a stop-loss order in order to protect himself, so that he can sleep nights?

Mr. WRIGHT. They seem to feel that way about it.

Mr. PECORA. I am a little bit interested in the answer you made a moment ago to Senator Fletcher's question, when he asked you something about stop-loss orders. You said you were a member of the exchange so that you could not make any comment.

Mr. WRIGHT. I did not mean it that way. I meant that I would rather not make public comment on it.

Senator COUZENS. In other words, it hurts your good will, doesn't it, if you run contrary to your customers' wishes?

Mr. WRIGHT. Well—

Mr. PECORA (interposing). Or the wishes of the authorities of the exchange, perhaps.

Mr. WRIGHT. No. They have expressed no wish of any kind. Any man can say anything he feels like, about what he may think is wrong.

Mr. PECORA. Now, to what extent did you, as the specialist handling American Commercial Alcohol stock, buy and sell that stock for your own account and the account of your firm during the months of May, June, and July 1933, which resulted in this profit for that period amounting to \$138,000?

Mr. WRIGHT. In May I bought 52,600 shares and sold 52,000 shares.

Senator TOWNSEND. Out of a total of what amount?

Mr. WRIGHT. I do not know the volume. I have only learned in the last 2 days that the volume was 209,000 shares from the 23d to the 31st.

Senator TOWNSEND. Have you the volume in the early part of May?

Mr. WRIGHT. Mr. Pecora has that.

Mr. PECORA. I will give you the volume for the first week of May, Senator Townsend: On May 1 it was 7,400 shares; on May 2 it was 2,800 shares; on May 3 it was 29,000 shares; on May 4 it was 8,500 shares; on May 5 it was 3,800 shares; and on May 6 it was 1,600 shares. That is the first week in May.

Senator ADAMS. What was the number of outstanding shares?

Mr. PECORA. Approximately 290,000 shares.

Mr. WRIGHT. I would say, Senator, that the stock had been turned over at least 2 for 1 for the entire capitalization that month.

Mr. PECORA. You gave us the trades you made for your own or your firm's account during the month of May as 52,600 shares bought and 52,600 shares sold. What were your figures for June?

Mr. WRIGHT. 74,900 bought; 75,000 sold.

Mr. PECORA. For the month of July to what extent did you trade on your own or your firm's account in that stock?

Mr. WRIGHT. Bought 120,200; sold 120,300. That was pretty close trading.

Mr. PECORA. You kept a pretty even position all during those 3 months?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Totaling the figures which you have just given us, it would appear that in the months of May, June, and July, 1933, you bought for your own account 247,700 shares of American Commercial Alcohol stock and sold in that same period 247,300 shares. Do you know what the total capital stock outstanding then was?

Mr. WRIGHT. About 200,000 shares.

Mr. PECORA. A little less than 200,000 shares?

Mr. WRIGHT. Yes.

Mr. PECORA. Do you know what the total trading in volume in that stock was from May 15 to July 22, last?

Mr. WRIGHT. In the month of June it was 349,000; in the month of July it was 638,000; in the month of May I would not—I lack some figures that you have; but in the month of May, in the last 7 trading days, there were 209,000 shares of the stock traded in.

Mr. PECORA. Our figure here is that the total trading in that stock on the exchange in the period between May 15 and July 22, 1933, was 1,145,100 shares.

Mr. WRIGHT. That is about right.

Mr. PECORA. So that you handled for your own account more than one fifth of the total volume of trading?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. What was the total amount of stock outstanding?

Mr. WRIGHT. Two hundred and sixty-five thousand shares in June and 200,000 shares previous to that.

The CHAIRMAN. That was the total stock outstanding?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. Of the corporation?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. What was the total issue?

Mr. WRIGHT. Two hundred thousand shares up to June and 265,000 shares after June, when the capital was raised.

Mr. PECORA. During the time that you executed orders for the account of the Bragg syndicate, which orders you received directly from Bragg, what were they—oral or written orders?

Mr. WRIGHT. Oral orders.

Mr. PECORA. Were any of them of the discretionary kind?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Were most of them of the discretionary kind?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. How would those orders be transmitted to you in such instances?

Mr. WRIGHT. By telephone.

Mr. PECORA. Did he call you up on the telephone?

Mr. WRIGHT. He would call me up or send over a written order, one of the two.

Mr. PECORA. At that time would he ask you what the condition of the book was on the stock?

Mr. WRIGHT. The condition of the book on the stock, Mr. Pecora, was that anybody that bought stock would be insane, because the book was full of selling orders, and any man that bought stock would look like he was insane. Pick out any date in May—pick out May—

Mr. PECORA. Then the condition of the book was what he asked you to tell him when he called you up on the phone to give you those discretionary orders?

Mr. WRIGHT. The orders in the book take precedence over Mr. Bragg's orders.

Mr. PECORA. Would he ask you what the condition of the book was when he called you up?

Mr. WRIGHT. Yes, sir. He would get the same answer all the time—"very heavy."

Mr. PECORA. Would you give him any more detailed answer than that?

Mr. WRIGHT. No, sir. When I have any stock orders or any orders I refuse to divulge my book to anybody.

Mr. PECORA. How would you know that an order on your books was a stock-list order?

Mr. WRIGHT. It is sent to me written out, a stock order.

Mr. PECORA. By the broker who turned the order over to you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. When you exercised your discretion in response to Bragg's verbal orders, how would you exercise it? What interest did you seek to serve?

Mr. WRIGHT. Will you put that question to me again?

Mr. PECORA. The reporter will read it to you.

(The question referred to was read by the reporter as above recorded.)

Mr. WRIGHT. The interest I sought to serve was to do the best I could in the execution of the order.

Mr. PECORA. Did you know at the time you executed these discretionary orders that Bragg had this option?

Mr. WRIGHT. I did not hear the details of this late lamented option until I came here.

Mr. PECORA. Did you know then that he had an option, whether you knew the details of it or not?

Mr. WRIGHT. I suspected he had an option.

Mr. PECORA. What caused you to suspect it in the absence of specific knowledge?

Mr. WRIGHT. Because of his desire to sell stock.

Mr. PECORA. That indicated to you that he was conducting a pool operation?

Mr. WRIGHT. I thought he had bought a big block of stock or had an option.

Mr. PECORA. And wanted to dispose of the stock at a profit?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Well, you could not tell that merely from the fact that he gave you selling orders, could you?

Mr. WRIGHT. Mr. Pecora, I tell a great deal from instinct.

Mr. PECORA. That is an instinct which is acquired through years of experience?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. In addition to getting discretionary orders to sell, did you also get during that period of time discretionary verbal orders from Bragg to buy?

Mr. WRIGHT. Yes.

Mr. PECORA. And it was a combination of both that gave you the impression that he was running a pool in the stock?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Could you tell the committee from your recollection, or, if not from your recollection, from any records available now, what was the largest discretionary order either to buy or to sell American Commercial Alcohol stock that Bragg gave you during the operation of that pool?

Mr. WRIGHT. I am under oath, so I could not answer it correctly. I would say that about the largest I remember was 5,000 shares.

Mr. PECORA. In executing a discretionary order for that large amount of shares, how would you exercise your discretion? You would not buy or sell the entire 5,000 shares at one time, would you?

Mr. WRIGHT. At that time I was exercising my discretion by watching the gyrations of United States Industrial Alcohol and National Distillers. If that stock got strong I would sell, because it would get strong with others.

Mr. PECORA. So you held it for a better price?

Mr. WRIGHT. Yes, sir; for which I received \$2.50 per hundred shares.

Mr. PECORA. And when you got an order from the buying side?

Mr. WRIGHT. It would work the same way. If those stocks got weak I would have his stock to support the market. Exactly the same way, only reversed.

Mr. PECORA. You would not execute the entire order at one time, would you?

Mr. WRIGHT. No, sir.

Mr. PECORA. I presume you frequently, during that period, got orders to both buy and sell from Bragg on the same date?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. During the year 1933, the whole calendar year, how many options did you or your firm have on stock listed and traded in on the New York Stock Exchange?

Mr. WRIGHT. Is that answered in the questionnaire?

Mr. PECORA. Yes. Before I come to the detail of those options, let me ask you if, when you told the committee a few minutes ago, that the total profits that you or your firm netted in trading for its own account during May, June, and July of last year in the stock of American Commercial Alcohol were \$138,000, whether that was inclusive of the commissions?

Mr. WRIGHT. No, sir.

Mr. PECORA. How much would the commissions add to that sum of \$138,000?

Mr. WRIGHT. I could not answer that without counting them up.

Mr. PECORA. Suppose you have one of your assistants estimate it and give us an answer while I continue with the examination.

Mr. WRIGHT. Do you want the commissions on just the American Commercial Alcohol?

Mr. PECORA. Just the American Commercial Alcohol stock.

Mr. WRIGHT. For 3 months?

Mr. PECORA. For those 3 months.

When Bragg would give you a discretionary order to buy for his account, during the operation of the pool last summer, you believed from your instinct that he was buying in order to put the market up; you exercised that discretion for the purpose of putting the market up?

Mr. WRIGHT. Mr. Bragg does not work that way. When he gave me buying orders he gave me orders so that there would only be support in that stock. He didn't buy it up.

Mr. PECORA. How would the higher levels be attained?

Mr. WRIGHT. By the natural desire of people at that particular time to trade in whisky stocks. There was no so-called "manipulation" in this stock.

Mr. PECORA. No; I meant, how are those higher levels attained generally in a pool operation undertaken by persons who either have accumulated stock or have an option on stock and—

Mr. WRIGHT. In this particular stock the stock was carried up by the speculation that was going on in the other whisky stocks.

Mr. PECORA. That still does not answer my question. I have not asked you to tell us how it was done in this particular case, but how is it done generally?

Mr. WRIGHT. I am afraid, Mr. Pecora, that every incident is a different one. It would take a month to tell you.

Mr. PECORA. There are so many different ways, you mean?

Mr. WRIGHT. Yes.

The CHAIRMAN. In executing orders you made your commission whether it was a sale or a purchase?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. You would get \$2.50 when you sold and \$2.50 when you bought?

Mr. WRIGHT. Yes.

The CHAIRMAN. So that as far as your commission was concerned, it made no difference to you whether the market was going one way or the other, did it?

Mr. WRIGHT. Except for my position in the stock, whatever it might be at that particular time.

Mr. PECORA. The position you take is one that you voluntarily take for your own account?

Mr. WRIGHT. Yes.

Mr. PECORA. The orders you execute for customers you execute automatically?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And as the Senator has indicated in his question of you, your commission for a buying or selling order does not affect your own position?

Mr. WRIGHT. No, sir.

Mr. PECORA. Question No. 6 in the questionnaire sent to you, which has been marked in evidence as "Exhibit No. 33", calls for the following information [reading]:

6(a) State whether your firm held any option or had participation in any option exceeding 10,000 shares of any single security during the years 1929 to 1933, inclusive. If answer is in the affirmative and firm held the original option or acted for the optionee or optionees, furnish a photostatic copy of each of such options

In making your answer to that question you submitted to us photostatic copies of certain option agreements, which I will now show to you, for the year 1933. I will arrange them in chronological order. I show you 13 photostatic reproductions of as many different options. Will you look at them and tell us if you recognize them to be true and correct copies of options held by you or your firm during the year 1933 on securities listed on the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Here is another one. That makes 14. Will you look at the other one?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. I offer them in evidence and ask that they be separately marked in chronological order.

(Photostatic copies of 14 optional agreements made during the year 1933, identified by the witness, were received in evidence and marked as "Committee Exhibits Nos. 34 to 47, inclusive, Feb. 20, 1934," and will be found printed in full at the end of today's record.)

Mr. PECORA. Also in answer to that same question, 6(a), in the questionnaire, did you submit to us as copies of options held by you or your firm during the calendar year 1932 these documents which I now show you and which are four in number?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Are those documents true and correct photostatic reproductions of all the options held by you or your firm during the year 1932?

Mr. WRIGHT. As far as we have been able to find by going over the records and looking through all the files.

Mr. PECORA. I offer these in evidence and ask that each document be marked separately.

The CHAIRMAN. Let them be admitted.

(Photostatic copies of four optional agreements made during the calendar year 1932, identified by the witness, were received in evidence and marked as "Committee's Exhibits Nos. 48 to 51, inclusive, Feb. 20, 1934," and will be found printed in full at the end of today's record.)

Mr. PECORA. I now show you, Mr. Wright, eight photostatic reproductions of as many different options. Will you look at them and tell us if they constitute true and correct copies of all the option agreements held by you or your firm during the calendar year 1931?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. I offer them in evidence as separate exhibits.

The CHAIRMAN. Let them be admitted.

(Photostatic copies of eight option agreements made during the calendar year 1931, identified by the witness, were received in evidence as committee exhibits nos. 52 to 59, inclusive, Feb. 20, 1934, and will be found printed in full at the end of today's record.)

Mr. PECORA. Did your firm hold any options, or did any member of the firm hold any options, on any listed security during the calendar year 1930?

Mr. WRIGHT. I don't think I worked in 1930.

Mr. PECORA. Your firm was in existence and worked that year, didn't it?

Mr. WRIGHT. Yes; but the firm had nothing to do with my particular work. When I am not there it doesn't take place. When I go back to New York I will look it up, and if there are any I will send them to you.

Mr. PECORA. The questionnaire called for copies of options for the calendar years 1929 to 1933, both inclusive.

Mr. WRIGHT. I don't think I had any in 1929.

Mr. PECORA. Can you make sure of that?

Mr. WRIGHT. Yes; by going through my records; yes, sir. We don't, as a general rule, keep those things for that period of time. If we have them, they are in the storage warehouse.

Mr. PECORA. The year 1929 was an especially active years in the stock market, was it not?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Would that circumstance tend to refresh your recollection as to whether or not you or your firm or any partner in your firm had any options that year?

Mr. WRIGHT. In that particular year I was too busy taking care of my own affairs to be bothered about options.

Mr. PECORA. Does that indicate that you had no options during that year at all?

Mr. WRIGHT. To the best of my recollection I did not have any.

Mr. PECORA. How about the year 1930?

Mr. WRIGHT. There may have been one or two. That I will have to look up when I get back to my records, because I didn't work that whole year.

Mr. PECORA. Do you recall during the year 1932 having a joint account with Ames Bros., a firm of brokers, in American Commercial Alcohol stock?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And is Stephen M. Ames a member of the firm of Ames Bros.?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did not that joint account operate under an option which ran to Stephen M. Ames from Russell R. Brown, covering 10,000 shares of American Commercial Alcohol stock?

Mr. WRIGHT. I don't remember the amount, Mr. Pecora, but I believe there was an option from Russell R. Brown.

Mr. PECORA. And that was an option under which your joint account with Ames Bros. was conducted?

Mr. WRIGHT. I had gone away at that time and I don't remember what Ames Bros.—I never saw the original option. I don't remember what it was and I have no record of it.

Mr. PECORA. If you had a joint account with Ames Bros which operated under that option, would not your records show the fact?

Mr. WRIGHT. Here it is, right here [indicating].

Mr. PECORA. Then you have one?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. In making your return to our questionnaire it does not appear that any mention was made of that joint account.

Mr. WRIGHT. It was not done intentionally, Mr. Pecora

Mr. PECORA. No; I appreciate that.

Mr. WRIGHT. If it was done, it was because it slipped by us, because I was in Europe when this answer was filed. There was no stock called, Mr. Pecora, according to the record here—there was no stock called on the option. It was simply a trading account and was unsuccessful.

Mr. PECORA. It was a trading account conducted under this option for 10,000 shares, was it not?

Mr. WRIGHT. If that is the amount; yes, sir. We had no copy of the option in our office at all.

Mr. PECORA. In addition to the options, copies of which have been put in evidence, which your firm had during the years 1931, 1932, and 1933, did you during those same years have any verbal options as distinguished from written options on any listed securities?

Mr. WRIGHT. Not that I remember, Mr. Pecora

Mr. PECORA. This memorandum [indicating] was given to us by your office under the caption of "Verbal Options", covering American Water Works certificates, General American Tank, Graham-Paige Motor Corporation, National Bellas Hess, Pacific Lighting Corporation, Pullman, Inc., National Distillers, and Zonite Products. Does that refresh your recollection?

Mr. WRIGHT. Yes, sir; I remember we had, now.

Mr. PECORA. That you had oral options on the securities which I have just named?

Mr. WRIGHT. Yes, sir; I remember them all, now.

Mr. PECORA. Have you the details of those oral options?

Mr. WRIGHT. No, sir.

Mr. PECORA. Have you any records from which you could get the details of those oral options?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Are they with you? Have you got those records with you?

Mr. WRIGHT. We have no record of the original options. We could only tell you what we did. I will draw up a transcript of the accounts, of those particular accounts, and send it to you.

(After consulting with an associate) I am told that you have it, that it was taken off in New York by one of your men.

Mr. PECORA. When you got this oral option in National Distillers were you the specialist in that stock?

Mr. WRIGHT. No, sir.

Mr. PECORA. Are you now the specialist in that stock?

Mr. WRIGHT. No, sir.

Mr. PECORA. Were you ever the specialist in that stock?

Mr. WRIGHT. No, sir.

Mr. PECORA. Will you look at this document which I now show you, which purports to be a copy of a letter addressed to the firm of Wright & Sexton by Redmond & Co., under date of May 6, 1932, and tell us if that relates to what has been referred to as the oral option in National Distillers Co. stock?

Mr. WRIGHT. I would have to look it up, Mr. Pecora, before I could answer that.

Mr. PECORA. Can you look it up during the recess, if you have your records of it here?

Mr. WRIGHT (after consulting with associates). I can call up New York by long distance 'phone and try to find out for you.

Mr. PECORA. Cannot any of your office attachés identify that document as a copy of a letter addressed to you by Redmond & Co., or addressed to your firm, giving you an option on stock of the National Distillers Co., in writing?

Mr. WRIGHT. I think this account was carried with Redmond. I would have to call up Redmond and verify it, and I could not answer it until I did that.

Mr. PECORA. All right. Now, Mr. Wright, you have said before that as a specialist you bought and sold securities for which you held the book. What were the advantages that you as the specialist had in making such trades for your own account which an ordinary broker or operator would not have?

Mr. WRIGHT. None.

Mr. PECORA. None?

Mr. WRIGHT. No, sir.

Mr. PECORA. Would you not have the advantage of the knowledge of the buying and selling orders on the books?

Mr. WRIGHT. I would have that knowledge; yes, sir.

Mr. PECORA. Is not that an advantage?

Mr. WRIGHT. No, sir.

Mr. PECORA. Is it a disadvantage?

Mr. WRIGHT. The general trend runs against the book. In other words, if the stock was going up you would find a preponderance of selling orders, and if it was going down you would find a preponderance of buying orders. It works automatically, the opposite of what it should. In other words, I might have, for instance, in American Commercial Alcohol—I can show you where I had 5 or 10 thousand shares to sell. I was long on the stock; and if I had any knowledge I would have been short and not long.

Mr. PECORA. As a specialist, you get buying and selling orders for the stock, do you not?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And with that information are you not in a better position to determine what the trend of the market is going to be?

Mr. WRIGHT. No, sir.

Mr. PECORA. Why does not that information give you that advantage?

Mr. WRIGHT. I just told you.

Mr. PECORA. Because the trend of the market is the other way?

Mr. WRIGHT. Because the trend of the market is opposite to what the book is.

Mr. PECORA. Does not that give you knowledge of the trend of the market if it runs opposite from the trading indicated by the buying and selling orders on your book?

Mr. WRIGHT. Yes; you could say it did.

Mr. PECORA. Is not that an advantage?

Mr. WRIGHT. Sometimes; sometimes not.

Mr. PECORA. When is it an advantage and when is it a disadvantage?

Mr. WRIGHT. That I cannot answer. I would have to have a book in actual operation to be able to tell you.

Mr. PECORA. From your general knowledge and experience can you not tell us without having a concrete case before you?

Mr. WRIGHT. No, sir; I could not describe it.

Mr. PECORA. It is an advantage to one trading in the market to know what the trend of the market is likely to be, is it not?

Mr. WRIGHT. It certainly is.

Mr. PECORA. That is always an advantage, is it not?

Mr. WRIGHT. Yes.

Mr. PECORA. You always have that advantage from the knowledge you have as a specialist, do you not?

Mr. WRIGHT. If I always had that advantage, I would not ever lose money; and I very frequently lose money.

Mr. PECORA. It might not be an advantage which conclusively would enable you to make money every time on a trade, but it is always an advantage, is it not, to have that knowledge?

Mr. WRIGHT. Yes, sir; if you have it.

Mr. PECORA. And the specialist has got it?

Mr. WRIGHT. At times.

Mr. PECORA. Has he not always got it?

Mr. WRIGHT. No, sir. Lots of times your books will be bare and you don't have bids and offers on the stock. What advantage is the book then?

Mr. PECORA. Then he probably would not trade; is not that so?

Mr. WRIGHT. Yes.

Mr. PECORA. Are there times when, due to market conditions, a specialist makes the market for the stock?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Under what circumstances is the specialist called upon to do that?

Mr. WRIGHT. When there are no bids or no offers of stock.

Mr. PECORA. How does the specialist make the market in that situation?

Mr. WRIGHT. He does it under the supervision of a governor of the exchange.

Mr. PECORA. How does he do it? What are the mechanics of it?

Mr. WRIGHT. A buyer comes in and there might be no sellers, and the specialist will say, "I have no sellers. I will sell you that block of stock at this price. You go back to your client and try to get a limit on it and I will not permit any trading until you get the limit. I will sell you this" or "buy this stock from you at a certain price." If that is agreeable to the customer, the order is executed.

Mr. PECORA. Are there governors of the New York Stock Exchange who are also specialists?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Are there times when the specialist is called upon to open the market on his stock?

Mr. WRIGHT. Every morning.

Mr. PECORA. I mean, to make the price himself, where there are no orders?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And how does the specialist do it in those circumstances?

Mr. WRIGHT. By the method I told you—send him back to the people to get limits; if there is a preponderance of buying orders, to try to get limits on it, and explain the situation, that there is no stock offered and on the selling side there are no bids.

Mr. PECORA. In those circumstances does the specialist get in touch with men or interests that are known to be sponsors for the stock?

Mr. WRIGHT. If he can; yes.

Mr. PECORA. And he very frequently can?

Mr. WRIGHT. And he very frequently cannot, principally when there is trouble around. Insiders are notoriously absent when there is trouble around. They are always absent.

Mr. PECORA. They are always traveling?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. They run away from the stock which they are sponsoring, in times of trouble?

Mr. WRIGHT. Yes. I have never run away from one in my life.

Mr. PECORA. I am not referring to you. I mean sponsors.

Mr. WRIGHT. Yes.

Mr. PECORA. And you have been a specialist and have had that difficulty?

Mr. WRIGHT. Many times.

Mr. PECORA. In establishing contact with sponsors at a time of stress when you want their support?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Do you know the brokerage firm of Eric & Drevers?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Have you ever been a participant with them in any pool or joint account in listed securities?

Mr. WRIGHT. I am told that one of the men from your office was up there and got that record.

Mr. PECORA. Got it from Eric & Drevers?

Mr. WRIGHT. One of your men. I don't remember what it was. If you can tell me the name of the stock, it might refresh my memory.

Mr. PECORA. I will give you the name of a number of stocks that are reported to us by Eric & Drevers. I understand these options and joint accounts were not reported by your firm.

Mr. WRIGHT. I do not ever remember having a joint account. I think that statement is wrong.

Mr. PECORA. The statement they gave is that they had a joint account with you in the following securities: General American Tank, Pullman, Inc., McKeesport Tin Plate—

Mr. WRIGHT. Oh. I beg your pardon. We did not have a joint account. The accounts were carried in their office.

Mr. PECORA. Did you have a participation in the accounts with them?

Mr. WRIGHT. Yes, sir. Here it is, right here [handing a paper to Mr. Pecora]. Eric & Drevers were merely the brokers.

Mr. PECORA. On the return which you made of the verbal options, so called, by which you mean oral options, you indicated that you had oral options in 8 different securities, did you not?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Which are as follows:

American Water Works certificates, General Tank, Graham-Paige Motors Corporation, Pacific Lighting Corporation, Pullman Co., National Distillers, Zonite Products

Do you recall having any oral options in any other security?

Mr. WRIGHT. No, sir.

Mr. PECORA. Or any participation?

Mr. WRIGHT. I would like to check it up and be sure.

Mr. PECORA. Then let me read to you this list of issues in which, according to the report made to us by Eric & Drevers, you had a joint account with them [reading]:

General American Tank, Pullman, Inc., McKeesport Tin Plate, National Bellas Hess, Pioneer Gold, Zonite Products, American Water Works certificates, Belding Hemmway, Curtiss-Wright, Grandby Consolidated Mining, Smelting & Power—

Mr. WRIGHT. They are all listed there, Mr. Pecora.

Mr. PECORA (continuing reading):

Standard Silver-Lead, Graham-Paige, Gotham Hosiery, International Salt, Molybdenum Corporation, Truscon Steel, United Biscuit, Pacific Lighting

Mr. WRIGHT. You are getting into some curb stocks.

Mr. PECORA. Some are curb stocks and some are on the big board?

Mr. WRIGHT. Yes. I never had a joint account in them that I remember. Eric & Drovers carried those accounts for me. I had better check this up.

Mr. PECORA. Will you take this document and try to verify the information shown?

Mr. WRIGHT. General Tank is answered there. Pullman is answered there. National Bellas Hess is a curb stock. McKeesport Tin Plate—

Mr. PECORA. That is not answered here.

Mr. WRIGHT. Pioneer Gold is a curb security. Belding Hemingway—that is answered there. Curtiss-Wright, Granby Consolidated Mining, Smelting & Power. There has not been any option on Standard Silver-Lead. That was a direct purchase. Graham-Page is answered there. Gotham Hosiery, International Salt, Molybdenum Corporation, Truscon Steel. Molybdenum is a curb stock. So they are all answered there except McKeesport Tin Plate. That is the only thing I will have to clear up.

Mr. PECORA. How does it happen, Mr. Wright, that during the calendar year 1933, according to the returns made by your firm to our questionnaire, you had more options on securities listed on the New York Stock Exchange than you had in any other year?

Mr. WRIGHT. We had a rush of gold during the months of May, June, and July, and people were anxious to get rid of stocks that had been frozen over the period from 1929 to 1933.

Mr. PECORA. Does that mean that you thought conditions were more propitious for market operations in those stocks?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. During the year 1933.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. The first one of the options which you had in the year 1933, in chronological order, was the one that has been marked in evidence here as exhibit no 34, and was an option granted to you by the firm of Hornblower & Weeks covering 25,000 shares of Timken Detroit Axle common stock, dated April 25, 1933, the option period expiring on May 24, 1933. Did you exercise that option?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Is that one of the securities in which the book was in your name?

Mr. WRIGHT. No, sir; it was not at that date. I can put this letter in evidence to prove it [producing paper]. The book at that time was in the hands of Peter J. Maloney & Co. Previous to getting that option, I think he carried the book until about July.

Mr. PECORA. When was the book registered in your name in that issue?

Mr. WRIGHT. I do not know.

Mr. PECORA. Was it during the year 1933?

Mr. WRIGHT. I had not been working in the early part of 1933, Mr. Pecora. I was South.

Mr. PECORA. Was it at any time during the year 1933 registered in your name?

Mr. WRIGHT. That I would have to find out from the exchange, but that letter was sent in at the time, at the time I had the option, and it said there would be no question that the book was registered in my name through the stock exchange.

Mr. PECORA. There is no signature to this letter. Who was the author of this letter that you have given me?

Mr. WRIGHT. Myself.

Mr. PECORA. The initials in the corner are "C. W."

Mr. WRIGHT. Yes.

Mr. PECORA. The letter produced by the witness is a carbon copy of a letter reading as follows [reading]:

APRIL 25, 1933

COMMITTEE ON ODD LOTS AND SPECIALISTS,  
New York Stock Exchange,  
11 Wall Street, New-York, N Y

GENTLEMEN Will you kindly register Arthur J Vogel as the specialist in TDX instead of the undersigned,  
Yours very truly

And it was signed by you?

Mr. WRIGHT. Yes, sir

Mr. PECORA. TDX is the ticker symbol of Timken Detroit Axle Co., is it not?

Mr. WRIGHT. Yes.

Mr. PECORA. From this letter it would appear that you had been registered on the date of the writing of this letter as the specialist in that stock, would it not?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Does that refresh your recollection now, that you were the registered specialist for that stock on April 25, 1933, and prior thereto?

Mr. WRIGHT. That letter was sent in as a precaution, so that if I was, I wanted to lose the book, because I had not traded in that stock over a period of a year, and the book went to Mr. Peter J. Maloney. He had the book previous to that. He was one of the governors of the Stock Exchange, and he kept the book, I believe, through the months of April, May, June, and, I think, up to July.

Mr. PECORA. Of 1933?

Mr. WRIGHT. Yes, sir. We could not handle it, could not touch it.

Mr. PECORA. The date when you wrote this letter to the committee on odd lots and specialists of the New York Stock Exchange coincides with the date of the option given to you on 25,000 shares of Timken Detroit Axle common stock by Hornblower & Weeks. Do you notice that?

Mr. WRIGHT. Yes.

Mr. PECORA. Was it because you got this option that you wrote this letter to the specialist committee of the New York Stock Exchange?

Mr. WRIGHT. No, sir; as I explained, Mr. Pecora, I had not traded in the stock. I had not been around for about a year previous to that.

Mr. PECORA. You obtained four options, all told, during the year 1933, from Hornblower & Weeks on the shares of common stock of Timken Detroit Axle Co., did you not?

Mr. WRIGHT. If you will let me look at that, I can verify that. [After examining papers.] Yes, sir.

Mr. PECORA. Copies of all four of those options have been marked in evidence here as exhibit no. 34, because they are bound together. The second option on Timken Detroit Axle common stock is dated May 16, 1933, and covers another 25,000 shares, also from Hornblower & Weeks. The third option is dated June 2, 1933, and covers 30,000 shares of that stock, also granted by Hornblower & Weeks. The fourth option is dated June 6, 1933, and covers 16,000 shares of Timken Detroit Axle Co. stock, also granted by Hornblower & Weeks. Hornblower & Weeks, in each of those option agreements or letters, say that they give you the option in behalf of a client. Do you know who the client was?

Mr. WRIGHT. No, sir.

Mr. PECORA. Did you ask for these options from Hornblower & Weeks, or did they offer them to you on their initiative?

Mr. WRIGHT. It is my recollection, Mr. Pecora, that some third party came to me and asked me would I be interested in it, and I said "Yes."

Mr. PECORA. Did you have any participant in these options?

Mr. WRIGHT. No, sir.

Mr. PECORA. You acquired these options with a view of conducting market operations that would enable you to distribute the thousands of shares covered by these four options at prices higher than the option prices to you.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you succeed in effecting that operation?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. I notice that the lowest option price for that stock in any of these four options is \$2.50 per share, granted in the option of April 25, 1933, and the highest one is \$7 per share, referred to in the options dated June 2, 1933, and June 6, 1933. Would that indicate, Mr. Wright, that between April 25, 1933, and June 6, 1933, the exchange quotations on that stock went from around \$2.50 per shares to \$7 or more a share?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. The total number of shares that these options called for is 101,000, and, according to the data given by your firm to us, you took down 87,000 shares under these options. Does that conform to your recollection?

Mr. WRIGHT. If that is the record, yes, sir.

Mr. PECORA. And you would say that this was a successful distribution?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. During the period of the trading that you engaged in under these options you both bought and sold this stock, did you not?

Mr. WRIGHT. Yes, sir; in large amounts.

Mr. PECORA. And by that process were able to distribute at increasingly higher levels.

Mr. WRIGHT. And it is still selling at those higher levels.

Mr. PECORA. Exhibit no. 35 received in evidence consists of a copy of the option granted to your firm by Melvin E. Sawin, and

covers 40,000 shares of the common stock of United Biscuit Co., the prices ranging from 20 to 25. Was this option granted to you on the initiative of Mr. Sawin or did you initiate the negotiations under which you got this option?

Mr. WRIGHT. I initiated them.

Mr. PECORA. This also was an option you obtained for the purpose of making a distribution of the stock covered by the option at higher levels?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. That was a successful operation, was it not?

Mr. WRIGHT. Fifty percent successful.

Mr. PECORA. What is that?

Mr. WRIGHT. Fifty percent successful.

Mr. PECORA. But you made a net profit on it.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. The next option, in point of time, that you obtained during the year 1933 is the one dated May 18, 1933, and given to you by H. W. Blumenthal?

Mr. WRIGHT. Yes.

Mr. PECORA. And covers 30,000 shares of stock of Gotham Silk Hosiery Co., Inc., at prices ranging from \$12 to \$14 per share. Did you ask for this option or was it given to you upon the initiative of the optioner?

Mr. WRIGHT. It was brought to me by a third party.

Mr. PECORA. Was this option acquired by you also for the same purpose of enabling you to make a distribution of the stock covered by the option at higher levels than the option prices?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And the operations you conducted under this option also resulted in a profit to you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. In the trading that you did under this option, you both bought and sold from time to time?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. The next option for the year 1933 that you obtained, in point of time, was dated May 22, 1933, marked "Committee's Exhibit No. 37", and covers 25,000 shares of Granby Consolidated Mining, Smelting & Power Co., Ltd. The option prices range from \$10.50 to \$15. Did you ask for this option, or was it given to you on the initiative of the optioner, which appears to be the firm of Shuman & Co., members of the New York Stock Exchange?

Mr. WRIGHT. It was brought to me by a third party, Mr. Pecora.

Mr. PECORA. You took this option with a view to undertaking market operations that would enable you to distribute the stock covered by the option at higher prices than the option prices?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. I believe that resulted in a small profit to you also.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. I notice in this option agreement, exhibit no. 37, covering this Granby Consolidated stock, the following paragraph, which I will read therefrom [reading]:

It is to be further understood that George Douglass, at Abbott, Hoppin & Co., and associates, for their cooperation in furthering the distribution of this stock by creating the necessary purchasing power are to receive from you 17½

percent of the net profits, and that Shuman & Co are in no way obligated to Mr. Douglass.

What was the reason for the inclusion of that paragraph in this option agreement?

Mr. WRIGHT. The origination of the option.

Mr. PECORA. That means that George Douglass brought the transaction to you?

Mr. WRIGHT. I never met Mr. Douglass, but it was brought to me through Mr. Douglass.

Mr. PECORA. Through Mr. Douglass. The statement in the option agreement is that George Douglass, of Abbott, Hoppin & Co., and associates were to receive 17½ percent of the net profits from your trading in this stock for their cooperation in furthering the distribution of the stock by creating the necessary purchasing power. So, apparently, according to the terms of this option agreement, George Douglass and his associates were to do something to assist you in distributing the stock at higher levels. Isn't that quite apparent from a reading of this option agreement?

Mr. WRIGHT. Quite apparent, yes.

Mr. PECORA. What were they to do?

Mr. WRIGHT. I do not know. I never met the man. I never heard of him doing anything.

Mr. PECORA. What is meant by the expression in this option agreement "creating the necessary purchasing power" as an aid in the distribution of the stock?

Mr. WRIGHT. Creating buying power in the stock.

Mr. PECORA. How was that done, usually?

Mr. WRIGHT. I do not know.

Mr. PECORA. What is that?

Mr. WRIGHT. I do not know how he did it, or if he ever did it.

Mr. PECORA. How was it generally done?

Mr. WRIGHT. Well, by telling his clients, and so forth, that the company is a good company, and that there would be a move in the stock, and he thought the stock ought to be bought. That would be my natural assumption.

Mr. PECORA. In other words, by recommending the stock?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. So that the public would buy?

Mr. WRIGHT. Yes.

The CHAIRMAN. Did he advertise the stock in the newspapers?

Mr. WRIGHT. No, sir.

Mr. PECORA. Would they make the recommendations by word of mouth as well as by market letters?

Mr. WRIGHT. I do not know how they do it, Mr. Pecora. I am not up on that end of the business.

Mr. PECORA. Is it fair to refer to it as a means or species of touting?

Mr. WRIGHT. I would say it would come under that head, sure.

Mr. PECORA. The next option agreement for the year 1933, in point of time, has been marked in evidence as "Committee's Exhibit No. 38", and is dated June 1, 1933. It was granted to your firm by Redmond & Co. It covers 80,000 shares of the stock of the Libby-Owens-Ford Glass Co., at prices ranging from \$27.50 per share to

\$30.50 per share. Is the firm of Redmond & Co. a stock-brokerage firm?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Do you know whether any partner holds a seat on the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Is Mr. Mason Day a partner of the firm of Redmond & Co.?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you seek this option, or did you take it when it was brought to you on the initiative of Redmond & Co. or another person?

Mr. WRIGHT. I was one of a group in it, Mr. Pecora. I believe I had five sixty-fifths, to be exact, of the whole thing.

Mr. PECORA. That is right. The option agreement shows that you were merely a participant.

Mr. WRIGHT. That is right.

Mr. PECORA. And that the extent of your participation was 5,000 shares.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Out of a total of 65,000.

The CHAIRMAN. Who was the specialist in that stock?

Mr. WRIGHT. A boy by the name of Limburn.

Mr. PECORA. Who organized this syndicate account?

Mr. WRIGHT. I would imagine that Mr. Mason Day organized it, because he is the one that asked me to participate in it.

Mr. PECORA. Do you know who the other participants in this account were?

Mr. WRIGHT. I never inquired; no, sir.

Mr. PECORA. Did you execute any of the orders for the syndicate that operated under this option?

Mr. WRIGHT. Plenty.

Mr. PECORA. This Mason Day was formerly connected with an oil company, with Mr. Harry F. Sinclair, was he not?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Who was the manager of this syndicate account in Libby-Owens-Ford Glass Co.?

Mr. WRIGHT. I do not know, Mr. Pecora.

Mr. PECORA. Did that syndicate account make a profit?

Mr. WRIGHT. Yes, sir; and the stock is also selling today \$15 higher than when I started it.

Mr. PECORA. The next option in the year 1933, in point of time, that you or your firm had, is marked in evidence as "Committee's exhibit no. 39", and is dated June 7, 1933, and covers 28,824 shares of the common stock of the Consolidated Cigar Corporation. The option prices to you range from \$16 to \$19 per share. Did you seek this option, or was it offered to you on someone else's initiative?

Mr. WRIGHT. Brought to me on someone else's initiative.

Mr. PECORA. Did you have any associates in the account under this option?

Mr. WRIGHT. I did, but I took it all myself when I realized what a foolish deal I had made.

Mr. PECORA. You did not lose any money on this, did you?

Mr. WRIGHT. Well, I did not make any.

Mr. PECORA. You about broke even?

Mr. WRIGHT. About broke even?

Mr. PECORA. But with a very slight profit of \$107.90, according to your records.

Mr. WRIGHT. It was a pretty small profit after buying 20,000 shares of the stock 3 points above what it was selling for in the market.

Mr. PECORA. You bought it 3 points above the market price at the time you took this option?

Mr. WRIGHT. Yes, sir. I bought it at \$15, and it was selling at \$12.

Mr. PECORA. No; you bought it at \$16 to \$19.

Mr. WRIGHT. I bought 20,000 shares at \$15, and the option was additional, besides the 20,000 shares I bought at \$15. I made an investment in that of \$300,000 before I started.

Mr. PECORA. This was one of those instances where the profits did not exceed your expectations, or did not even come up to them?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Through no fault of yours, though.

Mr. WRIGHT. No; I tried hard.

Mr. PECORA. The next option obtained by you, in point of time, during the year 1933, has been marked in evidence as "Committee Exhibit No. 40", and is dated June 1, 1933. It was given by Louis H. Ingraham, but I notice that the option itself is addressed to Arlington W. Porter. Did he assign this option to you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. You assumed all the rights and all the liabilities thereunder?

Mr. WRIGHT. Whatever his participation was, he assumed that end of it. I think it was a third.

Mr. PECORA. Is Louis H. Ingraham a broker?

Mr. WRIGHT. I do not know him, Mr. Pecora. I do not think he is a broker.

Mr. PECORA. This option covers 17,000 shares of common stock of the American Seating Co. at the following option prices: 4,000 shares at \$3; 7,000 shares at \$4; 6,000 shares at \$5. You took this option, or acquired an interest in it with Mr. Porter, for the same purposes as you took the other options that you have already been examined about?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And in this particular instance your market operations under this option resulted in profits?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And in the course of those market operations you both bought and sold the stock?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. The committee will now take a recess until 2:15.

(Whereupon, at 1:15 p.m., Tuesday, Feb. 20, 1934, a recess was taken until 2:15 p.m. of the same day.)

## AFTERNOON SESSION

Upon the expiration of the noon recess the committee resumed the hearing at 2:40 p.m.

The CHAIRMAN. The committee will come to order. Mr. Wright, you may resume the stand.

**TESTIMONY OF CHARLES C. WRIGHT—Resumed**

Mr. PECORA. Mr. Wright, the next option acquired by you and your firm in 1933 in point of time is marked "Exhibit No. 41" in evidence and is dated June 19, 1933 and is addressed to your firm by E. G. Allyn, president of the Second National Bank of New Haven, Conn., in which he grants your firm an option on 40,000 shares of Pennsylvania Coal & Coke Corporation at \$5 per share. Did you take the initiative in obtaining this option, or was it offered to you on somebody else's initiative?

Mr. WRIGHT. Offered on somebody else's initiative.

Mr. PECORA. And this option also was taken by you with a view of making a distribution at a profit of the stock covered by the option?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Through the medium of market operations?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And in the trading that you did under this option did you both buy and sell as the occasion required?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. You did not draw down all of the shares covered by this option, did you?

Mr. WRIGHT. No, sir.

Mr. PECORA. You draw down only 16,000 of them?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Is that because the trading operation you conducted under it so far as you had gone showed a loss?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. According to the data you have given us your loss on this was \$922.83.

Mr. WRIGHT. I have seven or eight or nine thousand shares of the stock still.

The CHAIRMAN. In any of these stock transactions, Mr. Wright, did you trouble to look after the operations of the company issuing the stock, whether it was a successful enterprise or not, what capital they had, what assets, what liabilities?

Mr. WRIGHT. As a general rule, we did, Senator.

The CHAIRMAN. Did you have an estimate of the actual value of the stock at all?

Mr. WRIGHT. In some instances.

Mr. PECORA. Now, your next option in 1933 was marked in evidence as "Committee's Exhibit No. 42" and covers certain shares of Douglas Aircraft Co., Inc. The option agreement is dated June 20, 1933, is addressed to Mr. Sam Pass, care of Messrs. Mr. C. E. Welles & Co., 39 Broadway, New York City, and is signed by E. A.

Pierce & Co. and by Bancamerica Blair Corporation. Do you recall that?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Is this a participation that was given to you in that account?

Mr. WRIGHT. It was assigned to me by Mr. Pass.

Mr. PECORA. Who is Mr. Pass?

Mr. WRIGHT. I don't know him very well. I know who he is. In what way do you want me to describe him?

Mr. PECORA. Well, what business is he in, for instance?

Mr. WRIGHT. He is in the promotion business.

Mr. PECORA. Is he a member of any stock broker's office?

Mr. WRIGHT. No, sir.

Mr. PECORA. I notice that this letter is addressed to him care of Messrs. C. E. Welles & Co., 35 Broadway. C. E. Welles & Co., is a stock brokerage firm, is it not?

Mr. WRIGHT. I believe he was a customer of that firm.

Mr. PECORA. Did Mr. Pass assign to you his entire option?

Mr. WRIGHT (after conferring with associate). I called 13,000 shares at \$16 a share. From then on he assigned it to me.

Mr. PECORA. Who called the 13,000 shares under the option?

Mr. WRIGHT. I did.

Mr. PECORA. I want to read this option letter to you and then I want to ask you about certain of the paragraphs in it. The option letter is written on the letterhead of the Bancamerica Blair Corporation, 44 Wall Street, dated New York, June 20, 1933 [reading]:

DOUGLAS AIRCRAFT CO., INC., CAPITAL STOCK

Mr SAM PASS,

*Care of Messrs. C. E. Welles & Co.,  
39 Broadway, New York City*

DEAR SIR The undersigned and associates hold an option to purchase from Douglas Aircraft Co., Inc., certain shares of its no-par value stock. We hereby confirm the sale to you today of 20,000 shares Douglas Aircraft Co., Inc., capital stock at \$15 per share, subject, however, to our being able to obtain delivery of said shares pursuant to the aforementioned option.

Delivery of and payment for said shares is to be made at the office of Bancamerica Blair Corporation, 44 Wall Street, New York City, on Wednesday, June the 21st, 1933, subject to receipt of said shares from Douglas Aircraft Co., Inc. After effecting delivery and receiving payment for the above 20,000 shares at \$15 per share the unexercised balance of the aforementioned option will be 47,969 shares, and we hereby confirm our understanding with you regarding the same as follows:

We hereby give you an order to sell for account of ourselves and associates all or any part of 24,000 shares of said stock at market prices, but in no event at less than \$16 per share net to us, and also give you an order to sell for account of ourselves and associates all or any part of the additional 23,969 shares of said stock at market prices, but in no event at less than \$17 per share net to us.

The above orders are good for a period of 30 days from date hereof, or until 3 p.m. Thursday, July 20, 1933.

It is understood that in the event that you have been successful in disposing of the first block of 24,000 shares at \$16 per share or better, we agree to extend the order on 23,969 shares at \$17 per share or better for an additional period of 30 days from July 20, 1933.

It is also understood that the shares covered by the above orders shall be disposed of by you in the market and not en bloc.

It is understood that during the life of this arrangement you are not to take a long position in the above stock for this account, but you may repur-

chase stock previously sold for the purpose of covering your short position, which short position shall not exceed at any one time 5,000 shares nor in any case more than the unexecuted balance of the above orders

In the event that your short position exceeds 5,000 shares of stock, you are to take up from us and pay for at clearance prices hereinafter referred to the number of shares equal to your short position in excess of 5,000 shares

During the life of these orders you are not to trade in the capital stock of Douglas Aircraft Co. Inc., except in the interest of the account as herein stated. You agree to inform us daily upon our request as to your net position in this stock, together with the average price of said position

It is also agreed that your operations hereunder shall be conducted in accordance with the rules of the New York Stock Exchange and within the State of New York

During the life of these orders, certificates for these shares in good delivery form as required by the rules of the New York Stock Exchange will be delivered to you or your nominee upon demand on us giving us two days' notice in writing, and upon payment of a clearance price to be agreed upon from time to time, but such clearance price shall not be less than the minimum prices specified on the above orders, namely \$16 and \$17 per share, at the office of Bancamerica Blair Corporation, 44 Wall Street, New York City

At the close of the account you agree to furnish us with a statement of your account and to pay to us the difference between the clearance prices at which shares are delivered to you and the net proceeds received therefrom, less expenses

All your transactions hereunder or in any way connected with the sale by you of the above shares are to be conducted in compliance with the Federal Securities Act of 1933

It is understood that after deducting expenses any amount received in excess of the prices herein stated from the sale of all or any part of the 67,969 shares covered by this transaction shall be divided 50 per cent to you and 50 per cent to us and our associates

We assume no obligation hereunder except to deliver stock to you as provided herein, and we shall not be liable for any loss arising out of this transaction

Kindly acknowledge or confirm that the foregoing is in accordance with your understanding by signing and returning to Bancamerica Blair Corporation the enclosed copy of this letter

Yours very truly,

E A PIERCE & Co.,  
BANCAMERICA BLAIR CORPORATION

What sort of a trading operation, Mr. Wright, do you understand to be contemplated by this agreement?

Mr. WRIGHT. That was simply sent to you, Mr. Pecora, as the original option. I had nothing to do with any of the conditions in there. I assumed the option on the stock at 16 and 17 without any of those obligations in there, because the people who were operating in the stock were not operating successfully, and I took it over from Mr. Pass and I had no partners in it.

Mr. PECORA. What was the kind of operation referred to in this option agreement?

Mr. WRIGHT. I had nothing to do with that option.

Mr. PECORA. I know you had not, but you understand the kind of trading that is referred to here?

Mr. WRIGHT. I suppose the usual kind of trading.

Mr. PECORA. What do you mean by that, when you say "the usual kind of trading"?

Mr. WRIGHT. Creating activity in the stock and rise in prices.

Mr. PECORA. That is by churning the market?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Buying and selling among themselves?

Mr. WRIGHT. Not amongst themselves. It is against the rules of the stock exchange to buy and sell amongst yourselves. That con-

stitutes "washing" and is not permitted by the laws and not indulged in by any members of the exchange.

Mr. PECORA. That is as far as you know?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. In this letter you notice that they gave an option or held an option to purchase; that is to say, Bancamerica-Blair Corporation and E. A. Pierce & Co. held an option to purchase from Douglas Aircraft Co., Inc., certain shares of its capital stock, and they sold out of the number of shares covered by that option a block of 20,000 shares at \$15 per share to Mr. Pass. That is quite apparent to you from this letter, isn't it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Then it is agreed that Pass is to sell for the account of Bancamerica-Blair Corporation and E. A. Pierce & Co. as the holders of this option up to 24,000 shares at not less than \$16 per share net, and also to sell for their account an additional 23,969 shares at a price of not less than \$17 per share net; and there is this provision that you have heard me read, that any profits accruing from the sale of these shares over and above the prices mentioned in the option are to be divided equally between Mr. Pass and E. A. Pierce & Co. and Bancamerica-Blair Co.?

Mr. WRIGHT. Yes, sir; but I was no party to that at all.

Mr. PECORA. I know it. You have told us you were not a party to it.

Mr. WRIGHT. If there was a profit, I did not divide it.

Mr. PECORA. What sort of an arrangement is that, Mr. Wright?

Mr. WRIGHT. That one there?

Mr. PECORA. Yes.

Mr. WRIGHT. It looks like as though the Bancamerica-Blair and E. A. Pierce had an option and also wanted to cut themselves in on 50 percent of the profits.

Mr. PECORA. Exactly.

Mr. WRIGHT. Without any risk.

Mr. PECORA. Without any risk of loss. There is a reference here in this letter that—

During the life of these orders you—

Meaning Pass—

are not to trade in the capital stock of Douglas Aircraft Co except in the interest of the account as herein stated

What does that indicate to you?

Mr. WRIGHT. That would indicate to me that they would want to prevent whoever had the option trading for their own account.

Mr. PECORA. You mean whoever had the option given by Bancamerica-Blair Corporation and E. A. Pierce & Co.?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. From trading for their own account?

Mr. WRIGHT. Yes, sir. Only trading for the syndicate.

Mr. PECORA. Only trading for the account of the optioner?

Mr. WRIGHT. That is right. But, as I tell you, Mr. Pecora, I had nothing to do with that arrangement.

Mr. PECORA. Yes; I know that.

Mr. WRIGHT. It was simply assigned to me and that was an arrangement made between Pass and Pierce & Co. and Bancamerica-

Blair, and subsequently that option was just handed to me as an evidence of the good faith that I had the option, none of the terms of which were to be lived up to by me.

Mr. PECORA. What purpose do you suppose would be served by the optioners in limiting the optionee, Pass, to trading only in the interest of the option account?

Mr. WRIGHT. Probably to keep Pass honest.

Mr. PECORA. Meaning so he could not play the market against it?

Mr. WRIGHT. Exactly.

Mr. PECORA. Is Pass a well-known operator?

Mr. WRIGHT. No, sir.

Mr. PECORA. E. A. Pierce & Co. is a stock-exchange house, isn't it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Members of the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, your next option in 1933 in point of time is marked in evidence as "Exhibit No. 43" and is addressed to your firm by Hayden Stone & Co., dated July 11, 1933, and covers 54,796 shares of the common stock of Youngstown Sheet & Tube Co. at prices ranging from  $32\frac{5}{8}$  to  $34\frac{1}{2}$ . Did you seek this option, Mr. Wright, or was it offered to you?

Mr. WRIGHT. It was offered to me by a third party.

Mr. PECORA. A third party. By "third party" you mean someone other than Hayden Stone & Co.?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Hayden Stone & Co. is a stock brokerage firm with a membership in the New York Stock Exchange, is it not?

Mr. WRIGHT. Yes, sir. I believe that was offered for a client of theirs, not the firm of Hayden Stone.

Mr. PECORA. This option letter is not very long, and so I will read its text. It is addressed to Messrs. Wright & Sexton [reading]:

DEAR SIR We hereby give and grant to you the right and option to purchase 54,796 shares of the common stock of Youngstown Sheet & Tube Co. in lots and at prices and expiring on or before the close of business on dates as follows, but all subject to the terms and conditions hereinafter stated, namely—

Then follows the expiration dates of the options, the number of shares, and the price per share.

If we or our client should be enjoined or restrained by any court or judge from selling or disposing of said stock, upon notice by us, either oral or in writing or by telephone or mail to you in your office, 1 Wall Street, New York City, of such fact, we shall not be bound to recognize any calls by you hereunder nor to make any delivery of stock, and all of our obligations hereunder, including the options herein granted, shall immediately cease and determine. Title to said stock shall not pass until you pay for the same and the stock is actually delivered to you. If you fail to take up and pay for any lot of stock within the period of time mentioned as aforesaid, all of your rights hereunder shall immediately cease and determine.

This option shall not be assigned without our written consent

Very truly yours,

HAYDEN STONE & Co

Do you know who the client is that Hayden Stone & Co. acted for in the granting of this option?

Mr. WRIGHT. No, sir; but I would imagine it would have been either bank or bankers who were in trouble.

Mr. PECORA. And this was part of the liquidation?

Mr. WRIGHT. That was part of the liquidation; yes, sir.  
The CHAIRMAN. Do you know anything about the Youngstown Sheet & Tube Co.?

Mr. WRIGHT. I do know quite a good deal about it, Senator.

The CHAIRMAN. About their business?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. And what they are doing?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. You conducted trading operations under this option, did you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And that resulted in a substantial profit?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. You did not draw down all of the 54,796 shares covered by this option, did you?

Mr. WRIGHT. No, sir.

Mr. PECORA. You drew down so far as we have a record of it 34,796 of those shares?

Mr. WRIGHT. That is it.

Mr. PECORA. And the market operations conducted by you under this option were of the same general character as those that you conducted under the options that were put in evidence today?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. That is, you both bought and sold?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And were enabled thereby to distribute the stock covered by the option and which you drew down at higher levels?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. During the period of your trading operations under this option do you know whether or not Hayden Stone & Co. notified you that they had been enjoined or restrained from selling or disposing of any of the stock?

Mr. WRIGHT. No, sir.

Mr. PECORA. Proceedings were subsequently brought, were they not, to—no; I withdraw that.

Mr. WRIGHT. No; they were not brought on that.

Mr. PECORA. The next option agreement you received in 1933 in point of time is marked in evidence as "Exhibit No. 44" and was given to your firm by the firm of L. F. Rothschild & Co., under date of July 17, 1933, covering 10,000 shares of Robert Reis & Co. common stock at \$3 per share, 6,500 shares at \$4 per share. The optioner in this case is also a stock brokerage firm, is it not, L. F. Rothschild & Co.?

Mr. WRIGHT. Yes, sir; I believe they were acting for a client.

Mr. PECORA. There is nothing in the option that so indicates, is there?

Mr. WRIGHT. I understand they were acting for a client.

Mr. PECORA. Do you know who the client was?

Mr. WRIGHT. No, sir.

Mr. PECORA. Are L. F. Rothschild & Co. members of the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you seek this option or was it offered to you?

Mr. WRIGHT. It was offered to me.

Mr. PECORA. Through a third party?

Mr. WRIGHT. Yes.

Mr. PECORA. And did you take it with a view of conducting trading operations under it of a kind that would enable you to distribute the stock to the public at higher levels than the option prices?

Mr. WRIGHT. Yes, sir. The date on that was the 17th of July, Mr. Pecora. The market broke on the 18th.

Mr. PECORA. This is July 17, 1933; that is right. You only drew down 2,000 shares under this option, didn't you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. But in your market operations you bought 5,800 shares and sold 5,500; is that right?

Mr. WRIGHT. That includes the 2,000 I took down.

Mr. PECORA. And your transactions resulted in a profit?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And in the course of that trading you both bought and sold?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, your next option in 1933 is marked in evidence as Committee Exhibit No. 45 and also was granted to your firm by the firm of L. F. Rothschild & Co. under date of August 25, 1933. It covers 8,000 shares of Robert Reis common stock at \$3.

Mr. WRIGHT. That is a continuation of the previous option, Mr. Pecora. It expired, and the letter which you have in your hand is a continuation of it.

Mr. PECORA. Oh, I see. Oh, it is not an additional option?

Mr. WRIGHT. No, sir.

Mr. PECORA. Did you draw down any of the stock covered by this option?

Mr. WRIGHT. No, sir.

Mr. PECORA. Did you find that trading operations were not likely to be successful?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And for that reason did not draw down any of the stock?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Your next option in 1933 was received in evidence as exhibit no. 46 and was granted to you by the Bancamerica-Blair Corporation under date of September 13 and covers 135,000 shares of the capital stock of Superior Oil Corporation at prices ranging from \$2.75 net to \$4.50 net. The option was granted for the period of about one month, and this option is addressed to you individually. Do you recall the option in question?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And do you recall the trading that you did under it?

Mr. WRIGHT. Yes, sir. Small loss.

Mr. PECORA. Small loss. And you only drew down—oh, you did not draw down any of the shares under it?

Mr. WRIGHT. Times were getting very bad then, Mr. Attorney.

Mr. PECORA. That is the advantage of an option, isn't it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. But in your market operations after you acquired this option you purchased 9,000 shares and sold 8,000?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now I notice that this option agreement is somewhat different in form from most of the others that have already been put in evidence today, and the option is really in the form of an order to you to sell for the account of the Bancamerica-Blair Corporation all or any part of the 135,000 shares of the stock Superior Oil Corporation in amounts and prices fixed in the letter. That meant that any profits that would accrue from the sale of all or any part of those 135,000 shares that you might succeed in making at prices in excess of the net prices fixed in this letter were to go to you as your profits?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. What was the business of this corporation?

Mr. WRIGHT. It is an oil company, recently out of the hands of a receiver and being reorganized.

The CHAIRMAN. Operating where?

Mr. WRIGHT (after consulting an associate). Oklahoma and Texas.

The CHAIRMAN. And subsequently went into the hands of a receiver?

Mr. WRIGHT. No, sir.

Mr. PECORA. It had only recently been in the hands of the receiver.

Mr. WRIGHT. Had been in the hands of the receiver and was out by then.

Mr. PECORA. And they were trying to rehabilitate the stock in the market, weren't they?

Mr. WRIGHT. I don't know. I don't know where the stock came from, to tell you the honest truth, Mr. Pecora. I mean I don't know who the owner of the stock was.

Mr. PECORA. Apparently Bancamerica-Blair Corporation were giving you an order to sell up to 135,000 shares for their account?

Mr. WRIGHT. I don't know whether they owned it or whether they were acting for a client or not. That I don't know.

Mr. PECORA. I notice in this option letter a paragraph somewhat similar to one that was in the option given to Samuel Pass by Bancamerica-Blair Corporation, covering stock of the Douglas Aircraft Co., and that paragraph reads as follows [reading]:

During the life of these orders you are not to trade in the capital stock of Superior Oil Corporation except in the interest of the account as herein stated.

Why was that put in there, do you know?

Mr. WRIGHT. Keeping me honest.

The CHAIRMAN. That was unnecessary, wasn't it?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. As a broker and specialist and all that, suppose some man should write to you and ask you to sell him stock in a concern that was in the hands of a receiver, maybe not listed on the stock exchange, maybe on the curb, quoted on the curb, would you sell him the stock?

Mr. WRIGHT. No, sir.

The CHAIRMAN. That sort of thing has been done, I believe.

Mr. WRIGHT. It might have been done, but I would not do it, Senator.

The CHAIRMAN. When a corporation that has been offering its stock for sale goes into the hands of the receiver, you take it off your list, you would not sell that stock?

Mr. WRIGHT. No clients to sell anything to.

Mr. PECORA. Did you have any participant in this option given you by Bancamerica-Blair Corporation in the Superior Oil Co. stock?

Mr. WRIGHT. Did I have a participation in it? Fifty per cent.

Mr. PECORA. Who was the other participant?

Mr. WRIGHT. Redmond & Co.

Mr. PECORA. That is this other stock exchange house?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Referring to the option given to you for 25,000 shares of Granby Consolidated Mining Co. stock, did you have any participation in that?

Mr. WRIGHT. A very small one, sir.

Mr. PECORA. Who were your participants?

Mr. WRIGHT. Douglas, who was mentioned in that thing, whom I never met.

Mr. PECORA. That is George Douglas of Abbott Hoppin & Co.?

Mr. WRIGHT. I don't remember whether he is a member of the firm or not. I doubt it.

Mr. PECORA. Abbott Hoppin & Co. is a stock-exchange firm, isn't it?

Mr. WRIGHT. Yes, sir. Twenty percent to Bradford Ellsworth.

Mr. PECORA. Is he a broker or an operator?

Mr. WRIGHT. I think he is very quiet, not doing much of either.

Mr. PECORA. Well, what was he then?

Mr. WRIGHT. An operator.

Mr. PECORA. Not a broker? Not a broker, Mr. Wright?

Mr. WRIGHT. No; he is not a broker at all. A man by the name of Missir.

Mr. PECORA. He is another operator?

Mr. WRIGHT. No, sir; he is not an operator.

Mr. PECORA. Is he a broker?

Mr. WRIGHT. No, sir; he is an individual who lives in Paris, France. And I believe myself 37½ percent. I believe the rates were 17½ percent to Douglas, 20 percent to Ellsworth, 25 to Missir, and 37½ to Wright & Sexton.

Mr. PECORA. Now, I overlooked the option given to you, or rather the option that you returned to us as one of the options that you had during the year 1933, which was given by a man named H. B. Dwyer to a man named Mr. Oscar C. Seabass, dated May 24, 1933, which has been marked in evidence as "exhibit no. 47." Do you recall that option?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. That covers 7,000 shares of stock of the International Salt Co.?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. At a price of \$26 per share for 2,000 shares, and \$28 per share for the remaining 5,000 shares. Did you have any associates or participants with you in this option?

Mr. WRIGHT. I don't think I did have any on that particular option. As I remember, Mr. Pecora, I bought from Palmer & Co., a defunct stock exchange firm, eight or nine thousand shares of International Salt two points above the market, which was amongst their assets, I believe in consideration of buying this stock. These gentlemen who gave me this option I believe are the officers of the company, and I don't believe any of the stock was ever exercised.

Mr. PECORA. This option is addressed to Mr. Oscar C. Seabass. Is he a broker?

Mr. WRIGHT. He was.

Mr. PECORA. And a member of the stock exchange?

Mr. WRIGHT. No, sir.

Mr. PECORA. Was he a member of any stock exchange?

Mr. WRIGHT. No, sir.

Mr. PECORA. How did he trade if he was not a broker?

Mr. WRIGHT. He is not a broker. He is associated with Mr. George LeBlanc of a firm of chemists. He is not a broker, but was formerly a member of a firm which went out of business, I believe in 1929. He was one of the coreceivers I believe for the firm of Palmer & Co., from which I purchased all of the International Salt which was in their liquidation account.

Mr. PECORA. And you drew down 7,351 shares?

Mr. WRIGHT. From Palmer & Co. That was a contract of purchase and not an option.

Mr. PECORA. Purchased from the optionor or in the market?

Mr. WRIGHT. That was purchased from the receivers of Palmer & Co.

Mr. PECORA. In the market operations that you conducted under this option it appears that you purchased 21,151 shares and sold an equal amount, is that correct?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did Seabass assign this option to you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Was Seabass associated with you in this option?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. What participation did he have in it?

Mr. WRIGHT. He got \$4,300.

Mr. PECORA. Two percent, wasn't it?

Mr. WRIGHT. Something like that.

Mr. PECORA. Did Brad Ellsworth have a participation with you in this account, too?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Equal to 25 percent thereof?

Mr. WRIGHT. I think he had a little bit more than that, didn't he?

Mr. PECORA. Apparently not.

Mr. WRIGHT. I will tell you that story: These men owed me money, and I gave them a participation in this account so that they might pay me the money they owed me; I will say that to you very frankly.

Mr. PECORA. In other words, you gave them the participation in order to allow them to pay you what they owed you? You took them into this pool account for that purpose?

Mr. WRIGHT. Yes, sir. But I took a loss in that account myself, personally.

Mr. PECORA. Have you any tabulation that would indicate the total profits that you or your firm made from these 14 options and from your trading in them during the year 1933?

Mr. WRIGHT. You have the records there yourself.

Mr. PECORA. Well, the records we have been furnished by your office say that in connection with these 14 options and your trading thereunder developed an aggregate loss of \$45,853.19 as against profits of \$192,985.96, or a total profit of around \$148,000.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. That is exclusive, of course, of commissions?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Well, on the subject of commissions, you undertook to have a calculation made from your records of the total amounts your firm received from the trading or the orders you executed in American Commercial Alcohol stock during the months of May, June, and July 1933, and the amount given by you to me is \$19,850. Is that correct?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. You testified this morning that your profits in the trading that you did for your own account in American Commercial Alcohol stock during those 3 months of last year amounted to approximately \$138,000.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And that despite the fact that you were murdered when the stock broke.

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. And commissions were in addition to that.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, the year 1932 apparently was not a good year for options, not as good as the year 1933, was it?

Mr. WRIGHT. No, sir.

Mr. PECORA. There seem to have been only four options that your firm had in listed securities that year.

Mr. WRIGHT. Except the subsequent ones that I handed to you a couple of minutes ago and that I borrowed from the records of Redmond & Co.

Mr. PECORA. In addition to the four options put in evidence this morning, as committee exhibits 48, 49, 50, and 51, have you since learned that you had two other written options?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Copies of which I now show you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And are these two copies true and correct copies of the other options that you had during the year 1932?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Mr. Chairman, I now wish to offer them in evidence. The CHAIRMAN. Let them be admitted.

Mr. WRIGHT. Mr. Pecora, I will have to return those two copies that I secured from Redmond & Co, and which I took from the records which are down here.

Mr. PECORA. Very well. I can read them into the record.

Mr. WRIGHT. Redmond & Co. records are here and I can return them tomorrow.

(The option dated Mar. 10, 1932, from Redmond & Co. to Messrs. Wright & Sexton, was marked "Committee Exhibit No. 60, Feb. 20, 1934", and will be found immediately following:)

REDMOND & Co.,  
48 Wall Street, New York,  
March 10, 1932

MESSRS WRIGHT & SEXTON,  
One Wall Street, New York City

GENTLEMEN · Please be advised that in consideration of the National Distillers Products Corporation confirming sale to us as of this date of two thousand (2,000) shares of the common stock of the Corporation at \$22 00 per share, we have cancelled the Call given under date of February 15, 1932, good for thirty days, to purchase four thousand shares of the common stock at various prices, and have received this two thousand shares into your #3 Account at the above mentioned price

Please be further advised that we have obtained from the National Distillers Products Corporation an option to purchase all or any part of twelve thousand (12,000) shares of the common stock of the National Distillers Products Corporation, good for thirty days from this date, in the following amounts and at the following prices:

1,000 shares @ 23  
1,000 shares @ 24  
1,000 shares @ 25  
1,000 shares @ 26  
1,000 shares @ 27  
1,000 shares @ 28  
1,000 shares @ 29  
1,000 shares @ 30  
1,000 shares @ 31  
1,000 shares @ 32  
1,000 shares @ 33  
1,000 shares @ 34

We hereby assign this option to you to enable you to trade in the stock, with the understanding that you will pay to us one-half of any profits which you may realize through the purchase or sale of the stock during this period, or through the exercising, in part or in whole, the option. It is also understood that Redmond & Co. will not be responsible for any loss which may occur through such purchases or sales.

It is further understood that you will give us notice from day to day of your purchases and sales of this stock which we will clear for your account known on our books as Account #3-A and that you will at all times keep this account adequately margined.

For the completion of your records, we enclose herewith copy of the option above referred to.

We are sending this letter with an original duplicate and for the completion of our records, we request that you sign the duplicate and return it to us at your convenience.

Yours very truly,

Accepted

WRIGHT & SEXTON (Signed)

(The option, dated May 6, 1932, from Redmond & Co. to Messrs. Wright & Sexton, was marked "Committee Exhibit No. 61, Feb. 20, 1934", and will be found immediately following:)

REDMOND & Co.,  
48 Wall Street, New York, May 6, 1932

MESSRS WRIGHT & SEXTON,  
One Wall Street, New York, NY

GENTLEMEN · Please be advised that we have obtained from the National Distillers Products Corporation a Call on twenty-five hundred (2,500) shares of

the common stock of the National Distillers Products Corporation, good for sixty (60) days from May 3, 1932, in the following amounts and at the following prices

500 shares @ 19  
 500 shares @ 19½  
 500 shares @ 20  
 500 shares @ 21  
 500 shares @ 22

We also confirm that we have obtained from the National Distillers Products Corporation a Put to them for fifteen hundred (1,500) shares of the common stock in the above named company at \$18 00 a share, good for sixty (60) days from May 3, 1932

We hereby assign this Call and Put to you to enable you to trade in the stock, with the understanding that you will pay to us one-half of any profits which you may realize through the purchase or sale of the stock during this period, or through the exercising, in part or in whole, the Call and Put. It is also understood that Redmond & Co. will not be responsible for any loss which may occur through such purchases or sales.

It is further understood that you will give us notice from day to day of your purchases and sales of this stock, which we will clear for your account known on our books as account no 3 and that you will at all times keep this account adequately margined

For the completion of your records, we enclose herewith copy of the Call and Put above referred to

We are sending this letter with an original duplicate and for the completion of our records, we request that you sign the duplicate and return it to us at your convenience

Yours very truly,

\_\_\_\_\_  
 Comptroller

Mr. PECORA. Mr. Wright, exhibit no. 60, which has been received in evidence is an option addressed to Wright & Sexton from Redmond & Co., dated March 10, 1932, covering 12,000 shares of the common stock of National Distillers Products Corporation, for 30 days from the date of the option, at prices ranging from \$23 a share for the first 1,000 shares, to \$34 a share for the last 1,000 shares of the total of 12,000 shares.

Now, I notice that this option contains the following language:

We hereby assign this option to you to enable you to trade in the stock, with the understanding that you will pay to us one half of any profits which you may realize through the purchase or sale of the stock during this period, or through the exercising, in part or in whole, the option. It is also understood that Redmond & Co. will not be responsible for any loss which may occur through such purchases or sales

Will you tell the committee what the reason was for the inclusion of that provision in this option agreement?

Mr. WRIGHT. Yes, sir. The option was obtained by Redmond & Co. and turned over to me, for which they wanted 50 percent of the profits.

Mr. PECORA. Why was it turned over to you? Weren't they in equally as good a position as you were to trade in the stock under the option?

Mr. WRIGHT. Apparently not.

Mr. PECORA. Do you know of any reason why they were not?

Mr. WRIGHT. Well, I do not think they had the necessary broker or brokers to handle the market as well in those market conditions as I was myself.

Mr. PECORA. Well, you say that Redmond & Co. were then members of the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Were you the specialist for National Distillers stock in March of 1932?

Mr. WRIGHT. I was never a specialist in that stock.

Mr. PECORA. Who was the specialist in that stock at that time?

Mr. WRIGHT. B. C. Brown

Mr. PECORA. What facilities did you have which were superior as a specialist, if you had any such facilities for trading in this stock under this option?

Mr. WRIGHT. I am too modest to answer that question.

Mr. PECORA. Well, with due allowance for your modesty, we would like to know.

Mr. WRIGHT. Well, Redmond & Co seemed to think I could handle the market all right, so they turned it over to me.

Mr. PECORA. Well, now, they had some basis for that opinion, didn't they?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. To put it briefly, they thought that you could trade with greater intelligence?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And with greater ease than anybody else on the floor of the exchange?

Mr. WRIGHT. Not greater than anybody else, but greater than anybody they knew at that time.

Mr. PECORA. Well, better than anybody else they knew at that time.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Would you say that you had established a reputation as a quick and intelligent trader, so that they were prompted by that knowledge of your reputation to arrange to have you trade for them under this option?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. This option calls for prices beginning at \$23 a share for the first 1,000 shares, as I have already remarked, and stepping up a dollar a share with each 1,000 shares of the 12,000-share lot.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And the option was good for a period of 30 days from its date, namely, from March 10, 1932?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you succeed in so trading in the stock that the stock was sold at a profit which meant prices above the prices mentioned during the period of the option?

Mr. WRIGHT. I took down 2,000 shares, at a profit of \$3,500.

Mr. PECORA. Only 2,000 shares did you deal in?

Mr. WRIGHT. That is all that I took down. We bought 3,500 shares and we sold 3,500 shares.

Mr. PECORA. Is it common practice for one stock-exchange house to give another stock-exchange house an option held by the first stock-exchange house?

Mr. WRIGHT. As a general rule we like a stock-exchange name. That is why one uses it, because a stock-exchange name is your guarantee. In that particular case Redmond & Co. were probably acting for a client. Most people giving options like a stock-exchange guarantee on them.

The CHAIRMAN. A guarantee of what?

Mr. WRIGHT. Well, a guarantee as between members of the stock exchange that the trades will go through; that your particular business, whatever it is, is guaranteed by a firm. That is, either party in the stock exchange, in case anything goes wrong, can hold the other responsible. In the case of an outsider it might mean a lawsuit. In the case of a stock-exchange firm it means that the governors of the exchange would decide anything that might come up.

Mr. PECORA. In other words, when you get an option from another stock-exchange firm you have virtually a guarantee of performance by the optioner of the terms and conditions of the option?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Namely, that he will deliver to you the stock as you call upon him for it under the option?

Mr. WRIGHT. That is it exactly.

Mr. PECORA. And at the prices fixed by the option.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Well, what is it that makes that guarantee? Why do you call that a guarantee?

Mr. WRIGHT. Because we have faith in one another.

Mr. PECORA. Well, does that mean that the stock exchange authorities will enforce such an agreement as between its members?

Mr. WRIGHT. Yes, sir. It is a contract between members.

Mr. PECORA. And hence will be rigidly enforced under all the powers possessed by the governing authorities of the stock exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Then does the stock exchange take cognizance of such contracts among stock-exchange houses, of one house giving another house an option to trade under?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, the second option produced by you this afternoon has been marked in evidence "Committee Exhibit No. 61", and was likewise given to your firm by Redmond & Co. under date of May 6, 1932, and covers 2,500 shares of the common stock of the National Distillers Products Corporation, the option period being 60 days from May 3, 1932, and the option prices ranging from \$19 a share to \$22 a share, in 500-share blocks.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you draw down all of the 2,500 shares covered by this option?

Mr. WRIGHT. Yes; we did—no, it was 2,000 shares that we took down.

Mr. PECORA. You took down 2,000 of the 2,500 shares optioned?

Mr. WRIGHT. We took down 2,000 shares and made a profit of \$11,000.

Mr. PECORA. Now, Mr. Wright, this option agreement also contains this clause:

We hereby assign this Call and Put to you to trade in the stock, with the understanding that you will pay to us one-half of any profits which you may realize through the purchase or sale of the stock during this period, or through the exercising, in part or in whole, the Call and Put. It is also understood that Redmond & Co. will not be responsible for any loss which may occur through such purchases or sales

Did you seek this option, or was it offered to you?

Mr. WRIGHT. It was offered to me by Redmond & Co.

Mr. PECORA. Well, in view of that provision in this option agreement, which provision I have just read to you, it would seem that you were taking all the chances of loss and that Redmond & Co. were taking none.

Mr. WRIGHT. That is right.

Mr. PECORA. And it would also seem that Redmond & Co. were to share equally with you in any profits arising from your trading under this option.

Mr. WRIGHT. That is right.

Mr. PECORA. Then they got the better of the deal.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And they sought to give you this option of their own initiative.

Mr. WRIGHT. Mr. Day, of the firm of Redmond & Co., asked me if I would be interested in it, and I told him I would.

Mr. PECORA. Were the trading operations under this option successful in that they resulted in a profit to the account?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, the other options which you had during the year 1932, consisting of committee exhibits nos. 48, 49, 50, and 51, will now be covered by me. The first one of these is committee exhibit no. 48, dated August 12, 1932, addressed to your firm, and covers 9,000 shares of the capital stock of Affiliated Products, Inc., at \$8.50 per share, and the optioners are J. R. Williston & Co. Is that firm a stock-exchange brokerage firm?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And they are members of the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And did you take this option for the purpose of trading under it in the same manner as you have described heretofore?

Mr. WRIGHT. No. I sold that stock to private individuals.

Mr. PECORA. You assigned your option rights, do you mean?

Mr. WRIGHT. No. I sold the stock to private individuals.

Mr. PECORA. At what price?

Mr. WRIGHT. What was the date of that?

Mr. PECORA. It is dated August 12, 1932.

Mr. WRIGHT. We made about \$3,700 on it.

Mr. PECORA. I mean at what price did you sell it, or did you sell it in one block?

Mr. WRIGHT. No; in two blocks.

Mr. PECORA. To the same purchaser?

Mr. WRIGHT. Yes, sir. We sold 4,000 shares at  $9\frac{1}{2}$  and 3,500 shares at  $9\frac{7}{8}$ .

Mr. PECORA. Did you have those purchases in view when you took this option?

Mr. WRIGHT. No, sir. The stock was sold on August 24 and 27.

Mr. PECORA. Well, this option gave you the right to call upon the optionor for the stock not later than 2:45 p.m., of August 24, 1932.

Mr. WRIGHT. That is the day we called it.

Mr. PECORA. And you did not contemplate trading in the market under this option?

Mr. WRIGHT. Yes; I did. But it was not the kind of market that was good for or that would take any trading.

Mr. PECORA. But you did not engage in any such trading operations under this option?

Mr. WRIGHT. No.

The CHAIRMAN. Mr. Wright, you seem to have dealt entirely in stocks. Didn't you handle bonds also?

Mr. WRIGHT. No, sir.

Mr. PECORA. Now, Mr. Wright, the option put in evidence as exhibit no. 49 is addressed to you individually, and is given by F. Gerl & Co., Inc., under date of September 1, 1932, and covers 80,000 shares of Belding Heminway Co. stock at prices ranging from 5½ to 9. Do you recall that option?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you seek that option or was it offered to you?

Mr. WRIGHT. It was offered to me.

Mr. PECORA. By the optioner?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you take this option with a view to conducting the kind of market operations you have already described under the other options?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And did you succeed in effecting such operations?

Mr. WRIGHT. Partially.

Mr. PECORA. How many shares did you draw down under this option?

Mr. WRIGHT. Seventeen thousand shares.

Mr. PECORA. Did you say 17,000 shares?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. This option agreement contains the following provision:

It is understood that you have the privilege of borrowing up to five thousand shares of the above stock, and that when you are short in position of the above-mentioned five thousand shares, you are to take up from us the stock at option price

Mr. WRIGHT. Yes, sir.

Mr. PECORA. What does that mean?

Mr. WRIGHT. That means that if I am short of the stock in market operations I am privileged to borrow from them up to 5,000 shares, and the minute that I get long 5,000 shares I have to call on them for them.

Mr. PECORA. Does that mean that you are to start the operations by selling short?

Mr. WRIGHT. Not selling short in the way of putting the market down, but selling short in the interest of putting the market up.

Mr. PECORA. Well, Mr. Wright, I do not quite understand that. Did you contemplate making short sales at the commencement of your trading operations under this option?

Mr. WRIGHT. No, sir.

Mr. PECORA. What was the reason for the inclusion of that provision in the option?

Mr. WRIGHT. That is included in a great many options.

Mr. PECORA. But, I take it, there must be a reason for its inclusion, and would like to know that reason.

Mr. WRIGHT. The reason is that if you get short of any stock that is the basis of your operation, this provision comes in there. It meant short sales before the new rules went into effect. It is eliminated now.

Mr. PECORA. But going back to market conditions existing at the time of this option, in September of 1932, you contemplated market operations that would be commenced by short sales, isn't that right?

Mr. WRIGHT. No, sir. It is only technically right.

Mr. PECORA. Well, this option gave you the right to call upon the optioner for the first block of 5,000 shares of those 80,000 shares at \$5.50. Now, what would be served by your selling short before you drew down any stock under this option?

Mr. WRIGHT. Because if you were short of the stock you would be able to get the stock by applying for it, and thereby filling your short position, and you could conduct sales on your short position.

Mr. PECORA. What is the advantage to the trader in doing that?

Mr. WRIGHT. He can always support this market.

Mr. PECORA. Then it is a part of the process as a rule whereby the trader—

Mr. WRIGHT (interposing). It was a part of the process; yes.

Mr. PECORA (continuing). Or was a part of the process whereby the market trader or operator, operating under the option, would support his trading.

Mr. WRIGHT. His market in order to be successful would have to be worked on a short position.

Mr. PECORA. It would have to be supported with a short position, is that it?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. And I understood you to say that that had been done away with.

Mr. WRIGHT. Yes, Mr. Chairman. On account of the new rules of the New York Stock Exchange they have prohibited the selling of stock down short.

The CHAIRMAN. Why did they do that?

Mr. WRIGHT. To prevent people selling stock short and ruining the market, which was going on during the depression. It is not like the ordinary short sale.

Mr. PECORA. In other words, it is not like bear raiding?

Mr. WRIGHT. No, sir; it is just the opposite.

Mr. PECORA. It is to get the benefit of the technical market position.

Mr. WRIGHT. Exactly.

Mr. PECORA. At the outset of a series of trading operations.

Mr. WRIGHT. Exactly.

Mr. PECORA. And it was the practice commonly indulged in under such circumstances.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And is to be distinguished from the kind of short selling that has commonly been referred to as bear raiding; is that right?

Mr. WRIGHT. That is right.

Mr. PECORA. Now, the next operation under an option that you had in the year 1932, appears to have been given to your firm by

Redmond & Co., under date of September 14, 1932, and covers 15,000 shares of the common stock of the Warren Foundry & Pipe Corporation, at prices ranging from \$13 per share to \$18 per share, the option being given up to the close of business October 5, 1932, or, for a period of about 3 weeks. Did you solicit this option or was it offered to you by Redmond & Co.?

Mr. WRIGHT. It was offered to me by Redmond & Co.

Mr. PECORA. Now, I note that this option, which is marked "Committee Exhibit No. 50", contains the following provision:

We hereby assign this option to you to enable you to trade in the stock with the understanding that you will pay to us 60 percent of any profits which you may realize through the purchase or sale of the stock during this period or through the exercising in part or whole of the option. It is also understood that Redmond & Co. will not be responsible for any loss which may occur through such purchases or sales.

Now, what was the reason for the inclusion of that provision in this option agreement?

Mr. WRIGHT. The same as in the case of the others.

Mr. PECORA. That is, the same as other general similar provisions to which I have called your attention?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Under this provision Redmond & Co. were to take no stock loss at all, but were to share to the extent of 60 percent in the profits, whereas you were to get only 40 percent and you took all the risks?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. I notice the risk was one that involved the putting of the market up within a period of 3 weeks' time, that is, between September 14, the date of the option, and October 5, the date of its expiration; and that the price range was from \$13 to \$18 a share.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. How did you hope to accomplish that purpose?

Mr. WRIGHT. I don't know. I took that one with a prayer. And it did not turn out very well.

Mr. PECORA. And the prayer was answered or was not answered, which?

Mr. WRIGHT. It was not answered. I think I had to carry the stock in, that I was long of, the stock to the following year. I believe at the present time the stock is selling at \$15 or \$20 higher than that option.

Mr. PECORA. So that the prayer has been answered this year?

Mr. WRIGHT. No; I just got out even this year.

Mr. PECORA. Now, the next option in the year 1932 is shown by committee exhibit no. 51, and is dated September 21, 1932, given by Bancamerica-Blair Corporation to George F. Breen, 20 Pine Street, New York, N.Y., and covers 500,000 shares of the Curtiss-Wright Corporation common stock at \$3 per share for the first 100,000 shares, and \$3.50 per share for the next 100,000 shares, and \$4 per share for the next 100,000 shares, and \$4.50 per share for the next 100,000 shares, and \$5 per share for the final 100,000 shares. Do you recall that option?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. This option, as you will notice, is addressed to Mr. George F. Breen. Who is he?

Mr. WRIGHT. He is a stock-market operator.

Mr. PECORA. He is not a broker?

Mr. WRIGHT. No, sir.

Mr. PECORA. And did he assign this option to you or to your firm?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you have any participants or associates in the market operations that you engaged in under this option?

Mr. WRIGHT. Yes. They were Breen, Bancamerica-Blair Corporation, and Wright & Sexton.

Mr. PECORA. What were their respective participations?

Mr. WRIGHT. It was 25 percent, 25 percent, and 50 percent for Wright & Sexton.

Mr. PECORA. Do you mean that Breen got 25 percent?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Who was the other participant?

Mr. WRIGHT. Bancamerica-Blair Corporation, who got 25 percent. And I believe the loss in it was \$70,000.

Mr. PECORA. There was a loss in the operations that you conducted under this option?

Mr. WRIGHT. Yes, of \$70,000.

Mr. PECORA. How many shares were taken down under this option?

Mr. WRIGHT. 100,000 shares.

Mr. PECORA. Now, I notice that there is a provision here that exempts Bancamerica-Blair Corporation from liability for any loss in the trading under this option.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Who sustained the loss that you say ensued?

Mr. WRIGHT. I did.

Mr. PECORA. How about your coparticipant, George F. Breen?

Mr. WRIGHT. I think his loss was 4,200 and some odd dollars, which he paid me this last year. The balance of the loss was my own. He took his stock up out of the account, and I don't know what he did.

The CHAIRMAN. What became of that corporation?

Mr. WRIGHT. The Curtiss-Wright Corporation?

The CHAIRMAN. Yes.

Mr. WRIGHT. Well, it is still functioning very well. It is the largest manufacturer of airplanes in America.

The CHAIRMAN. What is the stock worth now?

Mr. WRIGHT. It is worth \$4 or \$5 a share.

Mr. PECORA. The 500,000 shares referred to in this option appear to have consisted of stock for which it was contemplated at the time of the giving of this option an application would be made to list on the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Were those 500,000 shares eventually so listed?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, Mr. Wright, one of the option agreements that you handed to me this afternoon, or rather it is not an option agreement, but seems to be a copy of a letter addressed to your firm by Redmond & Co. under date of June 20, 1932, and reads as follows:

MESSRS. WRIGHT & SEXTON,  
*One Wall Street, New York City.*

GENTLEMEN: On April 30, 1932 the N A D Option Accounts #2 and #3 were closed, leaving in each a credit balance. Checks to your order for your share of these credit balances are enclosed herewith.

No acknowledgment, other than your endorsement on these checks, will be necessary.

Yours very truly

And I presume it was signed by Redmond & Co., although this copy bears no signature.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Does that indicate that you had an interest or participation in two other options in stock known as "N.A.D.", which I presume refers to National Distillers?

Mr. WRIGHT. No; and I gave you those options.

Mr. PECORA. Oh, does this refer to the options of the dates March 10, 1932, and May 6, 1932, already received in evidence as committee exhibits 60 and 61?

Mr. WRIGHT. I believe so.

Mr. PECORA. How can that be in view of the fact that this letter to you of June 20, 1932, states that the option accounts were closed on April 30, 1932?

Mr. WRIGHT. I don't know.

Mr. PECORA. One of the two options you gave me is dated May 6, 1932, which is subsequent to the closing of the two option accounts referred to in this letter I have just read into the record.

Mr. WRIGHT. I don't know. I borrowed that from their records this morning. Will you let me look at it?

Mr. PECORA. Certainly.

Mr. WRIGHT (evidently inquiring of someone representing Redmond & Co.). The records in no. 3 account were kept in your office. I do not have any accounts in regard to it at all. [The party addressed, sitting back in the audience, bowed his head.] Mr. Pecora, it appears that that is one of the records kept in their office. We will have to get it for you—the records.

Mr. PECORA. It would also appear from this letter dated June 20, 1932, that prior to April 30, 1932, there were two option accounts conducted by Redmond & Co. in the stock of National Distillers. Isn't that so?

Mr. WRIGHT. Yes. My assistant is going to try to explain that if he can get the data.

Mr. PECORA. All right. Now, let us go to the year 1931. In answer to our questionnaire sent to your firm you furnished us with photostatic copies of eight different options covering as many different accounts given to you or your firm during the year 1931, and which have been marked as "Committee Exhibits Nos. 52, 53, 54, 55, 56, 57, 58, and 59." Now, I will take committee exhibit no. 52, dated January 31, 1931, which is addressed to you individually, and the optionor is A. M. Andrews Investment Corporation, and covers 25,000 shares of the Budd Wheel Co. common stock, at prices ranging from \$10 a share to \$12 a share. Did you take this option with a view to conducting market operations under it for the purpose of distributing the stock at higher prices?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Were your trading operations successful in that respect?

Mr. WRIGHT. I don't think so. I think we got about an even break as I remember it. I think I distributed the stock, but made no money.

Mr. PECORA. And in those trades you both bought and sold?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Do you know how many shares you drew down under this option which covered 25,000 shares?

Mr. WRIGHT. We drew down 25,000 shares.

Mr. PECORA. Now, the second one of these options, which is committee exhibit no. 53, is addressed to you and is dated March 3, 1931. The optioner also is A. M. Andrews Investment Corporation, and covers 10,000 shares at \$10 per share of the stock of the Trans Lux Daylight Picture Screen Corporation.

Mr. WRIGHT. That is a curb stock.

Mr. PECORA. Did you take this option with a view to conducting similar market or trading operations under it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Both buying and Selling?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And how many shares did you draw down under this option?

Mr. WRIGHT. I don't think I drew down any. And I think I traded in very little of it.

Mr. PECORA. I never heard of the A. M. Andrews Investment Corporation before. What kind of a corporation is that, Mr. Wright?

Mr. WRIGHT. That was the way Mr. Andrews put all of his investments.

Mr. PECORA. And who is Mr. Andrews?

Mr. WRIGHT. A. M. Andrews is a man who was formerly the largest stockholder of Hupmobile, Trans Lux, Budd Wheel, and Budd Manufacturing Co.

Mr. PECORA. An individual operator, is he?

Mr. WRIGHT. Well, he is not an operator, so far as I know. He is a man who at various times in his life has sold many stocks. I do not know what he does now.

Mr. PECORA. Your next operation in 1931 appears to have been an option given to your firm by W. R. K. Taylor & Co. That is a stock-brokerage firm, too, isn't it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And they are also members of the New York Stock Exchange?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And it is dated July 31, 1931, and covers participation of 1,500 shares in an account of 5,000 shares of the stock of Lily-Tulip Cup Corporation.

Mr. WRIGHT. That is a dead one.

Mr. PECORA. What was that?

Mr. WRIGHT. That was a dead one. We never did anything with that.

Mr. PECORA. Well, you accepted this participation, didn't you?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Who conducted the account that was formed under it?

Mr. WRIGHT. W. R. K. Taylor.

Mr. PECORA. When you say "That is a dead one", just exactly what do you mean by it?

Mr. WRIGHT. I mean that the stock has no appeal. You could not do anything with it.

Mr. PECORA. But an effort was made to move it in the market?

Mr. WRIGHT. I don't know what they did, to tell you the truth.

Mr. PECORA. Well, this account was formed for the purpose of moving the stock in the market, wasn't it?

Mr. WRIGHT. Yes, sir. According to the records here they bought about 3,000 shares and then stopped.

Mr. PECORA. Because they could not make any headway with it in the market?

Mr. WRIGHT. At that particular time, in 1931, you could not have made any headway with anything.

Mr. PECORA. Now, the next option in 1931 was given to your firm by Redmond & Co., and is dated August 21, 1931, being marked "Committee Exhibit No. 55" in evidence, and covers 50,000 shares of the Petroleum Corporation of America, at prices ranging from \$8.25 per share to \$10.50 per share.

Mr. WRIGHT. I apparently drew down 19,000 shares of that Petroleum Corporation stock.

Mr. PECORA. Did you accept this option with a view to conducting trading operations under it for the purpose of making a distribution of the stock covered by the option, at higher prices?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And to what extent did you succeed in those trading operations?

Mr. WRIGHT. To the extent of 19,000 shares.

Mr. PECORA. And at a profit for the 19,000 shares?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And under those trading operations you both bought and sold?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Did you have any associates or participants in the market operations conducted under this option?

Mr. WRIGHT. Redmond & Co. were in on it for—let me see.

Mr. PECORA. How about M. J. Meehan & Co.?

Mr. WRIGHT. No, sir. Redmond was the only one in on it, for 40 percent.

Mr. PECORA. Well, now, let us see. Attached to this option agreement, committee exhibit no. 55, of August 21, 1931, is a letter of the same date addressed to Redmond & Co., reading as follows:

AUGUST 21, 1931

Messrs REDMOND & Co,  
New York, N Y

GENTLEMEN. On August 19, 1931, you gave us an order to sell 50,000 shares of the capital stock of the Petroleum Corporation of America at certain prices, which prices have been corrected by you under today's date. It is hereby agreed between us that you may, with our consent, give an order to Messrs. M J Meehan & Co. to sell all or any part of 15,000 shares of the above mentioned stock, in amounts and prices as follows: 2,500 shares at  $9\frac{1}{4}$ ; 2,500 shares at  $9\frac{1}{2}$ ; 2,500 shares at  $9\frac{3}{4}$ ; 5,000 shares at 10; 2,500 shares at  $10\frac{1}{4}$ .

Messrs M. J Meehan & Co will agree to pay you 40 percent of any profits which they make in connection with these sales, if any, and will agree that Redmond & Co. shall not be responsible for any loss which may occur through such sales.

It is understood that you will forward to us one half of any profits you may receive from Messrs. M J Meehan & Co's sales

Yours very truly—

Now, no name is attached to this photostatic copy of the letter, but I assume it was one forwarded to your firm by Redmond & Co.

Mr. WRIGHT. I do not think that anything happened on that. I think the whole thing died at its inception so far as my memory is concerned. But I would have to go through Redmond & Co.'s records to find out if that is true. But I do not remember M. J. Meehan & Co. ever being in with me on that.

Mr. PECORA. Now, the next option in 1931 is dated August 25, 1931, and is granted to your firm by Redmond & Co., and it covers 200,000 shares of the capital stock of Transamerica Corporation at prices ranging from \$7 per share to \$10 per share.

Do you recall that option?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Was this option secured by you with the same purpose in mind of conducting market operations under it which would enable you to distribute the stock at higher prices?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. How many shares were drawn down by you under this option?

Mr. WRIGHT. About 8,000 shares.

Mr. PECORA. Did you say 8,000 shares?

Mr. WRIGHT. Yes, sir. And then it stopped.

Mr. PECORA. Times were unpropitious then for this operation; is that it?

Mr. WRIGHT. No. I was taken sick and I had to stop.

Mr. PECORA. I notice this clause in this option:

It is further understood that upon the expiration of this order, as above noted, you will forward to us 40 percent of any profits which you may realize through the sale of these shares, and it is also understood that Redmond & Co shall not be responsible for any loss which may occur through such sales

Now, the reason for the inclusion of that provision, I assume, is similar to that heretofore given by you with regard to other similar provisions in other options.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, Mr. Wright, the next option in the year 1931 was given to you or to your firm by W. R. K. Taylor & Co., of the New York Stock Exchange, being marked "Committee Exhibit No. 57", and is dated October 21, 1931. It covers 20,000 shares of the stock of the American Machine & Foundry Co.

Mr. WRIGHT. Is that in 1931?

Mr. PECORA. That is dated October 21, 1931. This letter gives your firm a 30-percent participation in the syndicate account that was formed to trade under this option. Is that right?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Who managed that account?

Mr. WRIGHT. I did.

Mr. PECORA. How many shares were drawn down under it?

Mr. WRIGHT. About 13,000 shares.

Mr. PECORA. Did the account close with a profit?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Was this account also formed for the purpose of conducting trades in the stock under the option in a manner calculated to distribute the stock at higher prices?

Mr. WRIGHT. Yes, sir. No, Mr. Pecora, I find that there was no money made in that account.

Mr. PECORA. Was any money lost under it?

Mr. WRIGHT. Yes.

Mr. PECORA. How much?

Mr. WRIGHT. Our participation meant a loss of \$7,600, on the basis of a 20 percent participation.

Mr. PECORA. It was a 30 percent participation, unless you gave a subparticipation to somebody else?

Mr. WRIGHT. I think Wright & Sexton had a participation of 20 percent.

Mr. PECORA. Well, the option agreement or letter received in evidence as committee exhibit no. 57 refers to the allotment to your firm of a 30 percent participation in the option.

Mr. WRIGHT. I think it was cut down by a subsequent letter to 20 percent.

Mr. PECORA. Well, now, let us see. Attached to this exhibit—

Mr. WRIGHT (interposing). No; 30 percent is right.

Mr. PECORA. Attached to this exhibit are two other copies of letters, dated, respectively, March 10, 1931, and March 26, 1931, each addressed to your firm by W. R. K. Taylor & Co., referring to earlier joint accounts to trade in the stock of the American Machine & Foundry Co. There were such earlier trading accounts, weren't there?

Mr. WRIGHT. I have been trading in the stock for years.

Mr. PECORA. I mean that there were such earlier trading accounts formed by W. R. K. Taylor & Co. in that year.

Mr. WRIGHT. Yes, sir; in 1929, 1930, and 1931 or thereabouts.

Mr. PECORA. Now, committee exhibit no. 58 in evidence consists of an option agreement, or an option granted to you or your firm by Redmond & Co., under date of November 11, 1931, and covers, or rather relates to a joint account which is to trade in 51,500 shares of the common stock of the Kaufman Department Stores, Inc., for which options were given at prices ranging from \$9.50 to \$11 per share?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And your firm had a one third interest in that account, did it not?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Together with the firms of Redmond & Co. and Farnum, Winter & Co.?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Who conducted the trading operations under that option?

Mr. WRIGHT. I do not remember, Mr. Pecora. It was not me.

Mr. PECORA. Was it a man named Bergen?

Mr. WRIGHT. Bergen, I believe, sold the stock through dealers. I do not believe he conducted market operations. I do not think there was much of a market operation in it. He tried to sell the stock through dealers, and did not succeed?

Mr. PECORA. Who gave this option under this account in the first instance? Were they officers of Kaufmann Department Stores, Inc.?

Mr. WRIGHT. I do not think so, as I remember it. It was not officers. It was a man who was one of the largest stockholders of the company, and was formerly president of Stern Bros

Mr. PECORA. Was it Samuel Mundheim?

Mr. WRIGHT. That is it.

Mr. PECORA. And this joint account was formed for the same purpose as has heretofore been stated, namely, to conduct market operations with a view to disposing of the stock at a higher price.

Mr. WRIGHT. No, sir.

Mr. PECORA. What was this account formed for?

Mr. WRIGHT. They were selling the stock by means of dealer distribution and not by means of market operations.

Mr. PECORA. There was no market operation conducted under this option?

Mr. WRIGHT. No, sir.

Mr. PECORA. Now, the last one for the year 1931 that you have given to us is an option given to you under date of November 12, 1931, by W. H. Eshbaugh, and covers 10,000 shares of the common stock of International Salt Co., at \$32 per share, the option being given for a period of 1 month. Did you take this option with a view to conducting market operations under it so that you might distribute the stock at higher levels?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Now, Mr. Wright, that covers all the options, copies of which were reported by your firm in answer to the questionnaire submitted to your firm in behalf of this committee last fall. But, as I have remarked before, it covers options only for the calendar years 1931, 1932, and 1933, although the questionnaire called for options for the years 1929 and 1930 as well. You are going to have further inquiry made in your office for records for those years, are you?

Mr. WRIGHT. Yes; but I do not think that I had any. But I will make as much inquiry as I possibly can.

Mr. PECORA. All right.

Mr. WRIGHT. Now, Mr. Pecora, there are a couple of corrections my assistant would like to make of statements that he tells me are incorrect.

Mr. PECORA. What are they?

Mr. WRIGHT. As to the American Machine & Foundry Co. the share figures are not quite correct, although they are the approximate amounts

Mr. PECORA. Well, they will be sufficient for our purposes.

Mr. WRIGHT. All right. Then we do not want to make any changes.

Mr. PECORA. Now, Mr. Wright, to your knowledge, is it common practice for members of the exchange to operate under option agreements generally similar to those which you have produced and which have been put in evidence here today?

Mr. WRIGHT. Is it common practice?

Mr. PECORA. Yes.

Mr. WRIGHT. Well, I wouldn't say it is common practice, but it is done.

Mr. PECORA. It is frequently done?

Mr. WRIGHT. Not frequently, but it is commonly done by a small proportion of the members.

Mr. PECORA. By about what proportion of the members in your opinion, and we understand that it is purely your opinion.

Mr. WRIGHT. In my opinion I wouldn't think that 1 man out of every 100 who are members of the exchange, does it. I do not think there are more than 15 men who specialize in that kind of work. I was just trying to think, and I doubt if there are even 15 men.

Mr. PECORA. Those 15 members, taking that number by means of purely an approximation, specialize in that kind of operation or trading, do they?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And do they get their options frequently from other members of the stock exchange?

Mr. WRIGHT. Yes, sir. And that is accounted for by the fact that your options are granted by members of the exchange. That is why members' names appear so frequently.

Mr. PECORA. Do you also know it to be the practice, perhaps not common but more or less frequently, for members of the exchange to operate under options given to them by corporations which issue the stock in which the trading is done?

Mr. WRIGHT. Well, as a general rule these options would not be given by corporations to other than a stock-exchange firm, and in turn the stock-exchange firm would give it to the individual operator. In other words, they very selfishly, quite naturally, want the commissions themselves.

Mr. PECORA. That is, the stock-exchange firm that gets the option from the corporation will turn it over to one of the other members to trade in it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Is it also the practice or not infrequent for members of the exchange to trade under options granted by officers or directors of corporations whose securities are listed on the exchange?

Mr. WRIGHT. Well, the American Commercial Alcohol Corporation did, and I presume there are others doing it.

Mr. PECORA. That is an instance of such a thing, isn't it?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Mr. Wright, if you would care to tell this committee your views on it, to what extent do you think that these trading accounts that are formed for the purpose of enabling persons holding stock under option to distribute that stock at higher prices, are justified when they are undertaken solely for that purpose.

Mr. WRIGHT. Might I have that question read to me?

Mr. PECORA. Yes. The committee reporter will read it to you. (Which was done.)

Mr. WRIGHT. Just the same as it is possible to sell Campbell Soup by advertising Campbell Soup. Just the same as frozen stocks which are held are of no benefit to anybody, and yet, if distributed

to the people, they are not so frozen. If you have them frozen and not in the hands of the people, you have stagnation in the stock market and in the banking business throughout the country.

Mr. PECORA. Those trading operations which are conducted for that purpose are conducted for the selfish purpose of those conducting the operations to make profits at the expense of the investing public, are they not?

Mr. WRIGHT. No; that is not true, because those stocks sometimes go up many, many points above the price at which they are sold.

Mr. PECORA. In other words, this movement that is started by pools or syndicate accounts continue beyond the expectations, hopes, or plans of the originators of the movement?

Mr. WRIGHT. In many cases they have.

Mr. PECORA. But where the trading accounts are initiated solely for the purpose of enabling the persons who hold the stock under option to sell that stock to the public at higher levels, don't you think they are more or less unethical?

Mr. WRIGHT. No, sir.

Mr. PECORA. Don't you think they tend to excite the market in a manner calculated to bring in the general public?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And a part of the operations of such trading accounts consist of buying and selling for the same accounts, in order to give the market the appearance of activity so that the public may be induced to come in; isn't that so?

Mr. WRIGHT. That is true.

Mr. PECORA. And you think that is sound and proper practice?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Despite the fact that the general public which is induced to come in has no way of knowing that that market activity is simply fomented by a group for the selfish purpose of enabling that group to dispose of its optioned stock at higher prices?

Mr. WRIGHT. That is true; but the part that you do not take into consideration is that some men who indulge this practice should not be allowed to do it, while other men who do it stand by their markets.

Mr. PECORA. And how can you draw a line between those who should not be allowed to do it and those who should?

Mr. WRIGHT. You could not draw a line, but, nevertheless, that is the case.

Mr. PECORA. Well, now, you heard the testimony given before this committee last week with regard to certain transactions in the stock of American Commercial Alcohol Corporation?

Mr. WRIGHT. Yes, sir.

Mr. PECORA. And you yourself today said that the movement which was started in that stock last May reached heights that were absurd. Those were not your words, but I take it that is what you meant to say.

Mr. WRIGHT. Yes, sir.

Mr. PECORA. Isn't that an instance, Mr. Wright, of the evil of starting a market in the manner that markets have been started, for the purpose of enabling optionees to get rid of their stock at higher levels?

Mr. WRIGHT. No, sir; because the American Commercial Alcohol appears to be an instance where the stock was carried up in sympathy with the whisky stocks, where the craze became Nation-wide, and there was no way that you could stop it. The American Commercial Alcohol pool, from the testimony I listened to here, were out of their stock around \$30 a share, and yet that same stock sold at 89 $\frac{7}{8}$ .

Mr. PECORA. Well now, Mr. Wright, I think you are unfamiliar with the record brought out here before this committee when you say that, and I again want to remind you of the evidence before this committee produced last week from the records of W. E. Hurton & Co. to the effect that the Bragg Syndicate operations commenced on May 3, 1933, and continued until the end of July 1933; and yet you persist in saying that the operations of that syndicate stopped long before July 1933.

Mr. WRIGHT. I would say that their trading in the stock, the little I know about the testimony that I listened to, that they did practically no trading in the stock. You have the records there.

Mr. PECORA. We have the records and the records are here.

Mr. WRIGHT. That they did very little trading in June and July.

Mr. PECORA. Well, the records are just to the contrary, Mr. Wright.

Mr. WRIGHT. That I don't know anything about. I would say that their trading in the stock on the option of 25,000 shares at 18, and they made \$210,000 profit and then continued to trade in that, I would say it was awfully poor.

Mr. PECORA. That does not take into account whatever profits were made individually by the participants in that syndicate not through the operation of the syndicate, but taking advantage of market conditions?

Mr. WRIGHT. Those things I don't know anything about.

Mr. PECORA. No.

Mr. WRIGHT. But I do think that most of the men in that syndicate lost money in the end.

Mr. PECORA. What do you mean by saying they lost money in the end?

Mr. WRIGHT. I think on balance they lost money over and above the money they made on the options. I have heard some of the men say that.

Mr. PECORA. That because of their individual trading in the market?

Mr. WRIGHT. That is right.

Mr. PECORA. Bear in mind, Mr. Wright, that you yourself have admitted that as the specialist for this stock during this violent movement of last year, to use your own expression, were "murdered" when the break came, and yet for that 3-month period, for May, June, and July 1933, you emerged from it with a profit of around \$138,000, despite the losses you took while you were being murdered?

Mr. WRIGHT. Yes, sir. I would like to also recall the fact that I traded in 245,000 shares and sold 245,000 shares and made a profit of \$138,000 on that. That is a damned small margin of profit for that amount of stock that I traded in.

Mr. PECORA. I am going to show you, Mr. Wright, the report made to the committee on business conduct of the New York Stock Ex-

change under date of October 23, 1933, by the examiners or accountants of the New York Stock Exchange, and they show from transcripts of the accounts of W. E. Hutton & Co., account known as "no. 296", which has been identified here as the Bragg Syndicate account, tradings in that stock beginning with May 3, 1933, and ending on July 31, 1933, and show orders executed by you for that account as late as July 20. In fact there is one on July 24 executed by you.

Mr. WRIGHT. Yes. I think, Mr. Pecora, you will find that the Bragg Syndicate, so-called "Bragg Syndicate", stopped playing the market operations and started gambling, if you want to know.

Mr. PECORA. Well, that may be.

Mr. WRIGHT. And in the month of June I received from W. E. Hutton & Co., \$553 in commission; from Ben Smith, \$107 commission; Durant, \$17.50.

Mr. PECORA. Well, now, you look at this report of transactions in American Commercial Alcohol for the account of B. E. Smith, no. 296, account carried on the books of W. E. Hutton & Co., will you, please, and see if that does not indicate that the operations in that account were active all through May, June, and July 1933, and that you executed some of the orders late in July 1933 for that account?

Mr. WRIGHT. If I did, they were only a few thousand shares.

Mr. PECORA. Whatever they are, the account was only formed to trade in 25,000 shares, wasn't it, or rather the option was to distribute 25,000 shares?

Mr. WRIGHT. Yes, sir; they were just simply trading in the stock like anybody else in July.

Mr. PECORA. There were trades, according to the returns made to the New York Stock Exchange by W. E. Hutton & Co., for the account of that no. 296 account, which was identified here last week as the account through which the Bragg Syndicate traded?

Mr. WRIGHT. That is right. I would not know anything about that, because Bragg was not here.

Mr. PECORA. They are the records of W. E. Hutton & Co., which carried the account on its books.

Mr. WRIGHT. But I will say the same as I said before, Mr. Pecora, that these men turned from running the market into gamblers. If that was their business, to turn into gamblers, I had nothing to do with it. That is what they did. You can see by their records. They turned from market operators into just simply straight gambling in that particular stock.

Mr. PECORA. When did they stop being market operators and become gamblers in this trading?

Mr. WRIGHT. That is exactly what they did.

Mr. PECORA. When did they cease to be market operators and become gamblers?

Mr. WRIGHT. The height of my business with them shows that I did the height of my business for them in the month of May. There are my slips [handing papers to Mr. Pecora], which will correspond with yours. The month of May was the height of business I did. In June it started to fall down; July practically nothing.

Mr. PECORA. Now, let's see—

Mr. WRIGHT. There they are, right there. This represents the amount [indicating on documents]. This represents the height of the business that they gave me, which would be in May, the May commissions from W. E. Hutton. In June they started to drop down. In July they got down to practically nothing.

Mr. PECORA. Look at the list of sales. According to W. E. Hutton & Co.'s records, you made—or the purchases and sales you made for this 296 account in June, the latter part of June 1933—

Mr. WRIGHT. That is what I made for them, that amount of money.

Mr. PECORA. I don't care what the amount of money was. They are the long list of transactions put through by you?

Mr. WRIGHT. They do not prove to me any more than that thing proves to me. That proves that in May they reached their height of trading, and in June they started to drop down, and in July practically nothing.

Mr. PECORA. Do you challenge these figures—

Mr. WRIGHT (interposing). I don't challenge anything.

Mr. PECORA. Wait a minute—that the records of W. E. Hutton & Co. do show that, for instance, on June 26 that account, account no. 296 on the books of W. E. Hutton & Co., bought through you 700 shares of American Commercial Alcohol and sold through you 1,500 shares?

Mr. WRIGHT. What is the date?

Mr. PECORA. June 26.

Mr. WRIGHT. The volume of June 26 was—to show how little their trading meant—the volume on June 26 was 31,000 shares, and that is probably 1,500 shares out of 31,000. That is very little trading.

Mr. PECORA. And that on June 27 that account bought through you 3,100 shares?

Mr. WRIGHT. Well, to show you how little that meant, on that self-same day there was 49,200 shares traded in on the floor of the stock exchange, and this so-called "pool" did less than one tenth of that amount of trading.

Mr. PECORA. Are you overlooking the fact that according to these records of W. E. Hutton & Co., orders for the account of no. 296, which was this Bragg account, were also executed through other brokers than yourself?

Mr. WRIGHT. I would presume that they were executed through other people outside of myself. That I know nothing about.

Mr. PECORA. All of which indicates that this account did not cease operating in May or in June but continued right down to the end of July?

Mr. WRIGHT. They probably did. I don't challenge that.

Mr. PECORA. Now, as you look at the transcript of the transactions in the account of no. 296 on the books of W. E. Hutton & Co. in American Commercial Alcohol last year, you say that it would indicate that persons interested in that account stopped being market operators and turned gamblers?

Mr. WRIGHT. That is what I would judge; yes, sir.

Mr. PECORA. That includes this man Bragg, that you said was one of the cleanest operators?

Mr. WRIGHT. Yes; that includes him.

The CHAIRMAN. Smith?

Mr. PECORA. And Smith too?

Mr. WRIGHT. Smith was not around, Mr. Pecora. He is never around.

Mr. PECORA. I think that is all, Mr. Chairman, of Mr. Wright.

The CHAIRMAN. All right; you may be excused, Mr. Wright.

Mr. WRIGHT. Am I through, Mr. Pecora?

Mr. PECORA. Yes.

Mr. WRIGHT. I want to thank all of you gentlemen for your courtesies.

Mr. PECORA. If you get any more options for 1929 send them to us.

Mr. WRIGHT. I will get you 1929 and 1930 if there were any, and I will send you a copy. Am I excused for the balance of the meeting?

Mr. PECORA. Yes.

Mr. WRIGHT. Thank you very much. Good night.

The CHAIRMAN. The committee will now take a recess until tomorrow morning at half past 10. I want the committee to meet at 10 in order to have a little executive session. The regular session will begin at half past 10 tomorrow, and the witnesses are excused until half past 10.

(Accordingly, at 4:40 p.m., the hearing was adjourned until 10:30 o'clock on the following morning.)

COMMITTEE EXHIBIT No 34, FEBRUARY 20, 1934

HORNBLLOWER & WEEKS—BOSTON, NEW YORK, CHICAGO

42 BROADWAY, NEW YORK

MESSRS. WRIGHT & SEXTON,

APRIL 25, 1933.

*c/o Arthur Lapper & Co.,  
50 Broad Street, New York City.*

DEAR SIR: On behalf of a client, we herewith give you the right to call upon us for delivery of twenty-five thousand (25,000) shares of Timken Detroit Axle Common Stock at any time before 3.00 p.m., May 24, 1933, at the following prices:

5 000 shares,	@	\$2 50	per share.
5,000 "	@	3 00	" "
5,000 "	@	3 50	" "
5,000 "	@	4 00	" "
5,000 "	@	4 50	" "

The stock to be taken up in 100-share lots or any multiple thereof.  
very truly yours.

(Signed) HORNBLLOWER & WEEKS.

HORNBLLOWER & WEEKS—BOSTON, NEW YORK, CHICAGO

42 BROADWAY, NEW YORK,

MAY 16, 1933

MESSRS. WRIGHT & SEXTON,

*% Arthur Lapper & Co.,  
50 Broad Street, New York, N.Y.*

DEAR SIR: This is to certify that on behalf of a client we have cancelled your present Call on 25,000 shares of Timken Detroit Axle and have replaced it by a new Call as follows:

10,000 shares at	\$4 00	per share.
10,000 " "	4 50	" "
10,000 " "	5 00	" "

good until the close of business on Friday, June 23rd

Yours very truly,

(Signed) HORNBLLOWER & WEEKS.

HORNBLOWER & WEEKS—BOSTON, NEW YORK, CHICAGO,  
42 BROADWAY, NEW YORK,  
June 2, 1933

Messrs. WRIGHT & SEXTON,  
o/o Arthur Lapper & Co, 50 Broad Street, New York City.

DEAR SIR: On behalf of a client, we herewith give you the right to call upon us for delivery of 30,000 shares of Timken Detroit Axle stock at any time before 3 00 P M, June 23, 1933, at the following prices

7,500 shares, @ \$5.50 per share  
7,500 " @ 6 00 " "  
7,500 " @ 6 50 " "  
7,500 " @ 6 50 " "  
7,500 " @ 7.00 " "

the stock to be taken up in 100-share lots or any multiple thereof

Very truly yours

(Signed) HORNBLOWER & WEEKS.

HORNBLOWER & WEEKS—BOSTON, NEW YORK, CHICAGO,  
42 BROADWAY, NEW YORK,  
June 6th, 1933.

Messrs WRIGHT & SEXTON,  
o/o Messrs. Arthur Lapper & Co, 50 Broad Street, New York, N Y

DEAR SIR: On behalf of a client we herewith give you the right to call upon us for delivery of 16,000 shares of Timken Detroit Axle stock at any time before 3 P M June 23rd, at the following prices—

4,000 shares at \$5 50 per share.  
4,000 shares at 6 00 per share  
4,000 shares at 6 50 per share  
4,000 shares at 7 00 per share

stock to be taken up in 100 share lots or any multiple thereof

This call on 16,000 shares is in addition to our previous Call given you under date of June 2nd, 1933 on 30,000 shares of which you have already exercised 7,500 shares at \$5 50 per share

Yours very truly,

(Signed) HORNBLOWER & WEEKS.

COMMITTEE EXHIBIT No 35, FEBRUARY 20, 1934.

30 PINE STREET, NEW YORK,  
May 16, 1933.

WRIGHT & SEXTON,  
1 Wall Street, New York City.  
Attention Charles Wright, Esq.

GENTLEMEN: This will confirm our understanding to the effect that you have an option from Pacific Eastern Corporation and Blue Ridge Corporation to purchase jointly from them 40,000 shares of the common stock of United Biscuit Company of America for the account of a Selling Group, to be organized, at prices as follows:

5,000 shares at 20.  
5,000 shares at 21.  
2,500 shares at 21½.  
5,000 shares at 22.  
2,500 shares at 22½.  
5,000 shares at 23.  
2,500 shares at 23½.  
5,000 shares at 24.  
2,500 shares at 24½.  
5,000 shares at 25.

Any net profit realized by the Selling Group above the prices paid to these Corporations, after payment of all commissions, etc., are to be divided equally— one half to the firm of Wright & Sexton and one half jointly to the Pacific Eastern Corporation and Blue Ridge Corporation. It is understood that the

Selling Group will have a limited liability of not over 5,000 shares of stock at any one time

This option expires Thursday, June 15, 1933 at 3 p.m. It is our understanding that you will draw down stock for this account from day to day to correspond with your sales for the account of the Selling Group.

Yours very truly,

(Signed) MELVIN E SAWIN

COMMITTEE EXHIBIT No 36, FEBRUARY 20, 1934

MAY 18, 1933.

For One Dollar (\$1.00) and other valuable considerations, I hereby give Wright & Sexton, 1 Wall Street, New York City, the option to purchase from me the following number of shares of the common stock of the Gotham Silk Hosiery Company, Inc, at the following prices, for a period of thirty (30) days from date—

10,000 shares common stock at \$12 per share

10,000 shares common stock at \$13 per share

10,000 shares common stock at \$14 per share

All prices to be net

It is distinctly understood between us that I reserve the privilege of cancelling this agreement on forty-eight (48) hours notice

(Signed) H W BLUMENTHAL

COMMITTEE EXHIBIT No. 37, FEBRUARY 20, 1934.

SHUMAN & Co. MEMBERS NEW YORK STOCK EXCHANGE

25 BROAD STREET, NEW YORK

MAY 22, 1933

Mr. CHARLES C. WRIGHT,

*Wright & Sexton, 1 Wall Street, New York City.*

DEAR SIR: In consideration of One Dollar (\$1.00), receipt of which is hereby acknowledged, we grant to you an option on 25,000 shares of Granby Consolidated Mining, Smelting & Power Company, Ltd (a corporation of British Columbia), under the following terms and conditions

- (1) An option for 10 days on 2500 shares at 10½
- (2) An option for 17 days on 2500 shares at 11
- (3) An option for 24 days on 2500 shares at 11½
- (4) An option for 31 days on 2500 shares at 12.
- (5) An option for 38 days on 2500 shares at 12½
- (6) An option for 45 days on 2500 shares at 13
- (7) An option for 52 days on 2500 shares at 13½
- (8) An option for 59 days on 2500 shares at 14
- (9) An option for 66 days on 2500 shares at 14½
- (10) An option for 73 days on 2500 shares at 15

If options No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 are not exercised on the due date within the period of time mentioned as aforesaid, each and every succeeding option shall become null and void and cease to exist

We shall agree to deliver the certificates in one hundred share lots

We understand that you may consider it necessary to purchase not over 4,000 shares of this stock in the open market before you exercise your first option. Should you find it necessary to do so it is our understanding that you will agree to place said orders with us and we will agree to take for our own account fifty per cent of any stock you may purchase, up to 4,000 shares, covering this particular situation, for our own account and pay for same

It is to be further understood that George Douglass at Abbott Hoppin & Co and associates, for their cooperation in furthering the distribution of this

stock by creating the necessary purchasing power, are to receive from you 17½ per cent of the net profits, and that Shuman & Co. are in no way obligated to Mr. Douglas.

We shall be glad to do everything possible to help you to be successful in this undertaking.

We hand you this letter in duplicate, and if it meets with your approval, will you kindly sign the copy where marked "Accepted" and return to us

Should any of the maturity dates of these options fall on a holiday or Sunday, it is understood that the option may be exercised on the regular business day following

Yours very truly,

(Signed) W I SHUMAN

COMMITTEE EXHIBIT No 38, FEBRUARY 20, 1934

REDMOND & Co, 48 WALL STREET, NEW YORK

JUNE 1, 1933

Messrs WRIGHT & SEXTON,  
One Wall Street, New York, NY

GENTLEMEN We have purchased for ourselves and associates, including you, 65,000 shares of common stock without par value of Libbey-Owens-Ford Glass Company, an Ohio corporation, at the price of \$26 50 per share, and, in accordance with previous understanding, we confirm your interest in the above purchase to the extent of 5,000 shares at said price We understand you will leave this stock with us for sale proportionately with the balance of such 65,000 shares, you to accept the average of the net avails of such sales, as determined by us in our absolute discretion, less brokerages taxes and other expenses in connection therewith

In connection with our purchase of said 65,000 shares of common stock, we have obtained for ourselves and associates options to purchase additional shares of such common stock as follows

Up to 20,000 shares on or before July 3, 1933, at \$27 50 per share,

Up to 20,000 shares on or before August 1, 1933, at \$28 50 per share,

Up to 20,000 shares on or before September 1, 1933, at \$29 50 per share,

Up to 20,000 shares on or before October 2, 1933, at \$30 50 per share,

such options being respectively conditional on the full exercise by us of the preceding option within the period specified We confirm your interest in the above options to the extent of 1,538 shares of such common stock out of each of said blocks of 20,000 shares, and it is understood that, to the extent to which we, in our absolute discretion shall exercise such options, such purchases shall be proportionately for your account and that you will promptly make payment on our call for the shares so purchased for you The stock purchased under such options and remaining unsold shall not exceed 20,000 shares at any one time It is understood that any such additional stock purchased by you will likewise be left with us for sale proportionately with the other stock purchased by us under such options, on the same terms provided above with reference to the original 65,000 shares

It is understood that we shall incur no liability for any action taken hereunder in good faith

If the foregoing is in accordance with your understanding, will you please confirm your agreement therewith by signing and returning the enclosed duplicate of this letter

Yours very truly,

REDMOND & Co,  
By A PERY OSBORN

COMMITTEE EXHIBIT No. 39, FEBRUARY 20, 1934

A. HECKSCHER, 52 VANDERBILT AVENUE, NEW YORK,

WRIGHT & SEXTON,  
1 Wall Street, New York City.

JUNE 7, 1933

GENTLEMEN: I hereby give you an option to purchase from me 28,824 shares of common stock of the Consolidated Cigar Corporation at the following prices.

7,500 shares @ \$16 per share  
 7,500 shares @ \$17 per share  
 7,500 shares @ \$18 per share  
 6,324 shares @ \$19 per share

---

 28,824

Stock to be taken up only in lots of not less than 7500 shares each, except that the last lot shall be for the balance then remaining

This option shall expire August 5th, 1933, provided that of 20,000 shares shall have been purchased and paid for by you on or before said date, your option to purchase the remaining 8,824 shares shall be extended to and including September 5th, 1933

The stock shall be delivered at my office, 52 Vanderbilt Avenue, New York City, on not less than three days' notice against payment therefore in cash or certified check

4500 shares of stock covered by the above options, are now held as collateral for a bond issued by the National Surety Corporation and the above option with respect to said 4500 shares is subject to my obtaining consent of the Superintendent of Insurance of the State of New York to the withdrawal of the said shares. I anticipate that I will be able to obtain such consent within the next 10 days or so.

Very truly yours,

A. HECKSCHER

COMMITTEE EXHIBIT No 40, FEBRUARY 30, 1934.

Mr. ARLINGTON W PORTER,  
50 Pine Street, New York, N.Y.

JUNE 21st, 1933

DEAR SIR: In consideration of your purchasing from me, for immediate delivery, 3,000 shares of no par value common stock of the American Seating Company at \$3 per share, I extend to you an option upon 17,000 shares of the above mentioned stock on the following terms:

4,000 shares at 3  
 7,000 shares at 4  
 6,000 shares at 5

This option to extend for a period of sixty days from the date of this letter.

If this is in accordance with your understanding, will you kindly sign and return the enclosed duplicate of this letter

Yours very truly,

(Signed) LOUIS H INGRAHAM

LOUIS H INGRAHAM  
72 Wall Street, New York, N Y

COMMITTEE EXHIBIT No 41, FEBRUARY 20, 1934

THE SECOND NATIONAL BANK OF NEW HAVEN, NEW HAVEN, CONNECTICUT

Messrs. WRIGHT & SEXTON,  
% Eric and Drivers, 115 Broadway, New York, N.Y

JUNE 19, 1933

GENTLEMEN: I hereby grant you an option on 40,000 shares PENNSYLVANIA COAL AND COKE CORPORATION at \$5 per share, net, good until ninety days from date (September 18, 1933) for one of our clients.

It is understood and agreed that you or your nominee will take up for delivery not less than 5000 shares at \$5 per share, net, every 30 days, otherwise we are at liberty to cancel said option.

Yours very truly

(Signed) E G ALLYN, President.

COMMITTEE EXHIBIT No. 42, FEBRUARY 20, 1934

BANCAMERICA-BLAIR CORPORATION, 44 WALL STREET, NEW YORK

JUNE 20, 1933

Douglas Aircraft Company, Inc, Capital Stock.

Mr SAM PASS,  
% Messrs C E. Welles & Co,  
39 Broadway, New York City.

DEAR SIR: The undersigned and associates hold an option to purchase from Douglas Aircraft Co. Inc. certain shares of its no par value capital stock

We hereby confirm the sale to you today of 20,000 shares Douglas Aircraft Co. Inc capital stock at \$15 per share, subject, however, to our being able to obtain delivery of said shares pursuant to the aforementioned option. Delivery of and payment for said shares is to be made at the office of Bancamerica-Blair Corporation, 44 Wall Street, New York City, on Wednesday, June 31, 1933, subject to receipt of said shares from Douglas Aircraft Co Inc

After effecting delivery and receiving payment for the above 20,000 shares at \$15 per share, the unexercised balance of the aforementioned option will be 47,969 shares, and we hereby confirm our understanding with you regarding the same as follows:

We hereby give you an order to sell for account of ourselves and associates all or any part of 24,000 shares of said stock at market prices, but in no event at less than \$16 per share net to us, and also give you an order to sell for account of ourselves and associates all or any part of an additional 23,969 shares of said stock at market prices, but in no event at less than \$17 per share net to us. The above orders are good for a period of 30 days from date hereof or until 3 p m Thursday, July 20, 1933.

It is understood that in the event that you have been successful in disposing of the first block of 24,000 shares at \$16 per share or better, we agree to extend the order on 23,969 shares at \$17 per share or better for an additional period of 30 days from July 20, 1933

It is also understood that the shares covered by the above orders shall be disposed of by you in the market and not en bloc

It is understood that during the life of this arrangement you are not to take a long position in the above stock for this account, but you may repurchase stock previously sold for the purpose of covering your short position which short position shall not exceed at any one time 5,000 shares nor in any case more than the unexecuted balance of the above orders. In the event that your short position exceeds 5,000 shares of stock, you are to take up from us and pay for at clearance prices hereafter referred to the number of shares equal to your short position in excess of 5,000 shares.

During the life of these orders you are not to trade in the capital stock of Douglas Aircraft Co Inc except in the interest of the account as herein stated.

You agree to inform us daily upon our request as to your net position in this stock, together with the average price of said position

It is also agreed that your operations hereunder shall be conducted in accordance with the rules of the New York Stock Exchange and within the State of New York

During the life of these orders, certificates for these shares in good delivery form as required by the rules of the New York Stock Exchange will be delivered to you or your nominee upon demand on us, giving us two days notice in writing and upon payment at a clearance price to be agreed upon from time to time, but such clearance price shall not be less than the minimum prices specified on the above orders, namely, \$16 and \$17 per share at the office of Bancamerica-Blair Corporation, 44 Wall Street, New York City

At the close of the account you agree to furnish us with a statement of your account and to pay to us the difference between the clearance prices at which shares are delivered to you and the net proceeds received therefrom less expenses.

All your transactions hereunder or in any way connected with the sale by you of the above shares are to be conducted in compliance with the Federal Securities Act of 1933

It is understood that after deducting expenses any amount received in excess of the prices herein stated from the sale of all or any part of the 67,969 shares

covered by this transaction shall be divided 50% to you and 50% to us and our associates. We assume no obligation hereunder except to deliver stock to you as provided herein and we shall not be liable for any loss arising out of this transaction.

Kindly acknowledge and confirm that the foregoing is in accordance with your understanding by signing and returning to Bancamerica-Blair Corporation the enclosed copy of this letter.

Yours very truly,

E. A. PIERCE & Co  
By E. A. PIERCE  
BANCAMERICA-BLAIR CORPORATION  
By J. R. MONTGOMERY, *Vice President*

COMMITTEE EXHIBIT No 43, FEBRUARY 20, 1934

HAYDEN, STONE & CO, 25 BROAD STREET, NEW YORK, N Y

JULY 11, 1933

MESSRS WRIGHT & SEXTON,  
1 Wall Street, New York, N.Y.

DEAR SIRs: We hereby give and grant to you the right and option to purchase 54,796 shares of the common stock of Youngstown Sheet & Tube Company (an Ohio corporation), in lots, at prices and expiring on or before the close of business, on dates as follows, but all subject to the terms and conditions hereinafter stated, viz

Expiration date of options	Number of shares	Price per share	Expiration date of options	Number of shares	Price per share
July 11, 1933.....	4,796	32½	July 31, 1933.....	10,000	33½
July 21, 1933.....	10,000	32½	August 7, 1933.....	10,000	34
July 26, 1933.....	10,000	33	August 10, 1933.....	10,000	34½

If we or our client should be enjoined or restrained by any court or judge from selling or disposing of said stock, and upon notice by us, either orally or in writing, or by telephone or mail, to you at your office, 1 Wall Street, New York City of such fact, we shall not be bound to recognize any calls by you hereunder nor to make any delivery of stock, and all of our obligations hereunder, including the options herein granted, shall immediately cease and determine.

Title to said stock shall not pass until you pay for the same and the stock is actually delivered to you.

If you fail to take up and pay for any lot of stock within the period of time mentioned as aforesaid, all of your rights hereunder shall immediately cease and determine.

This option may not be assigned without our written consent.

Very truly yours,

HAYDEN, STONE & Co

COMMITTEE EXHIBIT No 44, FEBRUARY 20, 1934

L. F. ROTHSCHILD & Co,  
ONE TWENTY BROADWAY,  
New York, July 17, 1933

MESSRS WRIGHT & SEXTON,  
1 Wall Street, New York City

GENTLEMEN: Confirming our telephone conversation of this date, we agree that tomorrow, July 18th, we will deliver to you calls on Ten Thousand (10,000) shares of Robert Reis & Co. common stock at three dollars (\$3) per share, and six thousand five hundred (6,500) shares of Robert Reis & Co. common stock at Four Dollars (\$4.00) per share, good for thirty days, expiring August 17, 1933.

Very truly yours,

L. F. ROTHSCHILD & Co.

COMMITTEE EXHIBIT No 45, FEBRUARY 20, 1934

L F ROTHSCHILD &amp; Co ,

*One Twenty Broadway, New York, August 25, 1933*MESSRS. WRIGHT & SEXTON,  
*1 Wall Street, New York City*

DEAR SIR: This is to confirm that the following privileges issued on July 18th covering

8,000 shares Robert Reis common at 3

6,500 shares Robert Reis common at 4

and drawn by Mr. Harry Cowan, are to be extended to September 23, 1933, and we hereby guarantee that such privileges will be endorsed to that effect on Monday, August 28, 1933

Very truly yours,

L F ROTHSCHILD &amp; Co

BANCAMERICA-BLAIR CORPORATION,  
*44 Wall Street, New York, September 13, 1933*

[Confidential]

SUPERIOR OIL CORPORATION CAPITAL STOCK

MR CHARLES C. WRIGHT,  
MESSRS WRIGHT & SEXTON,  
*1 Wall Street, New York City*

DEAR SIR: We hereby give you an order to sell for our account, all or any part of 135,000 shares of the no par value, capital stock of Superior Oil Corporation, in amounts and at prices as follows

10,000 shares at \$2 75 per share net to us

25,000 shares at \$3 00 per share net to us

25,000 shares at \$3 50 per share net to us

25,000 shares at \$4 00 per share net to us

50,000 shares at \$4 50 per share net to us

The above order is good until the close of business at 12 noon Saturday, October 14, 1933

It is understood that in the event you shall have been successful in disposing of a total of 60,000 shares of the above stock at the respective prices listed above, we agree to extend the time for the execution of the balance of the order for an additional period of sixty days from October 14, 1933

It is understood that the shares covered by the above orders shall be disposed of by you in the market and not en bloc

It is understood that during the life of this arrangement you are not to take a long position in the above stock for this account, but you may repurchase stock previously sold for the purpose of covering your short position, which short position shall not exceed at any one time 20,000 shares of said stock. In the event that your short position exceeds 20,000 shares of stock, you are to take up from us and pay for, at clearance prices hereinafter referred to, the number of shares equal to your short position in excess of 20,000 shares

During the life of these orders you are not to trade in the capital stock of Superior Oil Corporation except in the interest of the account as herein stated.

You agree to inform us daily upon our request as to your net position in this stock, together with the average price of said position

It is also agreed that your operations hereunder shall be conducted in accordance with the rules of the New York Stock Exchange and within the State of New York

During the life of these orders, certificates for these shares in good delivery form as required by the rules of the New York Stock Exchange will be delivered to you or your nominee upon demand on us, giving us two days' notice in writing and upon payment at a clearance price to be agreed upon from time to time, but such clearance price shall not be less than the minimum prices specified above, at our office, 44 Wall Street, New York City

All your transactions hereunder or in any connected with the sale by you of the above shares are to be conducted in compliance with the Federal Securities Act of 1933.

Kindly acknowledge and confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed copy of this letter

Yours very truly,

BANCAMERICA-BLAIR CORPORATION,  
By ROBERT C ADAMS, *Vice President*

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COMMITTEE EXHIBIT No 47, FEBRUARY 20, 1934

NEW YORK, N.Y., *May 24, 1933*

Mr OSCAR C SEEBASS,  
*80 Broadway, New York City*

DEAR MR SEEBASS In consideration of the sum of One (\$1 00) Dollar and other good and valuable considerations, I herewith grant you the option to purchase International Salt Company stock as follows

Two Thousand (2,000) shares at the price of \$26 per share, delivery of which is to be taken on or before July 8, 1933; and

Five Thousand (5,000) shares at the price of \$28 per share, delivery of which is to be taken on or before July 8, 1933.

In the event of the exercise of the option hereby granted, you are to give me notice of your desire to exercise the same not later than 3 30 pm on the day prior to the day fixed by you for delivery in such notice, and the place of delivery shall be at my office, Room 2600, No 165 Broadway, New York City, unless I shall designate a different place of delivery. Payment of stock purchased pursuant to this option is to be made by cash, or by certified check in New York funds. The option hereby granted shall be available to you or your assigns provided that notice of any assignment shall be given by you to me and confirmed by your assignee, and only after receipt of such notice and confirmation shall I be bound by any assignment.

Very truly yours,

H B DWYER

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COMMITTEE EXHIBIT No 48, FEBRUARY 20, 1934

J R WILLISTON & Co.,  
*11 Wall Street, New York, August 12, 1932*

Messrs WRIGHT & SEXTON,  
*1 Wall Street, New York City*

DEAR SIRS For the consideration of your taking from us one thousand (1,000) shares of the capital stock of the Affiliated Products, Inc for \$8,500, we will give you the right to call upon us for delivery until two-forty-five (2:45) P M Wednesday, August 24th, 1932, of nine thousand (9,000) shares of the capital stock of the Affiliated Products, Inc, at \$8 50 per share.

As Affiliated Products, Inc stock goes ex-dividend on August 18th, 1932, any stock taken up from us prior to August 18 will carry the dividend, but any stock taken up under this call after August 18th, will be ex-dividend.

It is understood and agreed between us that, in the event of your not having exercised your option with respect to any of said shares, we shall be under no obligation to extend the option.

Yours very truly

J R WILLISTON & Co.

## COMMITTEE EXHIBIT No. 49, FEBRUARY 20, 1934

E GERLI & Co, INC,  
49 East 34th Street, New York

Mr. CHARLES C. WRIGHT,  
% Wright & Seaton,  
1 Wall Street, New York, N Y

DEAR SIR: In consideration of the sum of One Dollar, we hereby grant you the privilege to purchase from us any time within sixty (60) days from the above date, the following.

5,000	Belding Heminway Co,	5½
5,000	" "	6
10,000	" "	6½
10,000	" "	7
15,000	" "	7½
15,000	" "	8
15,000	" "	8½
5,000	" "	9

It is understood that you have the privilege of borrowing up to five thousand shares of the above stock, and that when you are short in position of the above mentioned five thousand shares, you are to take up from us the stock at option price

Very truly yours,

E GERLI & Co, INC,  
JOSEPH GERLI, Tr

## COMMITTEE EXHIBIT No 50 FEBRUARY 20, 1934

REDMOND & Co.  
48 Wall Street, New York, September 14, 1932.

WRIGHT & SEXTON,  
1 Wall Street, New York City.

DEAR SIR: We hereby confirm giving you an option good until the close of business October 5, 1932, on 15,000 shares of the Common Stock of the Warren Foundry and Pipe Corporation at the following prices

1,000 shares	at \$13 00	per share
2,500	" "	14 00 " "
2,500	" "	15 00 " "
3,000	" "	16 00 " "
3,000	" "	17 00 " "
3,000	" "	18 00 " "

We hereby assign this option to you to enable you to trade in the stock with the understanding that you will pay to us 60% of any profits which you may realize through the purchase or sale of the stock during this period or through the exercising in part or whole of the option. It is also understood that Richmond & Co will not be responsible for any loss which may occur through such purchases or sales.

Please confirm the above described option by signing and returning to us the attached duplicate of this letter

Very truly yours,

REDMOND & Co

## COMMITTEE EXHIBIT No. 51, FEBRUARY 20, 1934

BANCAMERICA-BLAIR CORPORATION,  
44 Wall Street, New York, September 21, 1932

Mr. GEORGE F. BREEN,  
20 Pine Street, New York, N.Y.

DEAR SIR: I. In consideration of your using your best efforts to create a market for and distribute shares of Curtiss-Wright Corporation Common Stock, we hereby confirm the sale to you and your associates of 100,000 shares Curtiss-

Wright Corporation Common Stock at \$3.00 per share. We are to participate to the extent of 25% in the purchase by you and your associates from us of the above-mentioned 100,000 shares of stock at \$3.00 per share.

II. In consideration of your purchasing the said 100,000 shares of Common Stock of the Curtiss-Wright Corporation as above set forth, we offer to sell to you or your nominee or nominees, all or any part of an additional 400,000 shares of the Common Stock of said Corporation, at any time and from time to time up to and including February 2, 1933, in the amounts and at prices as follows:

- (a) 100,000 shares at \$3 50 per share
- (b) 100,000 shares at \$4 00 per share
- (c) 100,000 shares at \$4 50 per share
- (d) 100,000 shares at \$5.00 per share

provided, however, that this offer shall cease and terminate in respect to any shares not taken up and paid for pursuant hereto, in the event you shall not have purchased:

- (a) 100,000 shares at \$3 50 per share on or prior to the close of business November 2, 1932
- (b) 100,000 shares at \$4 00 per share on or prior to the close of business December 2, 1932
- (c) 100,000 shares at \$4 50 per share on or prior to the close of business January 3, 1933
- (d) 100,000 shares at \$5 00 per share on or prior to the close of business February 2, 1933

III. The provisions of this letter are subject to our receiving the approval of the Board of Directors of Curtiss-Wright Corporation, concerning the foregoing arrangements. A Special Meeting of said Board has been called for this purpose, to be held on September 23, 1932

Our agreement with the Curtiss-Wright Corporation provides that upon approval by its Board the said Corporation will apply forthwith to the New York Stock Exchange for the listing of 500,000 shares of its Common Stock, and upon the listing of said stock will deliver to the undersigned or its nominee or nominees, 100,000 shares of said Common Stock. Upon the delivery of said stock by the Corporation, the undersigned will immediately deliver the same to you or to your nominee or nominees, upon payment to the undersigned of the purchase price therefore at the office of the undersigned, No 44 Wall Street, New York City

In the event you subsequently purchase all or any part of the 400,000 shares of the Common Stock of the Curtiss-Wright Corporation herein offered to be sold to you or to your nominee or nominees, we agree that certificates for the number of shares so purchased will be delivered to you or your nominee or nominees upon five days previous notice to the undersigned in writing and upon payment to the undersigned, of the purchase price therefor. Shares so delivered shall be in good delivery form as required by the rules of the New York Stock Exchange

IV It is understood that in consideration of our accepting an interest of 25% in the purchase by you and your associates of the aforesaid 100,000 shares of stock at \$3 00 per share, you agree that we are to receive 33 $\frac{1}{3}$  per cent of any net profit realized by you and your associates through the sale of any of the shares covered by this agreement. In no event shall we be liable for any losses sustained by you or your associates our sole obligation hereunder being limited to the purchase of 25,000 shares at \$3 00 per share.

V. It is understood that during the life of this agreement you are to give us daily reports as to the number of shares sold by you, including prices of such sales, and that all stock sold by you shall be disposed of in the market and not en bloc

Kindly acknowledge and confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed copy of this letter.

Yours very truly,

BANCAMERICA-BLAIR CORPORATION,  
By J. CHEEVER SANDIN, V P

## COMMITTEE EXHIBIT No 52, FEBRUARY 20, 1934

ANDREWS, SEVENTEEN EAST FORTY-FIFTH STREET, NEW YORK, N Y

JANUARY 31, 1931

Mr. CHARLES WRIGHT,  
30 Broad Street, New York City

DEAR MR WRIGHT: In consideration of One Dollar (\$1 00) herewith paid us, we give you herewith an option on twenty five thousand (25,000) shares of Budd Wheel Co. Common stock, as follows.

5,000 shares at \$10 00 per share, if taken up on or before February 9th, 1931

5,000 shares at \$10 50 per share, if taken up on or before February 16th, 1931.

5,000 shares at \$11 00 per share, if taken up on or before February 24th, 1931.

5,000 shares at \$11 50 per share, if taken up on or before March 2nd, 1931.

5,000 shares at \$12 00 per share, if taken up on or before March 9th, 1931.

All deliveries to be made in units of not less than 100 shares, will be made by Central Hanover Bk & Tr. Co, 42nd Street Branch, against payment.

Failure to exercise any one of the options at the price and by the time stipulated cancels all succeeding option. It is understood that the take-up of the first 5,000 shares must be confirmed on or before Saturday, February 7th, 1931.

Yours very truly,

A M ANDREWS INVESTMENT CORP  
A M. ANDREWS, *Treasurer.*

Accepted: \_\_\_\_\_

## COMMITTEE EXHIBIT No 53, FEBRUARY 20, 1934

MARCH 3, 1931

For Mr. CHARLES WRIGHT,  
Central Hanover Bank & Trust Co.,  
40 East 42nd St, New York City.

GENTLEMEN: From the stock which you are holding in safekeeping for our account, please deliver to Mr. Charles Wright, Wright & Sexton, 30 Broad Street, New York City, all or any part of ten thousand (10,000) shares of Trans Lux Daylight Picture Screen Corp'n. stock any time on or before March 30, 1931, against payment at ten dollars (\$10.00) per share.

Very truly yours,

A. M. ANDREWS INVESTMENT CORP.  
A. M. ANDREWS, *Treasurer.*

## COMMITTEE EXHIBIT No. 54, FEBRUARY 20, 1934

W R K TAYLOR & COMPANY,  
49 Wall Street, New York, July 31, 1931

WRIGHT & SEXTON,  
1 Wall Street, New York City.

GENTLEMEN: Confirming our conversation with you, we have today opened an account on our books designated as the Lily-Tulip Cup Corporation Trading Group Account. The account is formed with a maximum liability of 5,000 shares, in which you have accepted a participation of 1500 shares, representing 50%. The account has purchased 1,000 shares at a cost of \$24,316 64.

A memorandum statement of all subsequent transactions will be mailed to each participant every Monday giving a record of the transactions together with the position of the account.

Kindly signify your acceptance by signing and returning to us the enclosed duplicate of this letter, retaining the original for your files.

Very truly yours,

W. R. K. TAYLOR Co.

WJD: DEC

Accepted: \_\_\_\_\_

COMMITTEE EXHIBIT No 55, FEBRUARY 20, 1934

REDMOND &amp; Co.,

*48 Wall Street, New York, August 21, 1931.*Messrs WRIGHT & SEXTON,  
30 Broad Street, New York, N Y

Attention: Charles C. Wright, Esq.

GENTLEMEN: Referring to our letter of August 19, 1931, in which we gave you an order to sell for our account certain shares of the Petroleum Corporation of America Capital Stock, we wish to correct the prices at which said order was given, to be executed as follows:

5,000 shares at \$8 25 per share  
 5,000 shares at \$8 50 per share  
 5,000 shares at \$8.75 per share  
 5,000 shares at \$9.00 per share  
 5,000 shares at \$9 25 per share  
 5,000 shares at \$9 50 per share  
 5,000 shares at \$9.75 per share  
 5,000 shares at 10.25 per share  
 10,000 shares at 10 50 per share.

All other terms and conditions as specified in the above mentioned letter are to remain the same as heretofore

Yours very truly,

REDMOND &amp; Co

Accepted

Messrs REDMOND & Co.,  
*48 Wall Street, New York, N Y*

AUGUST 21, 1931

GENTLEMEN On August 19, 1931, you gave us an order to sell fifty thousand (50,000) shares of the Capital Stock of the Petroleum Corporation of America at certain prices, which prices have been corrected by you under today's date. It is hereby agreed between us that you may, with our consent, give an order to Messrs M J Meehan & Co. to sell all or any part of fifteen thousand (15,000) shares of the above mentioned stock, in amounts and prices as follows.

2,500 shares at  $9\frac{1}{4}$   
 2,500 shares at  $9\frac{1}{2}$   
 2,500 shares at  $9\frac{3}{4}$   
 5,000 shares at 10  
 2,500 shares at  $10\frac{1}{4}$

Messrs M J Meehan & Co will agree to pay you forty per cent (40%) of any profits which they make in connection with these sales, if any, and will agree that Redmond & Co shall not be responsible for any loss which may occur through such sales.

It is understood that you will forward to us one-half of any profits you may receive from Messrs M J Meehan & Co.'s sales.

Yours very truly—

REDMOND &amp; Co.,

*48 Wall Street, New York, August 7, 1931*Messrs WRIGHT & SEXTON,  
30 Broad Street, New York, N Y

Attention CHARLES C WRIGHT, Esq

Dear Sirs: "We confirm our understanding that we have given you an order (the execution of any part of which is optional with you) to sell for our account all or any part of fifty thousand (50,000) shares of Petroleum Corporation of American Capital Stock in amounts and prices as follows

5,000 shares at \$6 75 per share  
 5,000 shares at 7.00 per share  
 10,000 shares at 7.25 per share  
 10,000 shares at 7.50 per share  
 10,000 shares at 7 75 per share  
 10,000 shares at 8 00 per share

"It is understood that the above prices are to be net to us and that this order is to expire at 12 o'clock noon on Saturday, August 15, 1931. Certificates for these shares will be delivered to you or your nominee upon one day's notice and upon payment of the aforesaid prices therefor at our office at #48 Wall Street, New York City.

"It is further understood that upon the expiration of this order, as above noted, you will forward to us one half of any profits which you may realize through the sale of these shares and it is also understood that Redmond & Co. shall not be responsible for any loss which may occur through such sales

Yours very truly,

REDMOND & Co

AUGUST 18, 1931,

Messrs. WRIGHT & SEXTON,  
30 Broad Street, New York, New York

Attention: Charles C. Wright, Esq.

DEAR SIRs. Referring to our letter of August 7th giving you an order to sell for our account shares of Petroleum Corporation of America Capital Stock at various prices, and to our verbal understanding extending the agreement on terms of said letter to 12 00 o'clock noon, Eastern Daylight Saving Time, August 22, 1931, we wish to confirm the fact that we have this day cancelled the order in part as follows:

5,000 shares to be sold at \$6 75 per share
5,000 " " " " " 7 00 " "
2,000 " " " " " 7 25 " "

Redmond & Co will make efforts to find purchasers for this stock and in consideration of your accepting this cancellation Redmond & Co agrees to account to you for one-half of such price or prices as may be received for this stock in excess of the prices mentioned above.

It is further understood that you will not be responsible for any loss which may occur through such sales by Redmond & Co.

All of the other terms as outlined in our letter of August 7th are to remain in force until 12:00 noon, Eastern Daylight Saving Time, August 22, 1931.

Yours very truly,

ES: MA

Approved:

AUGUST 19, 1931

Messrs. WRIGHT & SEXTON,  
30 Broad Street, New York, N.Y.

Attention. Charles C Wright, Esq

DEAR SIRs. We confirm our understanding that we have given you an order (the execution of any part of which is optional with you) to sell for our account all or any part of fifty thousand (50,000) shares of Petroleum Corporation of American Capital Stock in amounts and prices as follows

5,000 shares at \$8 75 per share
5,000 " " " 9 00 " "
5,000 " " " 9 25 " "
5,000 " " " 9 50 " "
5,000 " " " 9 75 " "
5,000 " " " 10 00 " "
5,000 " " " 10 25 " "
5,000 " " " 10 50 " "
5,000 " " " 10 75 " "
5,000 " " " 11 00 " "

It is understood that the above prices are to be net to us and that this order is to expire at the close of business on Friday, August 28, 1931. Certificates for these shares will be delivered to you or your nominee upon one day's notice and upon payment of the aforesaid prices therefor at our office at #48 Wall Street, New York City

It is further understood that upon the expiration of this order, as above noted, you will forward to us one half of any profits which you may realize

through the sale of these shares and it is also understood that Redmond & Co shall not be responsible for any loss which may occur through such sales.

This order is in addition to the order given to you under date of August 7, 1931.

Yours very truly,

REDMOND & Co.

Accepted: \_\_\_\_\_

COMMISSION EXHIBIT No. 56, FEBRUARY 20, 1934

REDMOND & Co,  
48 Wall St., New York, August 25, 1931.

MESSRS. WRIGHT & SEXTON,  
30 Broad Street, New York, N.Y.

Attention: Charles C Wright, Esq

GENTLEMEN: We are pleased to confirm sale to you of fifteen thousand (15,000) shares of the Capitol Stock of the Transamerica Corporation to be delivered by us to you on August 26, 1931, at \$7 00 per share net to you.

We confirm our understanding that we have given you an order (the execution of any part of which is optional with you) to sell for our account all or any part of one hundred and eighty-five thousand (185,000) shares of the Capital Stock of the Transamerica Corporation in amounts and at prices as follows:

15,000 shares	at	7¼
15,000	"	7½
15,000	"	7¾
15,000	"	8
15,000	"	8¼
20,000	"	8½
20,000	"	8¾
20,000	"	9
25,000	"	9½
25,000	"	10

It is understood that the above prices are to be net to us and that this order is to expire at noon on September 5, 1931.

It is further understood that in the event that you sell the first 30,000 shares, as indicated above, before noon of September 5, 1931, the order for the balance shall be extended to the close of business September 22, 1931; and it is further understood that in the event that you sell the second 85,000 shares, as indicated above, before the close of business September 22, 1931, the order for the balance shall be extended to the close of business October 6, 1931.

It is understood that certificates will be delivered to you or your nominee upon one day's notice and upon payment of the aforesaid prices therefor at our office at #48 Wall Street, New York City.

It is further understood that upon the expiration of this order, as above noted, you will forward to us forty-per cent (40%) of any profits which you may realize through the sale of these shares and it is also understood that Redmond & Co. shall not be responsible for any loss which may occur through such sales.

Yours very truly,

REDMOND & Co

Accepted:

(Signed) Wm. W. SEXTON.

COMMISSION EXHIBIT No. 57, FEBRUARY 20, 1934

W. R. K. TAYLOR & Co,  
49 Wall Street, New York, October 21, 1931.

MESSRS. WRIGHT & SEXTON,  
1 Wall Street, New York City

GENTLEMEN: We have formed an account to purchase and sell the capital stock of the American Machine & Foundry Company. The account will be carried in our office under the name of American Machine & Foundry Syndicate Account and is to run for a period of sixty days from date, expiring December

20th, 1931 The total maximum liability of this account is 20,000 shares The account has purchased a total of 3,700 shares for \$82,648 10, or at an average price of approximately \$22 33

We are giving this account the following option

8,200 shares @ \$23 per share, good for 30 days expiring at 3 00 p.m.  
November 20th, 1931

You have been allotted a 30% participation in this account and we are making an initial call of \$5 00 per share on your total commitment Your participation amounts to 6,000 shares and, accordingly, we are charging your account \$30,000 to cover this initial call

Kindly signify your acceptance by signing and returning to us the enclosed duplicate of this letter, retaining the original for your files

Yours very truly,

W R K TAYLOR & Co.

WJG DEC

Accepted

W R K TAYLOR & Co.,  
49 Wall Street, New York, October 10, 1931

WRIGHT & SEXTON,  
30 Broad Street, New York City

GENTLEMEN. We are forming an account to purchase and sell or otherwise trade in common capital stock of the American Machine & Foundry Co, the account to be carried in our office under the style and name of "American Machine & Foundry Co Trading Group Account" The account is to run for a period of sixty days from date, expiring May 10, 1931 The total maximum liability of this account is 6,000 shares

The account was purchased 3,400 shares at \$40 00 per share

We are giving this account the following options

10,000 shares @ 38½, expiring at 3 00 p.m. April 12, 1931,

10,000 shares @ 40, expiring at 3 00 p.m. April 12, 1931,

10,000 shares @ 40, expiring at 3 00 p.m. April 9, 1931, (the last named option being given subject to our receipt through the mail tonight of an option on a like number of shares)

7,000 shares @ 41, expiring at 3 00 p.m. May 10, 1931,

1,000 shares @ 45, expiring at 3 00 p.m. May 10, 1931

You have been allotted a 30% participation in this account Kindly signify your acceptance by signing and returning to us the enclosed duplicate of this letter, retaining the original for your files.

Very truly yours,

W R K TAYLOR Co

Accepted

WJG DEC

enc

WRIGHT & SEXTON,  
30 Broad Street, New York City.

MARCH 26, 1931

GENTLEMEN Referring to our letter to you under date of March 10th, 1931, in reference to the American Machine & Foundry Co. Trading Group Account, which account became a joint account of Wright & Sexton and ourselves under date of March 16th, 1931, by the withdrawal of Messrs Ladenburg, Thalmann & Co., we confirm the sale to this account of 10,000 shares American Machine & Foundry at \$37 50 per share net.

We have also given this account an option to purchase from us 10,000 shares American Machine & Foundry Co at \$39 00 per share, good for thirty days from date, expiring at 3 00 p.m., April 25th, 1931.

In view of the above, we confirm that we have cancelled the following options given to this account under date of March 10th, 1931:

10,000 shares at \$38 50 expiring at 3.00 p.m. April 12th, 1931;

10,000 shares at \$40.00, expiring at 3:00 p.m. April 12th, 1931

Very truly yours,

WJG: DEC

Accepted:

W R K TAYLOR Co

COMMITTEE EXHIBIT No 58, FEBRUARY 20, 1934

REDMOND &amp; Co.,

48 Wall Street, New York, November 11, 1931

Messrs. WRIGHT & SEXTON,  
1 Wall Street, New York, N Y

GENTLEMEN: This letter will confirm the fact that we have this day formed an undivided joint account between us to trade in and or distribute the capital stock of the Kaufmann Department Stores, Inc, at such times, in such amounts and at such prices as the managers may deem it advisable, except as otherwise restricted in this letter.

The interest and liabilities in this account are as follows.

	<i>Percent</i>
Redmond & Co.....	36 $\frac{1}{2}$
Wright & Sexton.....	33 $\frac{1}{2}$
Farnum, Winter & Co.....	33 $\frac{1}{2}$

Any net losses arising from the operation of this account will be shared by the members in proportion to their respective interests, and any net profit will be distributed in like proportion with the exception that it is understood that in the event the account shows a net profit, 20 percent thereof shall be paid first to Mr John J. Beigen and 20 percent to Mr. Phillip King, but it is agreed that Messrs. King and Bergen are not interested in any losses

Messrs. Wright & Sexton will trade in the account for the managers upon the express understanding that the debit balance shall not at any time exceed the market value of the long stock by more than six thousand dollars (\$6,000) and that the account shall at no time be long more than 2,500 shares.

This joint account will receive an option assigned to Redmond & Co for the account of Redmond & Co, Wright & Sexton and Farnum, Winter & Co, in equal third interests on 51,500 shares of the common stock of the Kaufmann Department Stores, Inc, at the following prices:

1,500 shares @ 9 $\frac{1}{2}$   
42,500 shares @ 10  
5,000 shares @ 10 $\frac{1}{2}$   
2,500 shares @ 11

good until the close of business December 8, 1931 This account will extend until the close of business December 8, 1931, unless terminated earlier by the managers

Redmond & Co shall be the managers of this account with full discretionary power except as definitely restricted in this letter and without responsibility except for lack of good faith. Nothing in this letter is to be construed to mean that the managers of this account are partners with the participants or that the participants are partners with each other.

Messrs. Farnum, Winter & Co agree to loan to Redmond & Co, as managers of this account, 12,500 shares at \$10 00 per share for the life of the account

The Managers of the account may permit Mr. John J. Bergen to take down stock at the last tape sale on the New York Stock Exchange, plus 12 k/2¢ per share, representing the regular Stock Exchange commission, less an amount sufficient to pay 60¢ a share commission to dealers, 15¢ a share where necessary for wholesaling expenses, 12 $\frac{1}{2}$ ¢ a share representing Redmond & Co's clearance charges, and 4¢ a share representing State and Federal tax, or a total of \$91 50 per hundred shares.

The Managers of the account may also permit Mr. Bergen to charge against the account reasonable expenses including salaries, travelling expenses, postage, telephone, telegraph and printing, based upon a budget which will be submitted to Redmond & Co, and approved by Redmond & Co. as managers of the joint account Redmond & Co, as Managers of the three-way joint account, will make these arrangements with Mr Bergen by letter and will supply the other members of the account with copies of this letter together with copies of the approved budget.

Kindly acknowledge acceptance of your interest in this trading account by signing and returning to us the enclosed duplicate of this letter.

Yours very truly,

REDMOND & Co

NOVEMBER 12, 1931

MR JOHN J. BERGEN,  
48 Wall Street, New York, N Y.

DEAR SIR: Messrs. Redmond & Co, Wright & Sexton and Farnum, Winter & Co. have this day formed an undivided joint account among themselves to trade in and or distribute the capital stock of the Kaufman Department Stores, Inc. Redmond & Co. will act as managers of the account. The account will receive an option assigned to Redmond & Co., for the benefit of the account on 51,500 shares of the common stock of the Kaufman Department Stores, Inc, at the following prices:

1,500 shares	@	9½
42,500 "	@	10
5,000 "	@	10½
2,500 "	@	11

good until the close of business December 8, 1931.

In consideration of your aiding in the distribution of this stock, Redmond & Co, as managers of the account agree that in the event the account shows a net profit, 20% thereof shall be paid to you.

In order to enable you to make deliveries to dealers of the stock confirmed out by you, Redmond & Co, as managers of the account, will permit you to take down stock at the last tape sale on the New York Stock Exchange plus 12½¢ a share representing usual Stock Exchange commission, less 60¢ a share to be paid to dealers, 15¢ a share to be paid for wholesaling where necessary, 12½¢ a share representing Redmond & Co.'s clearance charges and ½¢ a share representing State and Federal tax, totalling \$88.00 per hundred shares. Redmond & Co as managers of the joint account will also permit you, from time to time, to charge against the account your reasonable expenses, including salaries, traveling expenses, postage, printing, telephone and telegraph, based upon a budget to be submitted by you and approved by Redmond & Co. as managers of the account. This budget is to be submitted and approved before you incur any expense.

Upon the request of Redmond & Co, acting as managers of the account, you will take down sufficient stock to even any short position. At no time shall you have a debit balance.

This arrangement concerning wholesaling by you may be cancelled by Redmond & Co at any time by giving you written notice, but such cancellation in no way effects your 20% interest in the profits of the account, if any.

The joint account formed between Messrs Redmond & Co, Wright & Sexton and Farnum, Winter & Co in which you have the above described interest, expires at the close of business December 8, 1931, unless terminated at an earlier date by the Managers. It is understood that any expenses incurred by you after the termination of the account will not be recognized charges against this account except in so far as these expenses are incurred by you in the winding up and completion of business already done, such as making payments to dealers such as would involve principally postage, telephone, telegraph, necessary travelling and clerical expense. It is understood, however, that such bills for which you may have already committed yourself for printing and or stationary shall be a proper charge against the account. It is also understood that the portion of your budget which is represented by payroll expenses shall continue for one week from either the date of the discontinuation of the wholesaling or the termination of the account.

Kindly sign the duplicate copy of this letter indicating your acceptance of these arrangements

Yours very truly,

REDMOND & Co.,

48 Wall Street, New York, November 17, 1931.

MESSRS WRIGHT & SEXTON,  
1 Wall Street, New York City.

GENTLEMEN: In accordance with our understanding with you, we have committed the account to purchase Kaufmann Department Stores, Inc Common Stock, as per letter enclosed herewith.

Very truly yours,

REDMOND & Co.

NOVEMBER 18, 1931

SAMUEL MUNDHEIM, Esq  
STERN BROTHERS,  
*West 42nd Street, New York City*

Re Kaufmann Department Stores Inc Common Stock

DEAR MR MUNDHEIM: Referring to your letter of November 13th in which you furnish Messrs. King and Posner with certain options in consideration of their agreement to purchase 12,500 shares of the above stock, and with reference to the letter dated November 18th in which Messrs Redmond & Co, Farnum, Winter & Co, Wright & Sexton, Philip King and D R Posner agree jointly and severally to purchase from you on or before December 8, 1931 these same 12,500 shares, it is our understanding that we, as Managers of the Joint Account, who have so committed themselves in the letter of November 18th above referred to, shall have the right to put and deliver to you on or before December 8, 1931 on one day's notice to you, but upon the last date without notice, so much of the 12,500 shares as we may have purchased from you on or before December 8, 1931 at the following prices:

1500 shares at 9

11000 shares at 9½

Will you kindly acknowledge receipt of this letter to us as Managers of the Joint Account by "accepting" the enclosed duplicate?

Very truly yours,

(Sgd) REDMOND & Co

Accepted

SAMUEL MUNCHFIM

NOVEMBER 18, 1931

SAMUEL MUNCHEIM, Esq,  
STERN BROTHERS  
*West 42nd Street, New York City.*

Re Kaufmann Department Stores, Inc Common Stock

DEAR MR MUNCHEIM. Referring to letter of November 13th addressed to you by Messrs Philip King and D. R. Posner and accepted by you, with respect to your furnishing Messrs King and Posner with options in accordance with the terms of said letter and their agreement severally and jointly to purchase 12,500 shares of said stock, we confirm that we jointly and severally agree to purchase said 12,400 shares from you on or before December 8, 1931 in the following amounts and at the following prices

1,500 shares at 9½

11,000 shares at 10

Very truly yours,

(Sgd) REDMOND & Co  
FARNUM WINTER & Co  
WRIGHT & SEXTON  
PHILIP M. KING  
D R POSNER

Accepted

SAMUEL MUNCHEIM

NOVEMBER 17, 1931

SAMUEL MUNCHEIM, Esq,  
STERN BROTHERS,  
*West 42nd Street, New York City*

Re Kaufmann Department Stores, Inc Common Stock

DEAR MR MUNCHEIM: Referring to letter of November 13th addressed to you by Messrs Philip King and D R Posner and accepted by you, with respect to your furnishing Messrs. King and Posner with options in accordance with the terms of said letter and their agreement severally and jointly to purchase 12,500 shares of said stock, we beg to advise you as follows:

On behalf of ourselves, Messrs Farnum, Winter & Co. and Messrs Wright & Sexton, the commitment to purchase said 12,500 shares is shared by the three mentioned houses equally, so that Messrs Redmond & Co, Messrs Farnum, Winter & Co, Messrs Wright & Sexton, Mr Philip King and Mr D R Posner are agreeing to purchase such stock from you on or before December 8, 1931. We will furnish you with a new agreement signed by all of these five parties, evidencing such commitment

It is our understanding we shall have the right to put and deliver to you on one day's notice to you so much of the 12,500 shares as we may purchase from you on or before December 8, 1931 at the following prices

1,500 shares at 9

11,000 shares at 9½

We will send you the letter evidencing these two matters

Very truly yours,

Accepted · \_\_\_\_\_

COMMITTEE EXHIBIT No 59, FEBRUARY 20, 1934

PALMER AND COMPANY,  
NEW YORK CENTRAL BUILDING,

*Park Avenue and 46th Street, New York, November 12, 1931*

Mr CHARLES G WRIGHT,

Messrs. WRIGHT & SEXTON,

*1 Wall St, New York City*

DEAR SIR: In consideration of One Dollar (\$1.00) in hand, I hereby grant you an option to purchase—

10,000 shares International Salt Co., Common Stock at Thirty-Two Dollars (\$32.00) per share.

This option will expire at the close of business on Saturday, December 12, 1931

Very truly yours,

W H ESHBAUGH