

RESULTING EFFECT ON TRANSAMERICA
OF
TERMINATING ALL OUTSTANDING PERMITS

1.. If it accepts the program and files a new application, the following important conditions and agreements will be a prerequisite to the granting of a new permit and which are not a part of its present permit:

(a) As a condition to the granting of the permit, the Board could require that it dispose of its holdings in certain banks, the retention of which the Board would feel would be in violation of section 7 of the Clayton Act. This would include Citizens National of Los Angeles and some others.

(b) It would agree that as a condition of retention of the permit future acquisitions of bank stocks would be submitted to the Board in advance for a prior approval by the Board of such acquisition. Such approval would be measured by whether or not the Board felt such acquisition would be in violation of section 7 of the Clayton Act.

(c) It would be required to have a voting permit for all of its subsidiary member banks.

(d) A provision regarding dealing in or trading in or lending upon its own stock or any of its subsidiaries has been inserted.

(e) An agreement is inserted prohibiting the lending in excess of \$2,500 to its own executive officers or those of its subsidiary banks.

(f) There is an agreement that the retention of a voting permit is conclusive evidence that the bank or banks covered by such a permit is in fact a subsidiary.



(g) A surrender of a permit as to one bank would operate as a surrender of the entire permit.

2. Makes it subject to supervision and control of SEC under Investment Company Act of 1940 whether or not it goes along and accepts program by applying for a new permit. This is as it should be since now a substantial and important part of its business is unrelated to managing and controlling banks, and it should not continue to be protected by such an exemption, not enjoyed by other holding companies simply because in April of 1937 it was primarily engaged in controlling and managing banks.

3. It is thought that Transamerica has placed quite a value on its voting permit. Whether or not it will still desire to have a permit knowing that in any event it will no longer enjoy the exemption from supervision by the SEC is unknown. Assuming, however, that it would not otherwise be inclined, under such circumstances to apply for a new permit, it is believed that on reflection it will either elect to apply for a new permit or acquiesce in the termination of its present permit and not contest the right of the Board to terminate all permits for these reasons: The termination of all permits does not carry with it any of the penalties incident to a revocation of a permit after a hearing, viz., (a) none of its controlled banks may receive deposits of moneys of the U. S.; (b) none of such banks shall pay it any further dividends; and (c) any or all of its controlled banks would be subject to forfeiture of all rights, privileges and franchises in the discretion of the Board.

On the other hand if it should refuse to apply for a new permit and contest the Board's right to terminate existing permits, such refusal and contest would be a breach of its agreement so to do in paragraph 8 of its present application; and, if then it should be deemed to be the necessary and proper course to pursue, the Board could institute revocation proceedings against it using as a ground therefor its breach of such agreement in paragraph 8. A few other reasons provable without having an extended hearing, such as voting its stock in the Pasadena bank without a permit, might be added at the time such notice of hearing should be issued. If it persisted in its opposition to the plan, it would realize that it was running a serious risk of having the statutory penalties imposed upon it by a successful revocation proceeding. It is not believed that upon careful reflection it would take this gamble with so much to lose after weighing its chances for success in opposing the plan.

4. We have pointed out that the exercise of sound judgment would lead one to believe that Transamerica could not well afford to contest the Board's authority to proceed under this program. Should it apply for and receive a permit, it could not thereafter afford to attack any of its provisions if it desired to retain its permit. This is true because the new agreement has a provision making all of its undertakings inseparable so that if any particular provision should be held to be invalid the winner would at the same time lose his permit. Further should the legislative program go forward, Transamerica should hesitate to attack the new application program for if it did so, such rebellious attitude would give a strong reason for adoption of the legislative program.

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