INTRODUCTION

Transamerica Corporation was incorporated in October 1928 under the laws of Delaware. The original authorized capital was 50,000,000 shares of a par value of $25 each, or $1,250,000,000. From the beginning it was known as a Giannini institution and, with the exception of an interim period which ended at the stockholders' meeting of February 1932, its direction and guidance has been under the control of Giannini management and their policies have been its policies. From the beginning, A. P. Giannini held proxies from a majority of the Corporation's shareholders which ran by their terms for seven years. These were released in 1931 during the interim period aforesaid; but on February 24, 1932, nine days after the stockholders' meeting, the Corporation's directors elected A. P. Giannini Chairman of its Board and resolved:

> "Resolved that the Chairman of the Board or the President of this Corporation be and he hereby is authorized to designate, when deemed advisable by either of them to do so; the particular person or persons who shall represent the interest of this corporation on the Board of Directors of any other Corporation of which this Corporation owns stock."

This resolution was rescinded on August 23, 1940, when the directors adopted the following resolution:

> "Resolved that the Chairman of the Board of Directors or the President of this Corporation be and each of them hereby is authorized to execute for and in the name and on behalf of this corporation a proxy or power of attorney in any form satisfactory to him appointing such person or persons as he shall determine as attorneys and proxies to vote the shares of stock of other corporations now or hereafter registered in the name of this corporation or which this corporation may now or hereafter believe entitled to vote at any and all meetings of shareholders of said other corporations."

At all times, with the exception of the interim period, he has spoken for the Corporation and his dominant position in its affairs has been attested by the active control he has exercised, by other resolutions, and by public statements recognizing and approving his dominance. Typical of his position in relation to that of the Corporation's board of directors is the following excerpt from one of the Corporation's annual reports:

> "Your Directors have named a committee of fourteen to serve as an Advisory Council to assist A. P. Giannini in directing the activities of all banks controlled by Transamerica Corporation."

Transamerica Corporation was formed to acquire the controlling interest in the Bank of Italy N. T. & S. A. (predecessor of Bank of America N. T. & S. A.); Bancitaly Corporation; and other affiliated corporations. The control was to be effected by an exchange of stock and, under the plan, shareholders of Bank of Italy N. T. & S. A. were offered 1-3/4 shares of Transamerica for each share of Bank of Italy and shareholders of Bancitaly Corporation were offered one share of Transamerica for each share of Bancitaly Corporation.

BANCITALY CORPORATION

Bancitaly Corporation was incorporated in 1919 under the laws of New York. It, too, was an admittedly Giannini-promoted and managed institution. Its assets at the time Transamerica Corporation was organized consisted principally of large investments in the stock of Bank of Italy N. T. & S. A., the stock of which represented ownership also of National Bankitaly Co.; investments in the stock of certain banks in New York City; and investments in numerous smaller banks in California. Its original authorized capital was $1,000,000. This was increased from time to time with the result that by October 1927 its statement reflected $130,000,000 capital and $150,000,000 surplus and profits. From the beginning its dividend policy was liberal. The cash dividend rate was steadily increased and substantial stock dividends were declared from time to time. This facilitated the sale of new issues at premiums with the result that between December 1919 and November 1927 the Corporation credited its surplus profits account with premiums of $130,000,000 collected on new issues of its stock. During the same period cash and stock dividends aggregating $79,000,000 were paid. This far exceeded the Corporation's income for the same period and was made possible only by dipping into the premiums which had been contributed by purchasers of new issues of the Corporation's stock.

BANK OF ITALY N. T. & S. A.
(Subsequently known as Bank of America N. T. & S. A.)

Bank of Italy was incorporated under the laws of California, August 10, 1904. L. Scatena, and A. P. Giannini, his stepson, had been connected with other banks in San Francisco and had chartered a bank of their own because of differences with their associates. Its initial capital investment of $150M had increased to $240M a year later, and it was $500M by August 15, 1906. Shortly thereafter, in 1907, the bank established its first intra-city branch in San Francisco. In 1909, with a capital structure of $800M, the bank availed itself for the first time of a permissive extra-city banking statute of California, which became effective July 1, 1909, establishing its first out-of-town branch, by absorption of the business and assets of the "Commercial and Savings Bank of San Jose".

Its call report of June 30, 1910, showed total resources of $3,790,000. In 1910 it absorbed the "Bank of San Francisco" and the "Mechanics' Savings Bank" of San Francisco, and by June 7, 1911, had increased its capital to $1,000M. In 1912, only one bank was purchased.

Stockholders of selling banks received all cash or part cash and part Bank of Italy stock. Cash purchases were financed by using the personal credit of officers. To illustrate: Officers of Bank of Italy would give personal notes, (secured by shares of the selling bank) to the Crocker National Bank and the proceeds would be used to pay the selling stockholders; the liabilities of the selling bank would then be assumed and sufficient assets to offset liabilities assumed would be purchased; the remaining assets would be used to liquidate the loans to officers by the Crocker Bank.

In 1912 the Bank of San Mateo was absorbed, becoming the San Mateo Branch of the Bank of Italy. In 1913, the Bank of Italy entered Los Angeles through the purchase of the "Park Bank" and the "City and County Bank".

By June 23, 1915, its capital structure had been increased to $1,400M; on June 30, 1916, it was $2,400M. Eight banks were taken over in 1916. Using officers' personal credit in acquiring banks resulted in the bank acquiring and carrying real estate of the banks it took over and in requirements of heavy write-offs of real estate carried over five years. In consequence, the "Stockholders Auxiliary Corporation", (its beneficial interest being entirely owned by stockholders of the Bank of Italy), was incorporated under California laws, June 20, 1917. This corporation subsequently became the National Bankitaly Co. The new corporation immediately took over the purchasing of stocks of banks intended to be converted into the Bank of Italy system. The Crocker National Bank continued to finance the enterprise, taking notes (of the new corporation), endorsed by A. P. Giannini.

Expansion continued. On June 30, 1917, with capital structure $3,800M, the bank had offices in twelve cities. On June 30, 1918, its capital structure was $6,250M and it had offices in seventeen cities. The following June (1919) application was filed for membership in the Federal Reserve System and on July 22, 1919, it was admitted to membership. One condition of membership which the Board imposed and which the bank accepted was: "That the number of branches be not increased without first securing the approval of the Federal Reserve Board."

About that time the bank had circularized its shareholders, offering and selling them stock of the "Bancitaly Corporation" which, as already stated, was chartered under the laws of New York June 10, 1919, avowedly to hold stock in various New York banks. By June 30, 1920, the bank's capital structure had been increased to $8,600M and its total resources were $147,000,000. On June 30, 1921, its capital structure amounted to $12,500M and offices were being operated in twenty-eight cities. The first so-called "de novo" branch (meaning a branch not resulting from the absorption of another bank) was established on July 5, 1921, at Sacramento, where a brand new office was opened under a permit granted by the Superintendent of Banks. The "Liberty Bank of San Francisco" was organized on August 28, 1921, A. P. Giannini subscribing for 6,577 shares of stock of the new bank, control of which later passed to the Bancitaly Corporation.

The condition of membership requiring approval of branches proved meaningless. Unit banks would be bought and held in the Auxiliary Corporation with the approval or knowledge either of the State Superintendent of Banks or the Board. Subsequently when the transaction was complete and, in every sense, a fait accompli, application would be made for permission to convert the purchased bank into a branch of Bank of Italy. The State Superintendent of Banks complained bitterly to the Board of this practice, saying:

> "I present, therefore, to you, that which is of concern to both of us, namely: that Bank of Italy is doing, indirectly, that which we have said to it it is not to do, for reasons which appeal to us as amply sufficient.
>
> "I further present that this continued expansion is being accomplished through methods that are of serious concern to my Department, and I think should equally concern you.

"Specifically I have declined to permit Bank of Italy to establish additional branch offices at this time. Being denied the permission to expand through the medium of its present organization, Bank of Italy, through its Auxiliary Corporation, is seeking to establish the counterpart of its state system through the ownership of a string of National Banks."

The issue came to a head in the latter part of 1921 when representatives of the Board in conference with representatives of the bank were assured that thereafter no bank would be acquired on behalf of the Bank of Italy or on behalf of a corporation affiliated with it until the Board had at least tentatively approved such action. No sooner had this assurance been given than it was learned through the press that more banks had been acquired. On December 1, 1921, the Board addressed a letter to President Giannini stating:

"The Federal Reserve Board does not consider that the letter or spirit of these conditions is being complied with when banks are acquired on behalf of the Bank of Italy or on behalf of an affiliated corporation without the formal or informal approval of the Federal Reserve Board. The Board requests, therefore, that you act in strict accord with the assurance given at the conference between the officers of the Bank of Italy and the officers of the Federal Reserve Bank of San Francisco, and in order that there may be no misunderstanding as to the procedure to be followed in the future, the Board would like to have a letter from you stating that hereafter Mr. Perrin will be notified whenever it is contemplated that any bank shall be acquired on behalf of the Bank of Italy or on behalf of a corporation affiliated with it and that neither the Bank of Italy nor any affiliated corporation will bind itself to acquire any bank until the formal or informal approval of the Federal Reserve Board has been obtained."

Meanwhile, the bank threatened to withdraw from membership and a committee of the Board reviewing the situation had concluded that rather than permit the situation to continue it would prefer to have the bank withdraw from the System. Finally, President Giannini on January 23, 1922, addressed a letter to the then Governor of the Federal Reserve Board, Mr. W. P. G. Harding, stating:

> "The Bank of Italy agrees that for the future it will not either directly or indirectly, through affiliated corporations or otherwise, acquire an interest in another bank in excess of 20 per cent of the capital stock of said other bank, nor directly or indirectly promote the establishment of any new bank for the purpose of acquiring such an interest in it, nor make any engagement to acquire such an interest, without first having received the approval of the Federal Reserve Board, following an application on a form approved by said Board."

This, too, proved meaningless. Bancitaly Corporation and Bank of Italy were not identically owned and, on advice of Bank of Italy counsel that a corporation was not an "affiliate" if its stockholders were not identical, Bancitaly and other Giannini corporations continued to do indirectly what Bank of Italy had agreed not to do. Subsequent examination of the bank and its affiliated corporations disclosed that after the foregoing opinion had been rendered, the procedure was to have the stockholders of the Auxiliary Corporation enter into an agreement to purchase a bank, subject to the approval of the Superintendent of Banks and the Federal Reserve Board. If approval was withheld, a clause in the agreement reserved the right to the corporation to sell to any third party and the transaction was completed and the stock immediately sold to the Bancitaly Corporation. In 1923, Bancitaly Corporation acquired the Commercial National Bank of Los

Angeles and options on blocks of stock of Bank of America of Los Angeles. Bancitaly Corporation then organized and controlled Americommercial Corporation, which took over control of the Bank of America and Commercial National.

In 1924, the Board imposed new regulations governing the establishment of branches in territory noncontiguous to the city of the home office of the bank, but these became ineffectual when the Bank of Italy merely retired from the field and turned these activities over to nonmember banks, including the "Liberty Bank" and "Bank of America".

By June 30, 1925, Bank of Italy offices had been extended to cover sixty-three cities. Its capital structure had been expanded to $27,000,000. Giannini interests then had five large institutions under control of Bancitaly Corporation, through any of which five it could further expand its activities. In the then current rising stock market, premiums on new capital issues of Bank of Italy stock yielded not only huge extraneous profits with which the bank's funds to meet dividend requirements might be augmented, but also made it easier to purchase banks by offers to exchange stocks of the bank under consideration for stock of Bank of Italy or Bancitaly Corporation. Between August 1, 1924, and February 25, 1927, 18 other branch banks and 94 unit banks (total resources $203,000,000) were absorbed or converted into branches or fused with existing branches of Giannini banks (chiefly Bank of America and Liberty Bank).

With the enactment of the McFadden Act in 1927, a program was swiftly carried out just before the bill became effective February 25, 1927. On January 27, 1927, the Liberty Bank, San Francisco, and Bank of America of Los Angeles were consolidated, under title of Liberty Bank of America; on February 19, 1927, the Liberty Bank of America was consolidated with the Bank of Italy, under title of Bank of Italy N. T. & S. A., opening March 1, 1927, with 275 offices situated in 156 towns. Its total resources were $652,000,000.

As a condition to its approval of the consolidation the Board exacted an agreement from Bancitaly Corporation that it would not, for five years, acquire the stock of any independent bank in the State of California to an extent exceeding 25 per cent of the capital stock of any such bank without permission of both the Board and the Comptroller of the Currency. This promise was given by President Giannini on Feburary 17, 1927. It, too, was the subject of controversy before the end of the year on account of the merger of two large banks, each with branches, and was disposed of by the Board when it concluded that further discussion of whether there had been a violation would be profitless and futile and that there was nothing the Board could do about it anyway.

It is apparent that expansion under State laws and under State supervision had not been without friction. In the first annual report after becoming a national bank it was said:

"The year 1927 ushered into public office a regime which accorded fairer treatment to the Bank and its program of expansion, and materially compensated for the consistent arbitrary and unjust discrimination and oppression exercised toward it by the previous State Administration. Since our Nationalization, hereinafter referred to, however, we have been subject only to the jurisdiction of the Comptroller of the Currency, at Washington, and have no further contact with the State Banking Department."

On November 3, 1930, the Bank of America of California was merged with the Bank of Italy N. T. & S. A., bringing into the National System all branches eligible under the McFadden Bank Act of 1927. The name was changed to Bank of America N. T. & S. A., and capital investment remained substantially as before, i.e., capital $50,000,000, surplus $45,000,000, and undivided profits $7,500,000. The total resources of the new bank were given as $1,250,000,000. In combination with its newly affiliated Bank of America of California (a State bank with a capital of $4,000,000, surplus of $2,000,000, and undivided profits of $500,000) 438 offices were in operation in 243 California cities.

From November 1930 to the year 1935 the Bank of America (a State bank) operated with its head office at #1 Powell Street in San Francisco and had 69 branches throughout the State of California. In 1935, 60 of the branches were merged with Bank of America N. T. & S. A., and in 1937 the remaining 9 branches were merged with Bank of America N. T. & S. A. but the head office located at #1 Powell Street, San Francisco, remained in existence as Bank of America until October 22, 1937, when its name was changed to Central Bank, Oakland, and it took over the affairs of the Central Bank of Oakland.

Until July 15, 1937, Transamerica Corporation owned and controlled all of the stock of Bank of America N. T. & S. A. except directors' qualifying shares. On that date bank shares amounting to 58 per cent of its capital were distributed to Transamerica shareholders and since then Transamerica has claimed not to be a "holding" company affiliate of Bank of America N. T. & S. A. Also, since then there have been further reductions in Transamerica's holding of Bank of America stock. There is, however, a common control of both institutions. As in Transamerica, the direction and guidance of Bank of America N. T. & S. A. is under the control of Giannini management and their policies have been its policies. A. P. Giannini has spoken for the bank and his dominant position in its affairs is as pronounced as it is in the case of Transamerica Corporation. Moreover, the affairs of both institutions are closely and inextricably woven together. The bank's officers and directors interlock with those of the Corporation and its affiliates and subsidiaries. Much of the business of each institution is between, with, or for the other. Bank of America officers supervise Transamerica-owned banks and Transamerica-owned corporations perform many services for Bank of America. Officers of the bank appear for and represent the Corporation and vice versa. It is not by mere coincidence that they have the same telephone number.

TRANSAMERICA CORPORATION 1928 - 1932

As already pointed out, the volume of trading in Bank of Italy N. T. & S. A. and Bancitaly Corporation was very large. Liberal dividends were freely declared and paid. New issues of stock were authorized and sold at substantial premiums and the premium in turn supported the dividend policy. Speculation was rife.

In January 1928, Bank of Italy pointed with pride to the fact that dividends had been increased from $18 per share to an equivalent of $30 per share, an increase of 66-2/3 per cent. It also took note of the fact that stock-subscription rights for a new issue had been issued substantially below the market price, thereby giving subscribing shareholders to these shares an additional return averaging more than $9 per share. Prospects were characterized in the following language:

> "At the close of 1926 the market value of the Bank's and the Company's stock was $550.00 per combined share, on the old par value basis*. At the close of last week the market value of the present stock was equivalent to $1,300.00 per original combined share.
>
> "An increase of $750.00 per share in one year is indeed extraordinary, and clearly bespeaks the confidence of the public in the future of our institutions.
>
> "In the last analysis the sustained market value of any stock is generally reflective of the popular appraisement of present worth and future probabilities of enhancement, and while we prefer to remain silent as to what our

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* Par value per combined share $110.

thoughts may be upon the subject of justifiable market values, we do wish to voice the belief that with our unusual capitalization and resources, our well-distributed, well-appointed, enthusiastic and experienced organization, our large number of seasoned, loyal, helpful and satisfied shareholders distributed throughout the State (most of whom have come from banks acquired and now incorporated in our system); and finally, with the cooperation of our powerful and resourceful affiliations and the prestige accruing from present position and past performances, no financial institution in California promises to share in greater measure in the increased prosperity that inevitably is in store for the West, than does the Bank of Italy."

But in June 1928 there was a precipitate and dramatic decline in the market price of both Bank of Italy and Bancitaly stock which the press reported in the following terms:

"SAN FRANCISCO, June 11.--Special armed guards were posted in the San Francisco Stock Exchange and at leading Montgomery Street brokerage houses today, as the frenzied trading in bank stocks went into its final hour.

"Orders were issued to admit no more persons to the gallery of the stock exchange and to eject any of those already present who might create another disturbance.

"Bank of Italy closed Saturday at 284 3/4. It lost 34 points over the week-end, opening this morning at 250 1/8. It crashed 125 points today in a few hours to a low of 125, then fought its way upward to 185.

"During one period of wild trading, Bank of Italy fell 44 points in an hour.

"Scores of speculators were swept to financial ruin during the early hours of trading.

"Bancitaly Corporation, the huge investment trust allied with the Bank of Italy, tumbled in a similarly spectacular manner.

"The corporation's stock lost 19 7/8 points over the week end, opening today at 175 1/8.

"It lost 66 points to noon, selling at that hour at 109.

"Support was later obtained and Bancitaly recovered to 140. The following statement was issued at noon by James A. Bacigalupi, president of the Bank of Italy:

"'Undoubtedly some of our stockholders are inquiring about the drop in our stocks along with the whole list of others.

"'The simple answer is that this very situation is what we have long anticipated and what A. P. Giannini has constantly warned our stockholders might come.

"'That is why he has constantly urged against speculation and advised those who owed to pay up and those who could not afford to pay in full to keep out.

"'Those stockholders who have heeded this advice and put their stock away need have no fear of the future. The country is sound; there has been no change in our setup or condition, and the prospects are as bright as ever before.

"'Let these stockholders sit tight.'

"Confidence in the Bank of Italy and other Giannini enterprises were expressed by brokers in Montgomery Street, who variously criticized the organization of the stock market for permitting such a situation to arise, and blamed inexperienced speculators who had forced the issues to abnormally high levels.

"Opinion was generally expressed that the small speculators had thrown Bank of Italy stocks over as a last resort to raise funds to meet margin calls on weaker stocks which have been forced down in the general debacle.

"The staggering sum of $579,800,000 has been lost in Bancitaly Corporation stocks within a month. It stood today 111 1/2 points below the record high of 220 1/2, registered May 14.

"The loss on Bank of Italy stock from the high of 311 1/2 on May 3 to the extreme low of today was 196 1/2 points, representing an additional $393,000,000.

"The slow but apparently steady recoveries under way later were materially cutting down the total of almost $100,000,000 depreciation between the extremes, but wholesale disaster has already resulted to the amateur speculating fraternity today.

"The gallery of the exchange was a mass of packed humanity as the bell rang this morning to open trading.

"Tense men and women strained eagerly to watch proceedings on the floor where only two posts were busy.

"Extra guards were posted when it became apparent that a crisis in the Giannini stocks was developing.

"On the floor the scenes were wild as trading grew to fever pitch and tremendous blocks of the issues were dumped on the market with reckless abandon.

"Prices sank lower and lower. Speculators became pale and haggard. A deadly silence developed in the gallery.

"'God! I must get out of here!' one speculator cried forcing his way through the crowd. Others of those who no longer had courage to witness the proceedings or who had already lost what to them were fortunes, followed him.

"Generally there was only blank amazement or bravado on the faces of the watchers.

"'It had to happen,' C. L. Bogart, an official of Logan and Bryan, told the United Press. 'There were no shorts in the market and there was nothing to stop the break. The Federal Reserve has been pressing the market down on account of high brokers' loans.

"'Many California traders, caught when the New York Exchange began to fall, threw their Giannini issues overboard to protect their margins. There was no panic. They simply sold the best thing they had to take care of their weaker holdings. There is nothing the matter with Bank of Italy stocks.

"'It was a natural course of events. Any one in the market for any length of time could have seen it coming.'

"The result of the wholesale smash on the financial structure on the state is as a whole viewed with some apprehension, unless adequate recovery is effected for those who own the stocks outright.

"Many people of limited means, including thousands of Italians, had mortgaged available assets to finance stock purchases, despite constant advice from officials of the Bank of Italy against such extreme speculation of marginal buying.

"No San Francisco brokers seemed inclined to attribute the landslide to the political situation. No comment was offered by financial or political leaders on possible effect of today's collapse at both San Francisco and New York in connection with the two political conventions."

It was in this atmosphere that Transamerica was born and one of the avowed reasons for its organization was to remove the bank stock from the exchanges.

The transfer date for the exchange of Transamerica stock was set for December 17, 1928. In effecting the exchange the investments in Bank of Italy N. T. & S. A. and Bancitaly Corporation were placed in Transamerica books at their aggregate market price based on last-quoted prices of 221-7/8 for a combined share of Bancitaly N. T. & S. A. (par value $25.00) and National Bankitaly Company (par value $10.00) and 127 for a share of Bancitaly Corporation (par value $25.00). Since the exchange of Transamerica stock for these stocks had been computed on the basis of 1-3/4 of Transamerica for one share of Bank of Italy and one share of Transamerica for one share of Bancitaly Corporation, there was a resulting book premium on the approximately 8,700,000 shares of Transamerica stock so exchanged of roughly $875,000,000 which was set up on its books as paid-in surplus.

The published statement of condition at the close of business December 31, 1928, reflected:

RESOURCES

Investments in Sundry Affiliate Companies	$1,091,507,537.26
Cash in Banks	1,941,712.74
	$1,093,449,250.00

LIABILITIES

Capital Stock (8,747,594 shares of $25 par val)	218,689,850.00
Surplus	874,759,400.00
	$1,093,449,250.00

By September 10, 1929, 1,982,930 out of the 2,000,000 shares of Bank of Italy N. T. & S. A. and National Bankitaly Co. had been acquired. By May 25, 1929, 5,175,226 shares of Bancitaly Corporation had been acquired. The remaining 24,774 shares had been liquidated at a cost of $3,096,750; Bancitaly Corporation had been dissolved; and its assets had been transferred to Bankitaly Company of America, a new corporation which Transamerica Corporation had caused to be organized.

By September 10, 1929, the Corporation had also acquired:

73,970 shares of Bank of America National Association of New York and Bancamerica-Blair Corporation in exchange for 110,955 shares of its own stock.

9,993 shares (being all except directors' qualifying shares) of Bankitaly Agricultural Credit Corporation in exchange for 8,022 shares of its own stock.

9,995 shares (being all except directors' qualifying shares) of Bankitaly Mortgage Company in exchange for 17,600 shares of its own stock.

9,105 shares (being all except directors' qualifying shares) of The California Joint Stock Land Bank of San Francisco in exchange for 14,656 shares of its own stock.

13,491 shares (out of 20,000 shares outstanding) of the Oakland Bank in exchange for 64,756.8 shares of its own stock.

43,654 shares (out of 50,000 shares outstanding) of Pacific National Fire Insurance Company in exchange for 21,827 shares of its own stock.

95,650 shares (out of 800,000 shares outstanding) of Bank of America of California (a California State bank) in exchange for 123,685.5 shares of its own stock. Each share of Bank of America carried a 5/8 interest in a share of Corporation of America, a California corporation with 500,000 shares outstanding.

By the same date the Corporation had issued 10,752.2 shares of its own stock for cash in the amount of $1,344,025.

In September 1929, the Corporation paid a stock dividend of 150 per cent amounting roughly to $345,000,000 reducing its surplus and profits account in a like amount.

Acquisitions in 1930 included additional shares of The Bank of America N. A. (New York) and Bancamerica-Blair Corporation; all of the stock of Occidental Life Insurance Company; control of The First National Bank of Portland (Oregon); and control of Banca d'America e d'Italia (operating 29 branches in Italy), and its investment affiliate, Ameritalia Corporation. The British Italian Banking Corporation had been taken over and converted into a London (England) branch of the Bank of America N. T. & S. A.

On July 12, 1930, the management had expressed the opinion to stockholders that:

> "It would be lacking in ordinary business prudence to ignore the fact that current market conditions and the generally prevailing economic situation make it unreasonable to expect the corporation for the immediate future to duplicate the considerable earnings realized during the past several years from the purchase and sale of securities."

But in the Annual Report for 1930 it was also said:

> "Consequently, while not intending to limit the discretionary freedom of your Board, your Directors feel that a part of the large surplus, resulting from more prosperous periods, but not heretofore paid to stockholders, may be used to a reasonable extent if necessary for the continuance of the present regular cash dividend in case current earnings should temporarily not prove wholly sufficient for the purpose."

That same year A. P. Giannini retired as President; Elisha Walker became Chairman of the Board of Directors; and L. M. Giannini became President.

In June 1931, the Board of Directors decided to reduce the par value of the Corporation's shares from $25 each to shares without par value and to reduce the amount of capital represented by such shares from an amount equal to $25 per share to an amount equal to $1 per share. The difference was credited to the surplus and profits account and, as of June 30, 1931, the carrying value of the Corporation's assets was reduced approximately $900,000,000, a like amount being charged to surplus and profits. This adjustment was explained in the Corporation's Annual Report for 1931 in the following language:

> "Prior to June 30, 1931, the Corporation's investments in the banks and other subsidiaries controlled by it, which were largely acquired through the issue of the Corporation's own shares, were carried at the cost thereof. This included the goodwill value of the institutions as going concerns, as capitalized in the market quotations of the Corporation's shares issued in exchange therefor during a period of great prosperity and speculation. During 1931, your Board of Directors determined that, as the shares of many banks and corporations were selling on the basis of bare asset values, or even less, the Corporation's controlled subsidiaries should be carried on its balance sheet on the basis of their net assets, eliminating all value for goodwill. This change was made effective as of June 30th. The great difference between the net asset value of the subsidiaries and their cost in terms of the former market quotations of the Corporation's own shares issued for such subsidiaries had, of course, existed for the most part since the formation of Transamerica. The above mentioned change in the value at which assets are carried on the books of Transamerica did not, in any wise, change the nature of the assets themselves or their intrinsic value."

Cash dividends of twenty-five cents per share had been paid in January 1931 (declared in December 1930) and in March, and ten cents per share had been paid in July. In September, however, the directors "determined to interrupt the payment of dividends".

On September 22nd the changes which had taken place in the policy and management of the Corporation were announced in a circular to stockholders. The Board of Directors had been almost entirely reconstituted. L. M. Giannini had been succeeded as president by James A. Bacigalupi. Stockholders were advised that it would be the policy of the Corporation to confine its activities to the ownership of interests in banks as distinguished from control of such banks by the parent holding company and to separate such banks from connection with affiliated corporations performing collateral services not directly concerned with banking. Stockholders were also advised of the management's intention to divorce Bancamerica-Blair Corporation from the Bank of America N. A. (New York) to the end that the bank would have no interest in the distribution of securities. These changes, it was said, were to give the banks then controlled by the Corporation complete independence of policy and management. At the same time stockholders were advised of the write-down in the carrying value of the Corporation's assets.

In October, the Bank of America N. A. (New York) was merged with the National City Bank of New York under a plan whereby shareholders of the Bank of America N. A. received for each share of the capital stock of such bank held by them (1) 6/10 of a share of the capital stock of the National City Bank of New York, (2) 40 cents in cash, and (3) certificates representing the shares held by them in Bancamerica-Blair Corporation (previously affiliated with the Bank of America N. A.).

Then followed the battle for proxies to control the election of directors at the next annual meeting of stockholders. On November 7, 1931, the Giannini interests, acting under the name "Associated Transamerica Stockholders", circularized stockholders of the Corporation as follows:

The proxy battle was accompanied by public meetings, sponsored by the Giannini interests, widely held and widely attended. Claims, counterclaims, and charges were freely made and the banking authorities, gravely concerned over impending disaster to the bank, tried desperately to compose the controversy.

The Giannini interests prevailed, and in the Corporation's Annual Report for 1932 it was proudly noted that:

> "At the annual meeting held in Wilmington, Delaware, on February 15, 1932, an overwhelming majority of the stockholders voted for the present management. In the successful contest to check influences detrimental to the interests of Transamerica Corporation, direct appeal was made to the stockholders during an epoch-making proxy campaign. It is generally conceded that every stockholder who voted for the return of Mr. A. P. Giannini to the leadership of Transamerica Corporation, Bank of America, and their affiliated companies, voted for the best interests of those financially interested in Transamerica Corporation and its subsidiaries, as well as for the best interests of the business community at large."

Likewise it was stated that "The policies of the Giannini management of Transamerica Corporation have been restored and are here reaffirmed."

Stockholders were also advised of a change in the accounting method as follows:

> "Your Directors desire to acquaint you with a change from the procedure put into effect by the preceding administration with respect to the method of accounting for results of security transactions.
>
> "In the last annual report dated February 1, 1932, you were told:
>
>> "'All marketable securities (except bonds carried by banks and the life insurance company) owned by the Corporation or its subsidiaries were

adjusted to the lower of cost or market value and the amount of unrealized depreciation, as well as all profits and losses on the sales of securities during the year, has been charged to consolidated surplus.'

"You were also told:

"'Such profit (for the year) does not reflect the large reserves set up during the year or the profits or losses from sales of securities which, as stated above, have been charged to surplus. Your Directors feel that since unrealized depreciation on securities has been charged to surplus previously, it would be misleading to include profits and losses on sales of securities in the income account.'

"The indefinite continuation of this policy would seriously hamper the management in its efforts to place the Corporation on a dividend paying basis and would not be in the best interests of the stockholders. It would call for the restoration to Surplus of the full amount of depreciation in security values charged to Surplus in previous years, before income account could be credited with any profits on security transactions. Your present Board therefore feels that, provided the stockholders are plainly informed, it will not be misleading to include profits and losses on sales of securities in the income account."