

On December 9, 1931, the management replied as follows:

# Transamerica Corporation

San Francisco, California,  
December 9, 1931.

To the Stockholders of

TRANSAMERICA CORPORATION:

A committee calling themselves "Associated Transamerica Stockholders," sponsored by Mr. A. P. Giannini, have, through circular letters which your Board regards as inaccurate and misleading, criticized the management of your Corporation and its policies and have asked for proxies.

The recently elected members of your Board accepted their positions with the definite purpose of supporting the management in carrying out the policies announced in the letter to stockholders dated September 22, 1931, and all members of the Board have unqualifiedly endorsed these policies.

Your attention is called to the following:

(1) In the September letter, the present Board clearly stated its position and plans, which include the complete separation of its controlled banks from the other activities of Transamerica. Your Board believes that it is unsound to link, through a holding company, the ownership and control of a bank with other unrelated activities, and that it is essential to the complete success of any bank that it should be operated and publicly regarded as an independent institution without responsibility for, or connection with, any other business. It was for this reason that your Board announced in September the policy of confining the Corporation's investments in the banking field to minority interests not involving controlling influence. The eventual separation of Bank of America N. T. & S. A. (California) from the control by Transamerica, in accordance with this policy, will give the Bank complete independence in its lending and investment policies, which is the only sound foundation for a bank.

(2) Your Board has determined that the Corporation will not dispose of any of its holdings in the stock of Bank of America N. T. & S. A. (California), except in accordance with a plan which shall have first been approved by Transamerica stockholders at a meeting called for the purpose.

(3) The present management has furnished to stockholders frank and adequate reports and audited statements of the condition and affairs of the Corporation which had never previously been made available. In order that stockholders might be informed as to the asset value of their investment, your Board published figures in September showing the net asset values of the Corporation's holdings after eliminating all value for good will and providing for necessary reserves.

(4) The present management has materially reduced the heavy short-time debt of the Corporation inherited from the former administration.

(5) The interruption of the payment of dividends was a necessary and conservative measure to conserve the Corporation's cash resources in order further to reduce such debt.

(6) Your Board has arranged for the merger of The Bank of America N. A. (New York) with The National City Bank of New York, as a result of which your Corporation's holdings in the former Bank have been exchanged for a substantial interest in The National City Bank, one of the leading banking institutions in the country. Your Board believes this change will materially increase the value of this investment.

(7) Your Board has returned to stockholders the former seven-year proxies running to Mr. Giannini and his associates, in order to restore to stockholders the freedom of voting to which they are entitled.

(8) Your Directors feel that the management has made definite progress toward putting the affairs of your Corporation on a sound and conservative basis.

(9) As any continued controversy between shareholders is detrimental to a corporation, your Board has decided to amend the by-laws to advance the next annual meeting for the election of directors to February 15, 1932 (instead of March 31, 1932), at which time stockholders may determine whether they wish to support the present Board or one chosen by Mr. Giannini and his associates. This change of date will not invalidate proxies already properly signed.

(10) Stockholders are requested to indicate their support of the present Board of Directors by signing and returning the enclosed proxy in the enclosed envelope without delay. This proxy, when signed, automatically revokes any proxy previously given, even if such proxy be by its terms irrevocable. No proxy is irrevocable. The last proxy supersedes all previous ones.

(11) If, after reading this letter, you have any doubt as to what action you should take, you are urged, in your own interest, to consult any bank or banker of standing in your community.

BY ORDER OF THE BOARD OF DIRECTORS

ELISHA WALKER  
Chairman

JAMES A. BACIGALUPI  
President

# Transamerica Corporation

San Francisco, California,

December 9, 1931.

To the Stockholders of

TRANSAMERICA CORPORATION:

In connection with the enclosed letter to stockholders from the Board of Directors with reference to "Associated Transamerica Stockholders," and in view of the attack upon the policies of the present management by this group, your officers take this opportunity to communicate to all stockholders information which we have already given to some in answer to inquiries, and which we believe, will make it clear that stockholders, for their own good, should support the present Board of Directors which is responsible for the management of the Corporation.

## I.

In its letter, your Board of Directors states again the reasons for adopting the policy of ultimately disposing of the shares of stock in the banks controlled by Transamerica, namely that it is essential to the complete success of a bank that it should be operated and publicly regarded as an independent institution without responsibility for, or connection with, any other business. In order that there may be no misunderstanding, we wish to emphasize, as previously announced, that no plan for disposing of Transamerica's holdings of stock of Bank of America N. T. & S. A. (California) will be adopted without a vote of the stockholders of Transamerica at a meeting called for that purpose, nor will Transamerica stockholders be asked to vote on any plan until they have had an opportunity fully to inform themselves regarding it at the time of its submission. Pending the approval of any such plan, the Corporation will not dispose of any of its holdings in the stock of that Bank.

## II.

In the recent communication from "Associated Transamerica Stockholders," reference is made to salaries and compensation of officers. It is proper to state the following for the information of stockholders:

(1) The present officers of the Corporation and its subsidiaries are receiving and have received during the period of the present administration only normal salaries, commensurate with the duties and responsibilities of their respective offices.

(2) The only record of payment of extraordinary compensation relates to Mr. A. P. Giannini, although he allowed the impression to be created that he worked for little or no compensation. In 1927, the Board of Directors of Bancitaly Corporation, predecessor of Transamerica, adopted a resolution approving the payment to Mr. Giannini, as President of Bancitaly Corporation, of 5% of the profits each year. This arrangement was not continued after the formation of Transamerica Corporation, but presumably based upon his claim to such a percentage of the profits of Bancitaly Corporation, there was placed to Mr. Giannini's credit from the cash funds of Bancitaly Corporation or subsidiaries of Transamerica, during the three year period 1927-1930 no less than Three million seven hundred thousand dollars (\$3,700,000). This sum does not include the One million five hundred thousand dollars (\$1,500,000) given at Mr. Giannini's request by Bancitaly Corporation to the University of California to establish the Giannini Foundation and for the building of Giannini Hall, making Five million two hundred thousand dollars (\$5,200,000) in all. Of said Three million seven hundred thousand dollars (\$3,700,000), Two million four hundred thousand dollars (\$2,400,000) was placed to his credit between December 30, 1929 and January 21, 1930, after the stock market crash and immediately before his retirement from active service with the Corporation. All of said Three million seven hundred thousand dollars (\$3,700,000) has been withdrawn by, or paid upon the order of, Mr. A. P. Giannini, except an unpaid balance of Seven hundred ninety-two thousand dollars (\$792,000) which in September of this year Mr. Giannini demanded and which the present Board of Directors, on the advice of counsel, has refused to pay. The Board has sought the advice of eminent counsel, regarding the legality of the payments made to Mr. Giannini.

### III.

The recent communication of "Associated Transamerica Stockholders" refers to the right of stockholders to full information regarding the affairs of their Corporation. It will be remembered that during Mr. A. P. Giannini's administration, when he held seven-year proxies from holders of a majority of the stock, stockholders were furnished with only the most meager reports which did not explain the Corporation's financial position. The management which succeeded Mr. Giannini determined to change these methods. One of their first acts was to employ Messrs. Ernst & Ernst, certified public accountants, to make a thorough study of the Corporation's affairs. After receiving the report of these accountants, the Board of Directors issued to stockholders their full statement dated July 12, 1930, which was the first official statement adequate to enable stockholders to form their own opinions as to the value of their property. At the same period the Board of Directors caused the shares of the Corporation to be listed on the New York Stock Exchange, with whom they entered into an agreement to publish audited annual statements to stockholders.

### IV.

The spokesman for the "Associated Transamerica Stockholders" calls attention to the decline in the market value of Transamerica stock which had progressed far during Mr. Giannini's regime and has continued during the administration of the present management. Some of the causes of this decline are as follows:

(1) The decline followed the nation-wide decline of security prices and especially of the shares of investment companies.

(2) The absence of accurate information regarding the Corporation during the former administration resulted in surrounding the stock with mystery which doubtless contributed to its rise during the years of generally rising prices, but operated in contrary fashion to bring down the price of the stock when the market turned.

(3) The fact that when the entire market began to decline at the end of October, 1929, the Corporation under Mr. Giannini's direction maintained Transamerica at a high and artificial level from which it fell rapidly when the support was removed. During the four weeks ending October 28, 1929, over \$68,000,000 was expended by the Corporation in the purchase, on balance, of over 1,090,000 shares of Transamerica stock at an average cost of over \$62.50 per share. This policy of attempting to hold the price of Transamerica stock, when the prices of all other securities were dropping rapidly left the Corporation at the end of 1929 with a serious reduction in quick assets and with large indebtedness. Another result of that artificial and costly attempt of Transamerica to peg the market value of its own stock was to give speculators and market operators an opportunity of selling their stock to the Corporation at high prices, while loyal stockholders, uninformed of the situation, suffered great losses. Those who sold during this period profited, while those who remained loyal shared in the loss to the Corporation resulting from the purchases of Transamerica stock. Following the stock market crash in the fall of 1929, the Corporation faced a difficult future. It was at this point that Mr. Giannini retired.

### V.

The charge that the fall in the value of Transamerica stock is due to manipulation and sales by persons associated with the present management is not true. Your Chairman wishes to point out to stockholders that since he became your chief executive officer he has been the largest holder of Transamerica stock and that he has never sold a single share of his holdings or in any way speculated in the stock, directly or indirectly.

### VI.

The "Associated Transamerica Stockholders" refer to the dividend policy during Mr. Giannini's regime and the reduction and later the suspension of dividends, which occurred prior to the election of the present Board. The dividend policy during Mr. Giannini's regime was made possible by the appreciation in securities generally during an exceptional period of rising prices. Such dividend policy was bound to end upon the advent of the period of rapidly declining prices which began in the fall of 1929 and has continued until the present time. Mr. Giannini's retirement coincided with the beginning of the period of declining prices, since which time the principal source, and indeed almost the only source, of income for dividends has been the current income of the Corporation's investments. Your Board's decision to interrupt the payment of dividends was a wise and necessary measure to conserve the Corporation's cash resources in order to provide for the reduction of the Corporation's large floating debt, chiefly caused, as pointed out above, by the large purchases of Transamerica shares at high prices during Mr. Giannini's regime.

## VII.

The suggestion that your Board of Directors is disposing of the Corporation's assets unwisely is incorrect. The merger of The Bank of America N. A. (New York) with The National City Bank of New York, which has recently been consummated by virtue of an overwhelming vote of the shareholders of both banks, is most beneficial to Transamerica stockholders. As a result of this merger, Transamerica now owns, in place of 63% of the stock of The Bank of America N. A. (New York), a very substantial interest in The National City Bank, one of the largest banks of the world. This merger should materially increase the value of this investment. Based on relative dividends currently paid at the time of the merger it will result in a material increase in the income from this investment.

## VIII.

It is true, as stated by the "Associated Transamerica Stockholders," that the *asset values* given in the circular of the present Board under date of September 22 differ from the *book values* published two years earlier. The change is due to the fact that the Corporation's investments in controlled banks and other subsidiaries had been previously carried at the cost thereof at a time when prices were materially higher than today, while the revised statement on which the letter of September 22 was based, gives the net asset value of the subsidiaries regardless of their cost and after eliminating all value for good will and providing substantial reserves. The latest statement was made in this form in order that stockholders might have reliable and unvarnished information regarding the net asset value of their investment.

## IX.

The Board of Directors aims to improve the condition of the properties in their charge and to place the enterprise on a sound and conservative basis. Definite progress has already been made in that direction **which should make possible the resumption of dividends as soon as general conditions will permit.**

**Stockholders are earnestly urged, in their own interest, to support the present Board of Directors of the Corporation, and to sign and return the enclosed proxy, without delay, in the enclosed envelope.**

**If, after reading this letter, you have any doubt as to what action you should take, you are urged, in your own interest, to consult any bank or banker of standing in your community.**

Yours sincerely,

Elisha Walker

James H. Baughman