

For IMMEDIATE Release Friday, December 20, 1940

SECURITIES AND EXCHANGE COMMISSION  
Washington

*Mr. Clayton*

SECURITIES EXCHANGE ACT OF 1934  
Release No. 2718

Attached herewith are an Amended Order for Hearing and A Supplemental Amended Order for Hearing in the matter of Transamerica Corporation. This is a proceeding under Section 19 (a) (2) of the Securities Exchange Act of 1934, as amended, to determine whether the registration of the Capital stock of Transamerica Corporation should be suspended or withdrawn. The Amended Order for Hearing was made public in San Francisco on December 9, 1940, when the public hearings in this proceeding were resumed. In this Amended Order for Hearing it is stated that the Supplemental Amended Order for Hearing should not be made public until the completion of the public hearing. However, the Commission has been informed that the respondent in this proceeding itself elected to make the Supplemental Amended Order for Hearing public at the resumption of the hearings on December 9, 1940; and in view of this fact the Commission has ordered that it be generally released.



subject to call on ten days' notice from the Commission. Said adjournment was granted at the request of counsel for the Commission who, on said March 28, 1939, stated in open hearing before the trial examiner that Transamerica Corporation had offered to the Commission full access to its books and records and those of its subsidiaries, and that adjournment of the hearing was desired to enable the Commission's staff to examine the books and records to which access was being given. Since on or about April 10, 1939, members of the staff of the Commission have been engaged in an examination of certain of the books and records of Transamerica Corporation and its affiliates and subsidiaries, and in an examination of other relevant reports and documents.

### III

Members of the staff of the Commission have reported to the Commission information obtained in such examination which, if true, tends to show that Transamerica Corporation has failed to comply with the provisions of the Securities Exchange Act of 1934, and of the rules and regulations thereunder, in that the aforesaid application for registration and amendments thereto, and the annual reports supplemental thereto filed on Form 24-K for the fiscal years ending December 31, 1937, 1938, and 1939, respectively, contain numerous false and misleading statements of material facts, and omit material information required by the pertinent forms and by the instructions applicable thereto, as follows:

(1) During the years 1936 to date the following companies have been, at various times, subsidiaries of the registrant and have not been disclosed as such, although such disclosure is required by Item 4 (a) of Form 24 and Item 1 (a) of Form 24-K: Bank of America, N. T. & S. A., Merchants National Realty Corporation, Downtown Properties, Inc., First National Bank of Ashland, Oregon, First National Bank of Merrill, Oregon, First National Bank Of Klamath Falls, Oregon, First National Bank of Southern Oregon, First National Bank of Coquille, Oregon, State Bank of Ashland, Oregon, Central Bank of Oakland, California, National Bank of Tacoma, Washington, First National Bank of Forest Grove, Oregon, Coolidge and McClaine Bank, Silverton, Oregon, Northern California Bank of Savings, First National Bank of Arizona, Phoenix Savings Bank and Trust Company, Pacific Coast Mortgage Company, Western States Corporation, Bankamerica Company, West Coast Securities Company, American Medical Life Associates, Inc., Western Land Securities Company, Pacific Coast Holding Company.

(2) No disclosure has been made in answer to Item 4 (b) of Form 24 or Item 1 (b) of Form 24-K for 1937 and succeeding years that A. P. Giannini, L. M. Giannini, and John M. Grant, or one or more of them, have been and are parents of the registrant, as that term is defined in the instructions applicable to Form 24 and Form 24-K.

(3) In answer to Item 7 of Form 24 adequate disclosure has not been made of the general character of the materially important business of (a) Transamerica Corporation, (b) Capital Company, (c) California Lands, Inc., (d) Transamerica General Corporation, (e) Transamerica Service Corporation, (f) American Brokerage, Inc., and (g) Associated American Distributors, Inc.

(4) In answer to Item 24 of Form 24 disclosure has not been made of the business, vocation or employment of a substantial nature which the various officers and directors of Transamerica Corporation have had in connection with the operation of Pacific Coast Mortgage Company and its subsidiaries.

(5) In answer to Item 28 of Form 24, and Item 12 of Form 24-K for 1937 and succeeding years, there has not been disclosed all remuneration paid by the registrant and its subsidiaries, directly and indirectly, to officers and directors of Transamerica Corporation.

(6) In answer to Item 11 of Form 24 adequate disclosure has not been made of all shares of stock of Transamerica Corporation beneficially owned by Transamerica General Corporation and Transamerica Service Corporation.

(7) The certificates of Ernst & Ernst accompanying the financial statements filed pursuant to Form 24, and to Form 24-K for 1937 and succeeding years, contain no disclosure of the dependence of Ernst & Ernst on audits made of the books of Transamerica Corporation and its subsidiaries and affiliates by the personnel of the Bank of America, N. T. & S. A.; said certificates fail to state the opinion of said accountants with respect to the financial condition and results of operations of the individual companies; and said certificates do not fairly state the opinion of said accountants concerning the inadequacy of the reserves provided for the real estate owned directly and beneficially by California Lands, Inc., and Capital Company, and the effect which provision for adequate reserves would have upon the earnings and earned surplus of those companies and of Transamerica Corporation.

(8) Ernst & Ernst were not, at the times of their certifications of the financial statements of Transamerica Corporation and its subsidiaries, filed pursuant to Form 24, and to Form 24-K for 1937 and succeeding years, independent public or independent certified public accountants with respect to said corporation within the meaning of the rules and regulations of the Commission, the forms pursuant to which said financial statements were filed, and the instructions applicable thereto.

(9) Dividends paid by the Bank of America, N. T. & S. A., to Inter-America Corporation, and through it to Transamerica Corporation, during the years 1933 to 1936, inclusive, have been improperly treated by Inter-America Corporation and Transamerica Corporation as income, thus rendering misleading the profit and loss statements for the years 1934, 1935, and 1936, and the balance sheets for 1936 and succeeding years of Inter-America Corporation and Transamerica Corporation.

(10) Transamerica Corporation's profit and loss statements for the years 1934, 1935, 1936, and 1937, and the balance sheets for 1936 and succeeding years, are misleading because of charges to paid-in surplus

of contributions made by Transamerica Corporation to the operating expenses of Associated American Distributors, Inc., from 1932 to 1937, inclusive.

(11) The profit and loss statement for the year 1937, and the balance sheets for 1937 and succeeding years, of Transamerica Corporation do not adequately disclose the nature of credits created in 1937 by the transfer from Transamerica Corporation to Transamerica General Corporation of 10,000 shares of the common stock of Inter-Continental Corporation, and 184,000 shares of common stock of National City Bank of New York, and by the transfer by Transamerica Corporation to California Lands, Inc., of 15,000 shares of the common stock of Bank of America, N. T. & S. A.

(12) The surplus accounts of Transamerica Corporation, as contained in its balance sheets for 1937 and succeeding years, are improperly stated by reason of the failure to charge against earned surplus that portion of the amount paid by Transamerica Corporation in 1937 to reacquire its own stock for cancellation, which exceeded the par value and paid-in surplus applicable to said stock.

(13) The investments of Transamerica Corporation and its subsidiaries in the common stock of the following banks have not been disclosed on the appropriate balance sheets and supporting schedules for the years indicated below:

COMPANY	YEAR	INVESTMENT
Transamerica Corporation	1937	National Bank of Washington
Inter-America Corporation	1936	First National Bank of Ashland, Oregon First National Bank of Merrill, Oregon First National Bank of Klamath Falls, Oregon, First National Bank of Southern Oregon First National Bank of Coquille, Oregon State Bank of Ashland, Oregon National Bank of Tacoma, Washington
Transamerica General Company	1936	Pasadena Savings Bank California First National Bank of Long Beach
Inter-Continental Corporation	1936	Central Bank of Oakland

(14) Footnote (B) to the balance sheet of Transamerica Corporation as at December 31, 1937, does not fully disclose the nature

of the liability created by a certain contract entered into by and between the Bank of America, N. T. & S. A., and Transamerica Corporation on July 14, 1937, relating to the common stock of National City Bank of New York.

(15) Footnote (I) to the balance sheet of Transamerica Corporation as at December 31, 1937, does not fully disclose the material portions of the contract referred to therein, and the circumstances under which the said contract was entered into.

(16) The balance sheet of Inter-America Corporation as at December 31, 1936, improperly classifies a certain item of \$9,302,381.82 as "reserve for liability and possible loss under outstanding contract of guaranty".

(17) On the balance sheets of Transamerica General Corporation and Transamerica Service Corporation for 1936 and succeeding years, the beneficial interest of said companies in shares of the common stock of Transamerica Corporation is concealed by the classification thereof as "notes receivable".

(18) The reserves applicable to the real estate owned directly and beneficially by California Lands, Inc., and Capital Company are improperly carried on the books of Transamerica General Corporation.

(19) The reserves provided for anticipated losses on real estate directly and beneficially owned by California Lands, Inc., and Capital Company are inadequate, with the result that the surplus accounts of those companies for 1936 and succeeding years are overstated, and the expenses of those companies for 1934 and succeeding years understated.

(20) The profit and loss statements for 1934 and succeeding years, and the balance sheets for 1936 and succeeding years, of California Lands, Inc., and Capital Company are false and misleading in that losses incurred by those companies on the sale of real estate from 1932 to date have been charged to reserves which were not created to provide for such losses.

(21) The profit and loss statement for the year 1936, and the balance sheets for 1936 and succeeding years, of Transamerica General Corporation do not adequately disclose the nature of credits created in 1936 by the transfer from Transamerica General Corporation to Transamerica Corporation of 724,101 shares of the common stock of Bankamerica-Blair Corporation, and by the transfer by Transamerica General Corporation to Inter-Continental Corporation of 67,042 shares of the common stock of General Metals Corporation.

(22) On the balance sheet of Transamerica Service Corporation, as at December 31, 1937, the beneficial interest of said company in shares of the common stock of Bank of America, N. T. & S. A., Pacific Coast Mortgage Company, First National Bank of Forest Grove, Oregon, Coolidge and McClaine Bank, Silverton, Oregon, and Great Republic Life Insurance Company, is concealed by the classification thereof as "notes receivable".

(23) The surplus accounts of California Lands, Inc., and Capital Company, as shown on their balance sheets for 1936 and succeeding years, incorrectly give effect to so-called "recoveries" inuring to said companies by virtue of their interest in certain contracts entered into between Transamerica Bank Holding Company and Bank of America, N. T. & S. A., on February 1, 1933, and Corporation of America and Bank of America, N. T. & S. A., on January 2, 1934.

(24) The surplus accounts of California Lands, Inc., and Capital Company, as shown on their balance sheets for 1937 and succeeding years, incorrectly give effect to certain so-called "profits" inuring to said companies on July 14, 1937, as a result of the resale to the Bank of America, N. T. & S. A., of certain charged off assets of said Bank.

(25) On the balance sheets of California Lands, Inc., as at December 31, 1937, and succeeding years, certain amounts due from Bankamerica Company, Western States Corporation, and Pacific Coast Mortgage Company, are improperly classified as "notes receivable".

(26) Footnotes to the balance sheets and profit and loss statements of Transamerica Corporation and its subsidiaries relating to securities held on December 31, 1931, and subsequently sold (as for example Footnote E to the balance sheet of Inter-America Corporation as at December 31, 1936) do not accurately state, in the light of the so-called reorganization of Transamerica Corporation and subsidiaries in 1931, the effect of such sales upon the income, earned surplus, and paid-in surplus of said companies.

(27) The balance sheets of Transamerica General Corporation for 1936 and succeeding years do not disclose the restrictions imposed by the Italian government upon the investment of said company in the capital stock of Banca d'America e d'Italia.

(28) Said application for registration, amendments, and annual reports contain additional false and misleading statements, and material omissions, relating in particular to the financial statements of certain subsidiaries of Transamerica Corporation filed as a part of said application, amendments, and reports. A description of such additional false and misleading statements, and material omissions, is set forth in a separate order adopted simultaneously herewith (hereinafter referred to as the "Supplemental Amended Order for Hearing").

#### IV

The information reported to the Commission by members of its staff as set forth in Paragraph III hereof, tends, if true, to show further that the failure of Transamerica Corporation to comply with the provisions of the Securities Exchange Act of 1934, and of the rules and regulations thereunder, as alleged in Paragraph III hereof, among other things, was a part of a scheme to conceal from, and was for the purpose of concealing from, the actual and potential owners of Transamerica Corporation stock the fact that it had been, since 1932, and was, the continuing policy of Transamerica Corporation and its subsidiaries.

(a) to manipulate the market for Transamerica Corporation's common stock on the various national securities exchanges upon which said stock was traded, by direct and indirect purchases of said stock for the account of Transamerica Corporation, its subsidiaries, affiliates and others, by soliciting potential investors to purchase said stock, and by financing the purchase of said stock by others, and

(b) to induce investors to buy, or to withhold from selling, said stock by means of statements of material facts which were, at the time and in the light of the circumstances under which they were made, false and misleading with respect to such matters as earnings of Transamerica Corporation and its subsidiaries, the real estate owned by subsidiaries, of Transamerica Corporation, the nature of the market for Transamerica Corporation common stock, and, in general, the financial condition of Transamerica Corporation and its subsidiaries and affiliates, and with respect to certain other matters referred to in the Supplemental Amended Order for Hearing.

V

The Commission, deeming such action necessary and appropriate in the public interest, hereby orders:

(1) That the hearing originally ordered and adjourned as set forth in Paragraph III hereof shall be reconvened on December 9, 1940, for the purpose of taking testimony as to whether Transamerica Corporation has failed to comply with the provisions of the Securities Exchange Act of 1934, and of the rules, regulations and forms promulgated thereunder, in the respects alleged by the Commission's staff as set forth in Paragraphs III and IV hereof, and, if so, whether it is necessary or appropriate for the protection of investors to suspend for a period of not exceeding twelve months, or to withdraw, the registration of the stock of said corporation.

(2) That said reconvened hearing shall be conducted before Henry Fitts, an officer of the Commission, and that said officer shall enjoy and exercise the same powers as conferred upon him by the original order in this matter issued November 22, 1938.

(3) That said reconvened hearing shall be resumed on said December 9, 1940, at ten o'clock, A. M., in Room 1301 of the Commission's Regional Office at 625 Market Street, San Francisco, California, and shall continue thereafter at such times and places as the officer hereinbefore designated may determine.

(4) That this Amended Order for Hearing shall be served forthwith upon Transamerica Corporation, and shall be made public on, but not before, the reconvening of the hearing as hereinbefore ordered.

(5) That the Supplemental Amended Order for Hearing hereinbefore referred to shall likewise be served forthwith upon Transamerica Corporation, and that a copy thereof, together with a copy of the Amended Order for Hearing, shall be served, with the consent of said corporation, upon each other corporation or firm named in either of said



orders which is directly affected thereby, but that said Supplemental Amended Order for Hearing shall not be made public until the completion of the hearing hereinbefore ordered, *provided, however,* that

(a) said Supplemental Amended Order for Hearing, or any part thereof, may be made public at any time upon joint motion of Transamerica Corporation and such other person as may be directly affected by the part of the order concerned; and

(b) said Supplemental Amended Order for hearing, or any part thereof, may be made public by the Commission at any time upon its own motion to the extent necessary or appropriate in connection with any judicial proceeding to enforce any subpoena issued by the Commission or any duly appointed officer thereof, or in any other judicial proceeding relating to the institution or conduct of this proceeding, or in connection with any argument or controversy concerning the admissibility of evidence at the reconvened hearing, or to any other extent necessary to the orderly and effective conduct and disposition of this proceeding.

(6) That except as specified in subparagraph (2) of this Paragraph V, this order, and the Supplemental Amended Order for Hearing, shall in all respects be substituted for and supersede all other orders for hearing, and amendments thereto, heretofore issued by the Commission in this matter.

By the Commission.

(SEAL)

Francis P. Brassor,  
Secretary.

UNITED STATES OF AMERICA

BEFORE THE SECURITIES AND EXCHANGE COMMISSION

At a regular session of the Securities and Exchange Commission,  
held at its offices in the City of Washington, D.C.,  
on the 22d day of November, A. D., 1940.

In the Matter of	:	
	:	
Proceeding under Section 19(a)(2)	:	SUPPLEMENTAL AMENDED
of the Securities Exchange Act of	:	
1934, as amended, to determine	:	ORDER FOR HEARING
whether the registration of	:	
	:	File No. 1-2964
TRANSAMERICA CORPORATION	:	
	:	
CAPITAL STOCK, \$2 PAR VALUE	:	
	:	
should be suspended or withdrawn	:	

I

Reference is hereby made to the Amended Order for Hearing adopted by the Commission in the above entitled matter on November 22, 1940, and in particular to subparagraph (2S) of Paragraph III and subparagraph (b) of Paragraph IV thereof.

II

In addition to the allegations specifically set forth in Paragraph III of said Amended Order for Hearing, members of the staff have reported to the Commission information which, if true, tends to show that the application, amendments, and annual reports of Transamerica Corporation contain false and misleading statements, and material omissions, in the following respects:

(1) Credits applied to reduce the indebtedness of Corporation of America, Inter-America Corporation and Transamerica Corporation to the Bank of America, N. T. & S. A., under certain contracts entered into on June 26, 1931, December 31, 1931, and February 13, 1932, have been improperly and falsely described as "recoveries" in answer to Item 33 of Form 24 and in Schedule V of the balance sheet of Inter-America Corporation as at December 31, 1936.

(2) Direct and indirect contributions made by Transamerica General Corporation to Occidental Life Insurance Company, for the purpose of offsetting losses of the latter company, have been improperly charged against a "reserve for real estate losses and contingencies of Occidental Life Insurance Company" shown on the balance sheet of Transamerica General Corporation for 1936 and succeeding years.

(3) On the balance sheets of Pacific National Fire Insurance Company for 1936 and succeeding years, surplus has not been segregated as required by the instructions to the form applicable thereto.

(4) The Combined Report of Condition of Bank of America, N. T. & S. A., First National Bank in Reno, and Bank of America (California) as at December 31, 1936, improperly includes unrealized appreciation in the carrying value of government, municipal, and other securities.

(5) The Combined Reports of Earnings and Dividends of Bank of America, N. T. & S. A., First National Bank in Reno, and Bank of America (California) for the years 1934, 1935, and 1936, improperly include as items of income, unrealized profits created by writing up the carrying value of government, municipal, and other securities.

(6) The Combined Reports of Earnings and Dividends referred to in subparagraph (8) hereof conceal donations made by Bank of America, N. T. & S. A., to its parent or affiliated corporations as depreciation, losses on loans, or other loss or expense items.

(7) The Combined Reports of Earnings and Dividends referred to in subparagraph (5) hereof misstate the net profit of Bank of America, N. T. & S. A., in that item of the report relating to "net profits as national bank since organization."

(8) The Combined Reports of Earnings and Dividends referred to in subparagraph (5) hereof do not include in that item relating to "voluntary contributions to surplus or profits" all premiums received from the sale of the capital stock of, and all other voluntary contributions to the surplus or profits of, Bank of America, N. T. & S. A.

(9) The reserves in the Combined Reports of Earnings and Dividends referred to in subparagraph (5) hereof are inadequate to provide for estimated losses and doubtful and slow accounts, for depreciation of bank premises, including furniture and fixtures, losses on other real estate, bonds, and other securities owned by Bank of America, N. T. & S. A.

(10) The reserves contained in the Combined Report of Condition referred to in subparagraph (4) hereof do not make adequate provisions for estimated losses and doubtful and slow accounts, for depreciation of bank premises, including furniture and fixtures, losses on other real estate, bonds, and other securities owned by Bank of America, N. T. & S. A.

### III

In addition to the allegations specifically set forth in Paragraph IV of said Amended Order for Hearing, members of the staff have reported to the Commission information, which, if true, tends to show that the failure of

Transamerica Corporation to comply with the provisions of the Securities Exchange Act of 1934, and of the rules and regulations thereunder, as alleged in Paragraph IV of said Amended Order for Hearing, was further a part of a scheme to conceal from, and was for the purpose of concealing, from the actual and potential owners of Transamerica Corporation stock the fact that it had been, since 1932, and was, the continuing policy of Transamerica Corporation and its subsidiaries to induce investors to buy, or to withhold from selling, said stock by means of statements of material facts which were, at the time and in the light of the circumstances under which they were made, false and misleading with respect to the earnings and dividends of Bank of America, N. T. & S. A., and with respect to said Bank's asset condition.

IV

It is hereby ordered that in the reconvened hearing ordered in Paragraph V of said Amended Order for Hearing, testimony shall be taken with respect to the matters set forth in Paragraphs II and III hereof to the same extent as if said matters had been set forth specifically in said Amended Order for Hearing.

V

It is further ordered that this Supplemental Amended Order for Hearing shall be served and published in the manner, and subject to the conditions, prescribed in subparagraph (5) of Paragraph V of said Amended Order for Hearing.

By the Commission.

(SEAL)

Francis P. Brassor,  
Secretary.

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