

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

IN THE MATTER OF
TRANSAMERICA CORPORATION

REQUESTED FINDINGS OF FACT
SUBMITTED BY
COUNSEL FOR THE BOARD

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Counsel for the Board respectfully requests the Hearing Officer to recommend that the Board of Governors make findings of fact in the above-entitled proceedings as follows:^{1/}

1. The respondent, Transamerica Corporation, was organized under the laws of the State of Delaware in 1928 by A. P. Giannini; its principal place of business is located in San Francisco, California; it has an authorized capital stock of 25,000,000 shares of the par value of \$2.00 per share; as of December 31, 1949, there were 9,921,400 of such shares outstanding. (BX 3-v; R. 223-224)

^{1/} Record abbreviations herein are as follows: "BX" refers to Board's exhibits; "RX" refers to Respondent's exhibits; "R." refers to the transcript of testimony.

2. Transamerica now controls 48 banks in the five States of California, Oregon, Nevada, Arizona and Washington; these banks operate a total of 667 banking offices, having total deposits in excess of \$6,700,000,000 and total loans in excess of \$3,200,000,000; these totals represent 40 per cent of all commercial banking offices, 39.5 per cent of all commercial bank deposits and 50.6 per cent of all commercial bank loans in the five-state area.^{2/} (BX 328)

3. Exhibit 1 is a list showing by states the commercial banks now comprising the Transamerica banking group, the number of branches operated by each bank, the deposits and loans of each bank, and the percentage of stock control held by Transamerica Corporation.

4. Transamerica also owns 23.5 per cent of the outstanding stock of the Citizens National Trust and Savings Bank of Los Angeles, a national banking association with its head office in the City of Los Angeles, which operates 34 branches in the Los Angeles area, having deposits of \$330,000,000 and loans of \$76,600,000. (BX 3-v, p. 9; R. 1875-1876, 2095)

5. In addition to the group of banks it controls, Transamerica also controls through majority stock ownership various non-banking subsidiaries which are engaged in a variety of businesses, including home financing, real estate, processing

^{2/} These totals include one small Transamerica owned bank in California (First Savings Bank of San Jacinto) which does not have a commercial department. (BX 3-v, p.18; BX 334, p.151)

and selling fish and seafood, underwriting and selling life, health, accident, fire, automobile and marine insurance, manufacturing and selling hydraulic controls, line supports and other equipment for aircraft, agricultural implements, diesel engines, ferrous and non-ferrous castings and forgings, iron, steel and malleable castings, oil burner equipment, food-processing machinery, and other metal products; Exhibit 2 is a list identifying each of the Transamerica non-banking subsidiaries together with a short statement concerning the nature of the business activities of each such company.

DEVELOPMENT AND GROWTH OF THE
TRANSAMERICA BANKING GROUP

6. The Transamerica banking group had its origin in 1904, when A. P. Giannini organized the Bank of Italy with headquarters in San Francisco (R. 195-196).

7. This bank became a member of the Federal Reserve System in 1919 (R. 209); it converted into a national bank in 1927 under the name of Bank of Italy N. T. & S. A. (BX 6; R. 211); in 1930 it merged with Bank of America, California (a State bank controlled by Transamerica) under the name of Bank of America N. T. & S. A. (RX 71).

8. Until 1917 the method followed in acquiring independent banks for inclusion as branches of Bank of Italy was as follows: One or several of the principal officers of the Bank of Italy gave his or their personal notes, secured by

the shares of the bank being acquired, to the Crocker National Bank in San Francisco; they paid the selling stockholders with the proceeds of these loans; the assets of the acquired institution were then sold to the Bank of Italy, which usually opened a branch office in the premises of the acquired bank; the shell of the acquired institution was then liquidated, the cash and other assets being used to pay off the loans of the officers to the Crocker National Bank. (R. 205-207)

9. In 1917 this method was changed; in that year A. P. Giannini organized the first of a number of organizations which were to be affiliated directly or indirectly with Bank of Italy and the various other banking institutions which were later acquired by the group; this corporation was known as Stockholders Auxiliary Corporation; it was organized for the purpose, among other things, of acting as purchaser of banks and in this capacity to serve the Bank of Italy in the same way as its officers had previously acted in connection with such purchases; the beneficial interest in the stock of Stockholders Auxiliary Corporation was owned by Bank of Italy stockholders in exactly the same proportion as their Bank of Italy holdings. (R. 207-209)

10. In 1918 another corporation was organized by A. P. Giannini called Bancitaly Corporation; this corporation was organized under the laws of the State of New York; it acquired the stocks of various banks located in New York City as well as the stocks of certain foreign banking institutions;

later on this company also acquired controlling stock interests in California banks; the largest stockholder of Bancitaly Corporation was Stockholders Auxiliary Corporation, which owned 35,800 shares out of a total of 140,000 shares outstanding; approximately three thousand of its five thousand stockholders were also stockholders of Bank of Italy. (R. 215-218, 3503-3504, 3511-3512)

11. In 1924 another company was formed called American Commercial Corporation; it was originally organized by Stockholders Auxiliary Corporation and certain stockholders of the Bank of America of Los Angeles, but in due course the entire ownership of this corporation passed to Stockholders Auxiliary Corporation; it, too, acquired controlling stock interests in California banks. (R. 210-211)

12. In October 1928 Transamerica Corporation was organized by A. P. Giannini for the purpose of bringing under the control of that corporation Bank of Italy N. T. & S. A., Bancitaly Corporation, and all of the banks and affiliated organizations which had been organized or developed within the group since the founding of Bank of Italy in 1904; in connection with the formation of Transamerica a letter was sent by A. P. Giannini to the stockholders of Bank of Italy N. T. & S. A. and Bancitaly Corporation under date of October 24, 1928, a portion of which letter reads as follows:

"Pursuant to these deliberations, Transamerica Corporation was incorporated under the laws of Delaware, early this month, and the basis of exchange for Bank of Italy stock has been fixed at one and three-quarters

shares of the new corporation for each share of Bank of Italy, and on the basis of share for share as between Bancitaly Corporation and Transamerica Corporation.

"We firmly believe that the proposed plan will have the following beneficial, advantageous, and desirable results: First, consolidation, with resulting saving in operation, into one organization of the control of not only Bank of Italy and Bancitaly Corporation, but of their affiliations as well, namely, National Bankitaly Co., California Joint Stock Land Bank, Bankitaly Agricultural Credit Corporation, Bankitaly Mortgage Co., Americommercial Corporation, Pacific National Fire Insurance Co., and Capital Co.; second, advantages of operation under the favorable corporation laws of Delaware; third, removal of the stock of the Bank of Italy and Bancitaly Corporation from the various exchanges, leaving Transamerica Corporation stock alone to be dealt in on the open market, thus eliminating from the operation of the controlled institutions themselves any concern regarding stock-market fluctuations; fourth, a wide listing of Transamerica Corporation stock on the various stock exchanges, thus insuring a broader and more stable market." (R. 223-224)

13. As a result of this communication practically all stockholders of Bank of Italy and Bancitaly Corporation exchanged their holdings for Transamerica stock. (R. 224)

14. Contemporaneously with or shortly after the formation of Transamerica, that corporation acquired controlling stock interests in the following banks and other corporations:

	<u>Per Cent of Stock Control</u>
California Joint Stock Land Bank, having a capital of \$916,000, surplus and profits of \$584,546, and resources of \$16,760,342	100
Bank of Italy National Trust & Savings Association and National Bankitaly Co.	99.65
Bankitaly Agricultural Credit Corporation, having a capital of \$1,000,000 surplus and profits of \$20,337, and resources of \$2,988,000	100

Per Cent
of
Stock Control

Bankitaly Mortgage Co., capital \$1,000,000, surplus and profits \$891,873, and resources of \$24,767,766	100
The Bank of America National Association of New York and Bancamerica Blair Corporation. (Blair & Co., founded in 1890 and incorporated in 1920, was acquired by Transamerica Corporation in 1929 and merged with Bancamerica Corporation, the security affiliate of the Bank of America National Association, under the name of Bancamerica Blair Corporation)	59.35
Commercial Holding Co., capital \$500,000, surplus and profits \$1,978,473, and resources \$81,423,052. This company was formed to act as an active trading company	100
Bankitaly Co. of America, capital \$167,500,000, surplus and profits \$213,371,268, and resources \$450,796,806. This company was formed under the laws of Delaware and succeeded to the operating properties specified in the chart above its names, together with the miscellaneous listed securities theretofore owned by Bancitaly Corporation, which was legally dissolved in 1928	98.81
Occidental Corporation, the holding company owning Occidental Life Insurance Co. and Occidental Investment Co.	90
Bank of America, California, and its security affiliate, Corporation of America, the successor to French American Corporation, dissolved in 1929. Bank of America of California is the result of a consolidation of the United Security Bank & Trust Co. with the Merchants National Trust & Savings Bank of Los Angeles, acquired by Transamerica Corporation in 1928: Bank of America of California has a capital of \$20,000,000, surplus and profits of \$13,500,733, and resources of \$377,986,434. It is a State bank and not a member of the Federal reserve system. It operates a State-wide branch system through 161 branches	97.99

Per Cent
of
Stock Control

Pacific National Fire Insurance Co., capital \$1,250,000, surplus and profits \$1,564,622, and resources \$3,231,707. This company was organized in 1911 and acquired in 1927 with the purchase of the Farmers and Merchants National Bank of Sacramento by Bancitaly Corporation. 100

(BX 7; R. 224-227)

15. Exhibit 3 is an organization chart of Bank of Italy N. T. & S. A. just prior to the formation of Transamerica Corporation.

16. Exhibit 4 is an organization chart of Bancitaly Corporation just prior to the formation of Transamerica Corporation.

17. Exhibit 5 is an organization chart of Transamerica Corporation shortly after its organization.

18. Since its organization in 1928 Transamerica has acquired approximately 240 banks and branches in California (see Exhibit 6); of these approximately 200 have been absorbed by the Bank of America N. T. & S. A. (see Exhibit 10); applications are now pending before the Comptroller of the Currency to permit Bank of America N. T. & S. A. to branch 28 banks and branches now majority owned by Transamerica (BX 286; RX 321).

19. In 1930 the Transamerica banking group first entered the State of Oregon by the acquisition of the First

National Bank of Portland (BX 8, p. 312); since its acquisition of this bank, Transamerica has acquired approximately 56 banks and branches in that State, 40 of which have been absorbed by the First National Bank of Portland (see Exhibit 10); applications are now pending before the Comptroller of the Currency to branch into the First National Bank of Portland the remaining banks in Oregon now owned by Transamerica (BX 287-288); the branch system of the First National Bank of Portland has been patterned upon the branch system of Bank of America N. T. & S. A. (R. 6916-6919); numerous officers of the former were formerly officers of Bank of America N. T. & S. A.; the present president of this bank is Frank Belgrano, who was formerly a vice president of Bank of America N. T. & S. A. and who also has served as president of Pacific National Fire Insurance Company (a Transamerica subsidiary) and as president of the Central Bank, Oakland (a majority-owned Transamerica bank) (BX 72, p. 7; R. 6920-6925); the manual of operations used by Bank of America N. T. & S. A. was used as the basis for a similar manual now used by the First National Bank of Portland, and officers of the Bank of America N. T. & S. A. assisted in the adaptation of this manual to the operations of the First National Bank of Portland (R. 6916-6919); officers of Bank of America N. T. & S. A. from time to time consult with officers of the First National Bank of Portland (R. 6916-6919, 6921-6922, 6962) and attend their branch meetings (R. 6962).

20. In 1934 the Transamerica banking group first en-

tered the State of Nevada by the acquisition of the First National Bank in Reno, the name of which was subsequently changed to First National Bank of Nevada (BX 8, p. 363); since its acquisition of this bank Transamerica has acquired six other banks in Nevada, all but two of which have been converted into branches of the First National Bank of Nevada (see Exhibit 10); the branch system of the First National Bank of Nevada was also patterned upon the branch system of the Bank of America N. T. & S. A.; shortly after its acquisition by Transamerica, Carl Wente, vice president of the Bank of America N. T. & S. A., was made president of the bank (BX 72, p. 48; R. 5669-5671); he installed operations similar to those in use at the Bank of America N. T. & S. A. and used the Bank of America manual of operations in the Nevada branch system (R. 5926-5933); various officers and branch managers of this bank were formerly employed by the Bank of America N. T. & S. A. (R. 6066-6070); Bank of America N. T. & S. A. inspectors make periodic examinations of this bank (R. 5928); when Wente left the Bank in 1937 to become president of Central Bank, Oakland (a Transamerica majority-owned bank), he continued as chairman of the board of directors of the First National Bank of Nevada and was succeeded as president by W. W. Hopper, former branch manager and vice president of the Bank of America N. T. & S. A., who also had been president of California Joint Stock Land Bank and Bank-america Agricultural Credit Corporation (both Transamerica subsidiaries) (BX 72, p. 29; R. 5671, 5673-5674, 6070-6071).

21. In 1936 the Transamerica banking group first entered the State of Washington by the acquisition of the National Bank of Tacoma, the name of which was subsequently changed to the National Bank of Washington (EX 8, p. 499); since its acquisition of this bank Transamerica has acquired nine other banks in the State of Washington which have all been converted into branches of the National Bank of Washington (see Exhibit 10); shortly after Transamerica acquired the First National Bank of Washington A. H. Brouse became vice president of the institution and later president, which office he now holds; at the time of his appointment as an officer of this bank Brouse was a vice president of the Bank of America N. T. & S. A. (EX 72, p. 11; R. 1177-1178); in 1939 C. T. Chandler, assistant branch manager of one of the branches of Bank of America N. T. & S. A., became assistant vice president of the National Bank of Washington and later became cashier and vice president, successively, of that institution; he is now serving the bank in the latter position (EX 72, p. 15; R. 1179-1180); A. M. Gould, another present vice president of First National Bank of Washington, was formerly a branch manager of Bank of America N. T. & S. A. (EX 72, p. 27).

22. In 1937 the Transamerica banking group first entered the State of Arizona by the acquisition of the First National Bank of Arizona at Phoenix, the Phoenix National Bank and the Phoenix Savings Bank and Trust Company, the latter being an affiliate of the Phoenix National Bank (EX 8,

pp. 356, 551, 553; R. 1016, 1022-1024); the Phoenix National Bank and the First National Bank of Arizona at Phoenix were later consolidated and became the First National Bank of Arizona (id.); after its acquisition of these banks Transamerica acquired one additional banking office in Arizona, which was converted into a branch of the First National Bank of Arizona (BX 8, p. 486); at the time of the acquisition of the Arizona banks G. M. McClerkin, at that time a vice president of the Bank of America N. T. & S. A. and the principal bank buyer for the Giannini banking group (now an officer of Transamerica) became a director of each of the banks so acquired (R. 1067); in 1945 H. C. Gruwell, a branch manager of the Bank of America N. T. & S. A., became executive vice president of the First National Bank of Arizona and in 1947 he became president of the institution (BX 72, p. 28).

23. Exhibit 6 lists all of the banks and branches acquired by Transamerica or its predecessors since the organization of Bank of Italy in 1904, together with the loans and deposits of each bank at the time of its acquisition.

24. Exhibit 7 lists the de novo branches established by the various banks in the Transamerica group since the organization of Bank of Italy in 1904.

25. Exhibit 8 lists the banking offices closed by the various banks in the Transamerica group since the organization of Bank of Italy in 1904.

26. Exhibits 6, 7 and 8 identify the acquisitions of banks and branches acquired, de novo offices established and offices closed by the Transamerica group as a whole. They do not, however, show how each bank in the Transamerica group has expanded as a separate entity. Nor do they show the many instances wherein one bank in the Transamerica group merged or consolidated with or was otherwise absorbed by another bank in the group, or the banks within the group which in the first instance absorbed the businesses of the various banks acquired by Transamerica or its predecessors. Accordingly, Exhibit 10 has been prepared containing a statement and other statistics showing, as to each bank which has been a member of the Transamerica group over the years, how that bank expanded as a separate entity.

27. Exhibit 11 shows the total number of commercial banking offices by years, 1920-1948 and for 1950, in each of the states in which Transamerica group banks were located, the number of commercial banking offices of the Transamerica group in each of these states, and the percentage ratio of Transamerica group banking offices to all commercial banking offices, together with a summary by years of these data for all states in which Transamerica group banks were located.

28. Exhibit 12 shows the total deposits of all commercial banking offices by years, 1920-1948 and for 1950, and in each of the states in which Transamerica group banks were located, the total deposits of all commercial banking offices of

the Transamerica group in each of these states, and the percentage ratio of Transamerica group bank deposits to all commercial bank deposits, together with a summary by years of these data for all states in which Transamerica group banks were located.

29. Exhibit 13 shows the total loans of all commercial banking offices by years, 1920-1948 and for 1950, in each of the states in which Transamerica group banks were located, the total loans of all commercial banking offices of the Transamerica group in each of these states, and the percentage ratio of Transamerica group bank loans to all commercial bank loans, together with a summary by years of these data for all states in which Transamerica group banks were located.

30. During the hearings counsel for Transamerica attempted to discredit certain basic statistical material contained in the Board's exhibits on the ground that such statistics were not limited to banks which accept demand deposits and included some others which occupied quarters jointly with other banks. The statistics set forth in Exhibits 11, 12 and 13 are based upon Board Exhibits 13 and 328 as originally presented. Board Exhibits 334 and 357 were subsequently introduced and set forth the data relative to dual occupancies and institutions which do not accept demand deposits. Exhibit 14 contains tables showing the figures set out in Exhibits 11, 12 and 13, together with added columns in each table giving effect to the data contained in Board Exhibits 334

and 357; as a comparison of these figures shows, the changes are insignificant; in general they increase and do not decrease the percentage ratio of Transamerica banking offices, deposits and loans to those of all banking offices, deposits and loans for all of the areas involved; under these circumstances requests for subsequent findings will be based upon the Board's exhibits as originally introduced without changing in each year all of the many figures necessary to give effect to the insignificant number of dual occupancies and/or institutions not receiving demand deposits which were included in the original exhibits introduced on behalf of the Board.

31. Exhibit 15 shows the total demand deposits of all banks (by five-year periods, 1920-1945, and for 1948 and 1950) in each of the states in which Transamerica group banks were located, the total demand deposits of all banks of the Transamerica group in each of these states, and the percentage ratio of Transamerica group bank demand deposits to all demand deposits, together with a summary of these data for all states in which Transamerica group banks were located.

32. Exhibit 16 shows the number of officers and employees of banks and branches in the Transamerica group compared with the number of such officers and employees in all insured commercial banks and branches in each of the five states on December 31, 1949, and the percentage ratio of Transamerica officers and employees to all such officers and employees in each of the five states.

33. Exhibit 17 shows, as of September 30, 1949, the number and amount of all deposit accounts of individuals, partnerships and corporations, by size of accounts, of all insured commercial banks in each of the five states, the same data for the Transamerica group banks, the percentage ratio of Transamerica group banks to all banks, and a summary of such data for the five-state area.

34. Exhibit 18 shows, as of September 30, 1949, the number and amount of all demand deposit accounts of individuals, partnerships and corporations, by size of accounts, of all insured commercial banks in each of the five states, the same data for the Transamerica group banks, the percentage ratio of Transamerica group banks to all banks, and a summary of such data for the five-state area.

35. Exhibit 19 shows the total number of banking offices as of December 31, 1947, in each county in which Transamerica group banks were located throughout the five-state area, the number of banking offices of the Transamerica group in each such county, the percentage ratio of Transamerica group banking offices to all banking offices in each such county, and the number of banks and branches acquired since 1904 in each such county by Transamerica or its predecessors.

36. Exhibit 20 shows the total deposits of individuals, partnerships and corporations, as of December 31, 1947, of all banking offices in each county in which Transamerica group banks were located throughout the five-state area, the

total of such deposits of the banking offices of the Trans-america group in each such county, and the percentage ratio of Transamerica group bank deposits to total deposits of all banks in each such county.

37. As of December 31, 1947, there were 1,083 banking offices in the State of California (EX 13, p. 17; R. 8105); of these 789 were located in the eight metropolitan districts of Los Angeles, San Francisco, San Diego, Fresno, San Jose, Sacramento, Bakersfield and Stockton (RX 123, 124); banking offices of the Transamerica group accounted for 380 or 48.2 per cent of the banking offices in these eight metropolitan areas (RX 124); a total of 651 or 60 per cent of all banking offices in the State were located in the two metropolitan areas of Los Angeles and San Francisco (RX 122); banking offices of the Transamerica group accounted for 304 or 46.7 per cent of all of the banking offices in these two areas (RX 122).

38. As of December 31, 1947, the total deposits in the State of California were \$11,530,540,000 (R. 8094-8095); of this amount \$9,856,221,000, or 85.5 per cent, were held by all banking offices in the eight metropolitan areas listed above (RX 124); the Transamerica group banking offices held \$3,985,548,000, or 40.4 per cent, of all of the deposits in this area (RX 124); a total of \$8,325,229,000, or 72 per cent, of all bank deposits in the State of California were held by all banks in the two metropolitan areas of Los Angeles and San Francisco (RX 122); Transamerica group banking offices

held \$3,161,993,000, or 38 per cent, of all of the deposits in these two areas (RX 122).

39. As of December 31, 1947, there were 294 banking offices in the State of California located outside of the eight metropolitan areas listed in Finding No. 37 (EX 1, p. 17; RX 124; R. 8105); banking offices of the Transamerica banking group accounted for 169, or 57.5 per cent, of this total (R. 8103-8105).

40. As of December 31, 1947, deposits totaling \$1,674,319,000 were held by all banking offices outside of the eight metropolitan areas listed in Finding No. 37 (R. 8102-8103); the Transamerica banking group held \$938,161,000, or 56 per cent, of this total (R. 8105).

41. Exhibit 21 shows, as of December 31, 1947, the name of each community in which a Transamerica group banking office was located, the total number of banking offices located in each such community, the number of Transamerica group banking offices located in each such community, and the number of banks and branches acquired by the Transamerica group in each such community since 1904.

METHODS FOLLOWED IN DEVELOPMENT
OF TRANSAMERICA BANKING GROUP

42. As we have seen, in the early days of Bank of Italy acquisitions of independent banks destined for inclusion as branches of the Bank of Italy were made by individual officers

who pledged their personal credit in buying the shares of the acquired banks. (Finding No. 8, supra)

43. Afterwards, and until the formation of Transamerica in 1928, various corporations formed by A. P. Giannini acted as purchasers of banks, including Stockholders Auxiliary Corporation, Bancitaly Company, and Americommercial Corporation. (Findings Nos. 9, 10, 11)

44. Following the formation of Transamerica, that company, acting through various persons and companies, acquired the shares of independent banks which were taken over by the group; most of those who acted as Transamerica agents in these transactions were officers of Transamerica or of one of its group banks or other subsidiaries; the principal bank buyer for the group has been G. M. McClerkin; he has been associated with the Gianninis at least since 1924, at which time "he was ... acquiring banks for the Liberty Bank chain"; between 1932 and 1946 McClerkin was vice president of Bank of America N. T. & S. A., during which time his duties largely consisted of acquiring banks for the group; he spent "practically all of his time on that, and others [in the Bank] did, too"; since 1946 McClerkin has been vice president of Transamerica, where his duties still include the acquisition of banks; in addition, he acts as liaison officer between Transamerica and its majority-owned banks. (BX 72, p. 34; R. 983, 1029-1030, 1052-1053, 1079, 1088, 1113-1116, 1124, 1130-1133, 1167-1168, 1519-1521, 1528-1535, 2941-2943, 2957-2959, 2963,

2975-2978, 3015-3017, 3058-3060, 3078-3083, 3095-3101,
3125-3129, 3146-3151, 3161-3162, 3171-3176, 3190-3200,
3276-3281, 3302-3307, 3321-3325, 3340-3346, 3390-3395,
3440-3444, 4208, 4331, 6956-6958)

45. Other officers of Transamerica group banks, including Bank of America N. T. & S. A., who have assisted in the acquisition of banks or attempts to acquire banks for Transamerica have included A. P. Giannini (BX 226; R. 416, 418, 422, 424-425, 432, 1538-1543, 1545-1548, 1574, 1745, 1884-1888, 1902-1909, 3078-3083, 3194-3199, 3238-3242, 3264-3266, 3305, 3307, 3390-3394, 5915-5917); L. M. Giannini (R. 1272-1275, 1743-1744, 3302-3307, 3394-3395, 3410-3417, 5915-5916); S. C. Beise, vice president of Bank of America N. T. & S. A. (R. 418-458, 1120-1122, 1161-1162, 1195, 1236-1238, 1265, 1288-1290, 1550-1551); Edmund Nelson, vice president of Bank of America N. T. & S. A. (BX 27; R. 434-457); Francis Baer, vice chairman of the board of Bank of America N. T. & S. A. (R. 1882-1890); Carl Wente, senior vice president of Bank of America N. T. & S. A. (R. 5933, 5990-5992); Carl Stamer, formerly assistant secretary of Bank of America N. T. & S. A. (BX 27; R. 1320-1324); E. B. MacNaughton, president of the First National Bank of Portland (R. 1566-1567, 6542); and J. H. Mackie, vice president of First National Bank of Portland (R. 1191-1192, 1262).

46. Other individuals and organizations, not officers or employees of the Transamerica group, also acted as agents

for Transamerica in acquiring the stocks of various banks; for a time the principal bank buyer in Oregon was D. O. Hood, a securities dealer in Portland, Oregon (R. 1123, 1164, 1172-1176, 1189-1197, 1200-1209, 1213-1216, 1220-1286, 1292-1309, 2919-2921, 3302-3305, 3368-3372, 6853); another was E. J. (Bob) Evans, vice president of Nelson Douglass & Co., dealers in securities in Los Angeles, who participated in acquiring the shares of the First Trust and Savings Bank of Pasadena, Citizens National Trust and Savings Bank of Los Angeles and other banks in California (EX 219, 220; R. 422-433, 952, 1377, 1896-1913, 10,809-10,810); another was Kernan Robson, who acquired the shares of Central Bank of Oakland (R. 960-961).

47. All officers of Bank of America N. T. & S. A. are constantly on the lookout for opportunities to buy banks (R. 3015); as a regular part of their activities new business officers of the First National Bank of Portland call upon other officers in the State of Oregon and report to the head office on the availability of such banks for purchase (R. 6958-6959).

48. It has been the policy of Transamerica and its predecessors to offer special inducements and bonuses to particular persons, usually officers and directors of the acquired banks, in order to obtain controlling stock interests in such banks:

(a) In testifying before the Committee on Banking and Currency in the House of Representatives in 1930

James A. Bacigalupi, former president of Bank of America N. T. & S. A. and then vice chairman of the advisory committee of Transamerica Corporation, referred to the fact that bonuses had been paid in acquiring banks prior to that date as well as to the fact that increases in the salaries of certain officers of the acquired bank had been negotiated in connection with such acquisitions (R. 207, 241-242).

(b) In April 1937 Transamerica, through McClerkin, acquired the controlling stock interests in the Phoenix National Bank and its affiliate, the Phoenix Savings Bank and Trust Company (BX 8, pp. 551, 553; BX 47, 51, 52, 58); the stock of these institutions at that time consisted of 20,000 units, each unit consisting of one share of the capital stock of the Phoenix National Bank and one-half share of the capital stock of the Phoenix Savings Bank and Trust Company (BX 47); Transamerica paid H. J. Coerver, president of the Phoenix National Bank, \$100,000 "for delivering control" of these banks (BX 51); in addition and "in order to induce" him to secure control of these banks for Transamerica, it was also agreed that Coerver's combined salary of \$12,000 per year from these two banks be increased to \$18,000 per year, effective April 15, 1937, for a minimum period to January 1, 1939 (BX 52; R. 1059-1060).

(c) In 1942 Transamerica acquired the controlling stock interest in the First Trust and Savings Bank of Pasadena (BX 8, p. 381); at that time J. S. Macdonnell was president of the institution (BX 30, 31); in connection with the acquisition of the controlling stock of this bank it was formally agreed that, upon such acquisition, Macdonnell's resignation as president of the bank would be accepted by Transamerica and that the directors of the bank would by an agreement "provide for the payment by said bank to said J. S. Macdonnell during his lifetime and/or to Alice Macdonnell, his wife, during her lifetime if she survives him, of retirement compensation in an amount not to exceed in the aggregate \$84,500.00, payable at the rate of not exceeding \$8450.00 per annum in equal monthly installments from the date of his retirement" (BX 31); in addition, Transamerica paid Macdonnell all cash for his shares (R. 476) whereas, as to the remaining purchases, it paid for the shares partly in cash and partly by an exchange of shares of Bank of America N. T. & S. A. (R. 476).

(d) In 1945 Transamerica acquired the controlling stock interest in the First National Bank of Eugene, Eugene, Oregon (BX 8, p. 267); by the end of 1946 Transamerica owned of record 4900 shares of this bank (R. 1560) which constituted 98 per cent of all of the outstanding stock of the institution (BX 3-s, p. 16);

in connection with this acquisition 1505 shares were acquired from Richard Shore Smith, president of the bank, and members of his immediate family, at \$640 per share (BX 156; R. 1562-1563); 212-1/2 shares were acquired from various directors of the bank at a price of \$600 per share (R. 1561-1562); purchases were made from other stockholders at various prices, including 1292-1/2 shares bought at \$220 per share, 25 shares bought at \$250 per share, and 1417-1/2 shares bought at \$450 per share (BX 156); in connection with its purchase of this bank Transamerica paid \$564,482.42 over the book value of the institution (R. 1569-1573).

(e) In 1937 Transamerica, through D. O. Hood, acquired the controlling stock interest of the First State Bank of Bremerton, Bremerton, Washington (BX 8, p. 379); in connection with this acquisition D. O. Hood wrote a letter, dated June 11, 1937, to W. L. Andrews, vice president of Transamerica Corporation, in which, among other things, he stated as follows:

"Jim Mackie [vice president of the First National Bank of Portland (R. 1262)] and I went to Bremerton yesterday and bought the First State Bank of Bremerton. The price will be about 160 net more or less depending upon what the final interest accrual figures show * * * This price will cover my own fee as well as the 'cut-in' for the President's attorney at Bremerton." (R. 1191-1192)

(f) In 1944 Transamerica acquired the controlling stock interest in the First National Trust and Savings

Bank of Santa Barbara, California (EX 8, p. 367); in connection with this acquisition Transamerica paid a fee of \$15,000 to the law firm of Heaney, Price, Postel & Parma; Mr. Heaney was a director of this bank at the time of the acquisition (R. 1550-1551).

(g) On August 22, 1944, Transamerica entered into an agreement with C. D. Hill, vice president, cashier and treasurer of the Bank of Corning, to purchase stock of that bank; an agreement was entered into with Mr. Hill whereby it was agreed, in consideration of Hill's obtaining for Transamerica at least 401 or a majority of the outstanding shares of this bank at a price of \$175 per share, Transamerica would pay Mr. Hill \$430 per share for an additional 231 shares of the stock of that bank (R. 1507-1516).

(h) In 1945 Transamerica acquired the controlling stock interest in the First National Bank of Crows Landing, California (EX 8, p. 258); in connection with the acquisition of this bank McClerkin, who negotiated the purchase, wrote to Charles A. Fillippini, cashier of said bank, as follows:

"I have been instructed by Mr. A. P. Giannini, Chairman of the Board of Directors of Transamerica Corporation, to say to you, in consideration of your having obtained for the Corporation certain options and stock of the First National Bank, Crows Landing, that in the event said options are exercised by the Corporation, both you and Mr. R. C. Osborn will be privileged to remain in the employ of said bank, or its successor in Crows Landing, in your present or [comparable] capacities and at salaries comparable to your present compensation for a

period of two years from the date said options are exercised, and in the event of consolidation of its business with that of any other bank, you will be retained in the capacity of manager of the Crows Landing Branch of such merged institution for such time after said two years period as may be mutually agreeable.

"Nothing herein, however, shall prevent you or Mr. Osborn accepting other employment by the Corporation or any other bank in which it has interests prior to the expiration of said two-year period."

(R. 1519-1521)

(i) In 1946 Transamerica acquired the controlling stock interest in the First National Bank of Turlock (BX 8, p. 344); in connection with this acquisition the shares owned by Roy E. Weaver, president of the bank, were acquired at an average price of \$800 per share; other shares were acquired by Transamerica at \$600 per share (R. 1555-1557).

(j) In 1937 Transamerica Corporation acquired the controlling stock interest in the Auburn National Bank, Auburn, Washington (BX 8, p. 16); Transamerica acquired 260 shares or all of the common stock of this bank; this was acquired in two blocks; the first block of 156 shares, which was a majority of the outstanding common stock, was purchased from W. A. Heath, president of the bank, at an average price of \$473.50 per share; the remaining 103 shares constituted the second block, and these were acquired at the rate of \$250 per share (R. 1131-1161); in connection with this sale Transamerica agreed to purchase from Heath "the building now occupied

by said bank or its successors at and for a consideration of \$17,500.00 at any time upon your demand provided such demand is made prior to May 27, 1939" (R. 1143).

(k) In 1941 Transamerica acquired the outstanding shares of the Temple City National Bank (BX 8, p. 653); there were outstanding 250 shares of common stock and 200 shares of preferred stock of this bank (R. 951); on May 16, 1941, Transamerica acquired 100 shares of common and 40 shares of preferred at a price of \$180 for the common and \$62.50 for the preferred; this was not enough to give control of the institution to Transamerica; thereafter the remaining stockholders, who had joined together, sold to Transamerica 133 shares of common at approximately \$301 per share and 160 shares of preferred at \$62.50 per share (R. 951).

(l) In 1940 Transamerica acquired the outstanding shares of the First National Bank of Cottage Grove, Cottage Grove, Oregon (BX 8, p. 257; R. 1306-1307); in connection with this purchase the books and records of Transamerica Corporation reflect that the purchase cost of this stock included an item described as "goodwill", of \$16,500 (R. 1308-1311).

(m) In acquiring the outstanding stock of First National Bank of Mountain View in 1946, 1,002 shares of the 2,000 shares outstanding were purchased from Roger Sherman, president of the bank, at an average of

approximately \$100 per share; the remaining shares acquired by Transamerica at that time were acquired at approximately \$80 per share (R. 1523-1524).

49. In addition to these examples of bonuses, inducements and other payments made by Transamerica and its predecessors in connection with the acquisitions of banks, other inducements of a similar kind have been offered in their continued attempts to acquire banks:

(a) In 1926 A. P. Giannini offered Joseph W. Sefton, president of the San Diego Trust and Savings Bank, a million dollar profit to sell that bank to the Giannini group (BX 335, 336; R. 12,094-12,096).

(b) In connection with his attempt to acquire the Union National Bank of Pasadena A. P. Giannini in 1942 or 1943 offered Charles Wright, president of that institution, the presidency of the First Trust and Savings Bank of Pasadena (R. 12,512, 12,519-12,520).

(c) In his attempt to acquire the Citizens National Trust and Savings Bank of Los Angeles A. P. Giannini suggested to Herbert Ivey and his brother, L. O. Ivey, president and vice president of that institution, respectively, that the Citizens National Trust and Savings Bank should consolidate "with the Central Bank of Oakland, then the Anglo in San Francisco; the Security Bank in San Diego, Citizens of Riverside, and one or two others" (R. 1875, 1891, 1971-1972); in addition, Mr. Giannini offered L. O. Ivey a job at \$50,000 per year (R. 1973).

(d) In their attempts to acquire the Monterey County Trust and Savings Bank, Salinas, California, various representatives of the Gianninis offered Andrew C. Hughes, president of the institution, the post of vice president of the Bank of America N. T. & S. A. in charge of "a big district from San Jose to Santa Barbara" (R. 3096-3098).

(e) In his attempt to acquire the Farmers and Merchants Bank at Hemet, California, A. P. Giannini offered Thomas J. Fletcher, vice president of that bank, a position with the Bank of America N. T. & S. A.; Mr. Giannini stated to Fletcher "We will buy your bank and you can stay out there and be in the same position that you are now and at a higher salary" (R. 3191, 3196-3198).

(f) At various times when attempts were made on behalf of Transamerica to acquire the First National Bank of Corona, California, and its affiliated savings institution, the Citizens Bank of Corona, bonus offers were made to Fred E. Snedecor, president of the First National Bank of Corona, to induce him to sell his shares and those of his family; it was proposed that he become an officer of the Bank of America N. T. & S. A. at a substantial increase in salary under a contract for five or ten years; in addition, it was suggested that he would be "put in their retirement plan and given credit for all of the years that [he] had been with the bank at Corona" (R. 3390-3395).

(g) In his attempt in 1943 to acquire the First National Bank of Orange, California, L. M. Giannini offered Roy Edwards, cashier and son of the president of the bank, a position with the Bank of America N. T. & S. A. at \$5,000 a year (R. 3412-3414).

(h) In connection with the attempt to acquire the Butte Valley State Bank at Dorris, California, D. O. Hood told William G. Hagelstein, president of the bank, that, in the event the bank was made a part of the Bank of America, Mr. Hagelstein would be employed by the Bank of America and could "either come to the head office or have charge of some banks in the country" (R. 3302-3304).

50. In some instances, when confronted with opposition from the existing management of a banking institution which it desired to acquire, Transamerica pursued its attempts to acquire that institution by openly hostile methods and without regard for the possible hurtful consequences to the institution of such action:

(a) Prior to June 21, 1941, Transamerica attempted, through Nelson Douglass & Co., to acquire the shares of the First Trust and Savings Bank of Pasadena; the record does not show how this offer was first communicated to the stockholders of that bank but, on June 21, 1941, J. S. Macdonnell, president of the bank, sent a letter to his stockholders outlining the opposition of the management of that institution to selling the bank to the

Giannini interests (Exhibit 22 is a copy of this letter); Nelson Douglass & Co. countered by publishing an advertisement in the Los Angeles Times giving the stockholders of the First Trust and Savings Bank until July 15th to accept their offer to purchase the stock (Exhibit 23 contains a photostatic copy of this advertisement); on the same day Macdonnell published an advertisement in the Pasadena Star News expressing appreciation to the stockholders of the First Trust and Savings Bank for withstanding "what we consider to have been a campaign to stampede them into turning over virtual control of First Trust and Savings Bank to the forces of Mr. A. P. Giannini." He further stated:

"Neither disparagement of us, nor implied threats as to the prospect for those stockholders who do not give up their holdings have been omitted by the small army of salesmen who have been traveling assiduously from door to door day and night on behalf of Mr. Giannini. Our impression is that this is not the hour nor is Pasadena the place of success for such methods." (BX 30)

(As indicated in Finding No. 48(c), supra, when Transamerica later in the year increased the offer price for the shares and included the large retirement payment to Macdonnell, the offer was accepted and Transamerica acquired the institution.)

(b) In the latter part of 1942 Mr. Francis Baer, vice chairman of the board of the Bank of America N. T. & S. A., called upon Mr. Ivey, president of the Citizens

National Trust and Savings Bank of Los Angeles, to inquire whether a deal could be worked out for the acquisition of all or part of the stock of that bank (see Finding No. 156, infra); Ivey reported the conversation to the executive committee of the bank and the executive committee rejected the proposition and determined not to bring the matter before the full board for fear of causing harmful rumors (R. 1882-1887); after Ivey reported this decision to Baer, he was again approached by Baer who assured Ivey that it was not "their purpose ruthlessly to try to get hold of any stock of the bank" without the approval and consent of the management (R. 1887-1888); again Ivey reported to Baer that he had discussed the matter with his directors and that they did not wish to dispose of their stock or to pursue the matter further (R. 1890); in 1943 Mr. Evans of Nelson Douglass & Co. informed Ivey that Transamerica intended to present to the board of directors of Citizens an offer to acquire the stock of that bank (R. 1891-1892); at or about the same time Ivey was informed that the Title Insurance and Trust Company was proposing to set up an escrow to handle the transaction (R. 1894-1895); Ivey informed officers of the Title Company that the proposed transaction did not have his approval (R. 1894); notwithstanding this information the escrow arrangements were completed (R. 1896-1897) and Ivey was informed that Evans was the man who had

acquired the control of First Trust and Savings Bank of Pasadena for Transamerica (R. 1897); on May 18, 1943, a formal offer to buy the bank was delivered to Ivey by Nelson Douglass & Co. (R. 1897-1913); the Citizens' board of directors considered the offer and adopted a resolution denying the request of Transamerica that it be submitted to the stockholders of the bank (R. 1917-1919); A. P. Giannini was advised of this action (EX 215; R. 1924); thereupon Nelson Douglass & Co. published in the various newspapers in Los Angeles and the Wall Street Journal large advertisements addressed to the stockholders of the Citizens Bank outlining their offer to buy the shares of the bank and indicating how the offer might be accepted (EX 219, 220) (Exhibits 24 and 25 are copies of these newspaper advertisements); this caused the management of the Citizens Bank to publish advertisements in the Los Angeles newspapers stressing the independence of the institution (EX 222, 223, 225) (Exhibits 26, 27 and 28 are copies of these newspaper advertisements); through its efforts as outlined above Transamerica acquired 54,583 shares, or 21.97 per cent, of the outstanding stock of this institution (EX 3-p, p. 4; R. 1952-1953); following Ivey's appearance on the witness stand in this case, at which time he related the Giannini attempts to

acquire the Citizens Bank and the methods pursued in such attempts, A. P. Giannini sent out a letter to all of the stockholders of the Citizens Bank, among other things commenting upon Ivey's testimony in the proceedings; the full text of this letter, which was also sent to the stockholders of Transamerica and to various other persons throughout the country (R. 4570-4575), is set out as Exhibit 29 hereto.

51. A favorite Transamerica method of acquiring banks has been to promptly contact heirs or personal representatives upon the death of bankers or important stockholders of banks; thus, in 1945, four days after the burial of the deceased president of the First Savings Bank of Colusa, California, McClerkin had a meeting with the widow of the deceased at which time he offered to buy the bank; similarly, in 1945, four or five days after the death of the president of the First National Bank of Dixon, California, McClerkin called at the bank to inquire whether the bank would be for sale; again, in 1947, within two weeks after the death of the principal stockholder of the First National Bank of Antioch, McClerkin visited the bank to inquire whether that bank was for sale; in 1946 when McClerkin talked to G. B. Kellogg, cashier and principal stockholder of the First State Bank of Rosemead, California, in an attempt to buy that bank, he stated to Kellogg: "You know we wait and eventually we acquire many of

these banks and very commonly through a death in the family" (R. 2919-2921, 3078-3083, 3125-3129, 3171-3176, 3321-3328, 12,382-12,384).

TRANSAMERICA INTENDS TO
ACQUIRE MORE BANKS

52. Unless restrained Transamerica intends to acquire additional banks in the five-state area; this may be inferred from the past history of almost forty years' continuous and uninterrupted bank acquisitions by Transamerica and its predecessors, including the acquisition of three banks while these hearings have been in progress (BX 8, 283, 284, 285).

53. In addition, twenty-nine bankers from California and Oregon testified that overtures to buy their banks have been made in recent years by representatives of Transamerica or Bank of America N. T. & S. A. (BX 278, 279, 280; R. 2919-2922, 2941-2943, 2957, 2960, 2975-2978, 3003, 3024-3025, 3058-3060, 3068-3070, 3078-3083, 3095-3101, 3125-3129, 3146-3151, 3161-3162, 3171-3176, 3191-3200, 3216-3228, 3238-3242, 3264-3266, 3276-3282, 3292-3295, 3302-3307, 3321-3325, 3340-3347, 3368-3372, 3390-3395, 3410-3417, 3440-3444, 12,382-12,384, 12,517-12,520, 12,747-12,748); counsel for the Board offered to produce one hundred additional witnesses to so testify but the Hearing Officer invoked the cumulative evidence rule and refused to hear these witnesses.

54. In many cases the attempts of representatives of Transamerica or Bank of America N. T. & S. A. to acquire such banks have been repeated on numerous occasions over the years:

(a) Thomas J. Fletcher, vice president of the Farmers and Merchants Bank at Hemet, California, testified that McClerkin had called upon officers of his institution at least yearly since 1930 and, in some years, at six months' intervals; "It was always the same subject, that he was there representing the Bank of America, who wished to purchase the stock of the bank".

(R. 3191-3200)

(b) Fred E. Snedecor, president of the First National Bank of Corona, California, testified that representatives of Transamerica or Bank of America N. T. & S. A., including A. P. Giannini, L. M. Giannini and McClerkin, had called upon the bank and inquired if it was for sale "so many times, I couldn't count them"

(R. 3390-3395).

(c) Andrew C. Hughes, president of the Monterey County Trust and Savings Bank, Salinas, California, testified that representatives of Transamerica or Bank of America N. T. & S. A., including A. P. Giannini, L. M. Giannini, Carl Wente, Russ Smith, Will Morrish, A. J. Mount and McClerkin, have discussed the acquisition of

his bank on various occasions for over twenty years
(R. 3095-3101).

(d) Other instances wherein numerous and repeated attempts to acquire the same bank were made included: Bank of Manteca, California (R. 2957-2960, 2963); First National Bank of Richmond, California (R. 3003, 3025); Bank of Davis, California (R. 3058-3060, 3068-3070); First State Bank of Rosemead, California (R. 3078-3083); First National Bank of Antioch, California (R. 3125-3129); First National Bank of Yreka, California (R. 3146-3151); First National Bank of Dixon, California (R. 3171-3176); First National Bank of Vista, California (R. 3216-3228); First National Bank in Coachella, California (R. 3276-3282); Butte Valley State Bank, Dorris, California (R. 3302-3307); Savings Bank of Mendocino County, Ukiah, California (R. 3340-3347); First National Bank of Orange, California (R. 3410-3417); First National Bank of Elsinore, California (R. 3440-3444); Oswego State Bank, Oswego, Oregon (R. 3368-3372); and National Bank of Commerce, Seattle, Washington (R. 3238-3242).

55. Transamerica and Bank of America N. T. & S. A. have a reputation among bankers throughout California and Oregon for wanting to acquire more and more banks:

(a) One banker testified that "the reputation among the bankers of northern California unanimously is that

they [Transamerica and Bank of America] are out to acquire any bank that they can get" (R. 3348-3349).

(b) Another testified that the reputation of Transamerica and Bank of America N. T. & S. A. is that "They are very aggressive and very anxious to buy into the small banks in our neighborhood" (R. 3201-3202).

(c) Another testified that the reputation of Bank of America N. T. & S. A. "is for acquiring as many independent banks as possible" (R. 3163).

(d) Another testified that at times so many banks were being purchased by the First National Bank of Portland (a Transamerica subsidiary) that whenever independent bankers in that region met "it would be just a question of saying who was next, or if we had the paper, 'Have you seen the paper?' of 'Which bank sold out now?'" (R. 3372).

(e) Another testified that the reputation of Transamerica or Bank of America N. T. & S. A., or both, is that they "will get the bank sooner or later, regardless of what they have to pay" (R. 2943-2944).

(f) Another described this reputation as "acquiring banks, getting other institutions to join up with them, either through Transamerica or some other source or just holding the stock. It has been that way for years and years" (R. 2960-2961).

(g) Another testified that "The reputation is they have made inquiry among all of the other unit banks in our area as to whether or not there would be a possibility of buying them" (R. 3071).

(h) Another testified "Well, they have purchased already five banks in the county, and there are four left, and they have all been invited to come into the organization" (R. 3152).

(i) Another testified "They have banks in almost every town in our district and I have talked to the bankers where they are not represented and they seem to be trying to get in those places" (R. 3294-3295).

(j) Another testified "All [bankers] I have talked to have all been approached" (R. 3326).

(k) Other bankers gave testimony of similar import (R. 2924-2925, 2980-2981, 3061, 3083-3084, 3101-3102, 3130, 3163, 3176-3177, 3227-3228, 3266-3267, 3281-3282, 3308, 3396-3397, 3419, 3445).

CONTROL OF TRANSAMERICA BANKING GROUP

56. The history of the Transamerica banking group shows that the two men who have been most influential in formulating its policies and shaping its growth have been A. P. and L. M. Giannini; A. P. Giannini founded Bank of Italy in 1904 and became its titular head; he subsequently founded and became

the titular head of the various holding companies which were used to facilitate the bank expansion of the group prior to 1928; indeed, the policy of expansion which has characterized the operations of the group throughout its history is directly traceable to A. P. Giannini's belief that the banking needs of this country could and should be met by a few large branch banking organizations of the kind which operate in England and Canada, rather than by the relatively large number of independently operated institutions which have traditionally served those needs; he stated his position on this subject in 1930, when testifying before the Banking and Currency Committee of the House of Representatives, as follows: "I believe branch banking should be extended on a nation-wide and world-wide basis, for if you do not have direct branch banking you are going to have it indirectly through holding companies." (R. 6235)

57. He regarded the development of such a banking system in this country as inevitable; as he also stated in his testimony, "It is coming, gentlemen, and you cannot stop it, and you are bucking up against a stone wall if you try." (R. 6214)

58. At one place in his testimony he was asked whether he was "entirely committed to the idea of the branch banking system as being the best for the country"; he replied: "No question about it; absolutely no question, especially in these days of rapid communication and rapid transportation,

when your small towns are drying up and there is going to be less and less need for these small banks." (R. 6216)

59. At another place in his testimony he made the following statement:

"There is one observation I should like to make and that is when you have a bank of one hundred or two hundred million capital, it becomes a public institution. The Government is interested in it. You cannot have anything happen to that. Even the other banks will come to its rescue unless it is too bad. But they are not interested in the little bank." (R. 6290-6291)

60. The expansion of Bank of Italy through its numerous acquisitions of independent banks and branches was accomplished under the direct supervision of A. P. Giannini and pursuant to his direct commands; as Bacigalupi stated in 1930 in his Congressional testimony:

"It frequently has been said that an institution is but the lengthened shadow of a man. Certainly any consideration of the ideals, the purposes, the growth, and progress of the Bank of Italy, unmistakably reflects the peerless ability and forceful individualism of its founder -- a man who has been aptly referred to as 'stout-hearted, long-headed, keen-visioned, enthusiastic American and Californian -- A. P. Giannini.'" (R. 196)

61. Transamerica's entry into states outside of California was part of the plan of A. P. Giannini, whenever the law permitted, to bring all of the banks acquired in those states into one interstate branch system; this plan was commented on in various Transamerica Annual Reports as follows:

(a) In the 1932 Report:

"The policies of the Giannini management of Transamerica Corporation have been restored and are here reaffirmed. Transamerica Corporation particularly favors

investment in shares of banks authorized to maintain branches. Your Board is firmly of the opinion that branch banking in some form, state-wide, regional or nation-wide, is imminent. The founders of your Corporation were the first to foresee the need of a sound branch banking system comparable to the great banking systems of Canada, Great Britain, and practically every other country in the world. Your Corporation will be among the first to profit by the enactment of branch banking legislation in this country." (EX 3-e, p. 9)

(b) In the 1934 Report:

"In the Directors' Report dated March 11, 1933, your Board expressed the opinion that branch banking in some form, state-wide, regional, or nation-wide, was imminent. In a report made public recently by a special committee of the Chamber of Commerce of the State of New York, extension of branch banking on a regional basis, conforming to trade areas, was recommended to the United States Senate Committee on Banking and Currency. Should Federal legislation be enacted to admit of regional branch banking, the way would then be open for Transamerica Corporation's banks to be merged into one interstate branch banking system. . . ." (EX 3-g, p. 6)

(c) In the 1937 Report:

". . . should Congress enact legislation permitting branch banking over State lines, Transamerica Corporation, with the cooperation and consent of the other stockholders of the member banks in which it is substantially interested, will be in a position to take advantage of the broader scope which the new legislation will offer and will be among the first to launch a branch banking system beyond State lines." (EX 3-j, p. 13)

62. As late as December 1946 A. P. Giannini was still directing the expansion of the Transamerica banking group; at that time W. L. Andrews, vice president of Transamerica, stated to a bank examiner that the acquisition of banks by Transamerica was determined entirely by A. P. Giannini.

(R. 1573-1574)

63. L. M. Giannini has been the other half of the Giannini "team" in directing and controlling the affairs of the Transamerica group; as stated in a publicity release issued by Bank of America N. T. & S. A. to all branch managers on November 30, 1948, L. M. Giannini "is the diplomat, the trained banker, the negotiator of the team"; at another place in the same release the following statement appears:

"Mario is no lieutenant to A. P.'s campaign to preserve his ideas of banking for the little fellow and capital and credit for the West. He is a full general who has earned his stars in combat. It was Mario [L. M. Giannini] who stood shoulder to shoulder with his father in the battle of the proxies which regained them operating control of *their* bank and investment company."
(EX 345) (Italics ours)

64. In 1918 L. M. Giannini joined his father in the management of the various organizations then comprising the Giannini group; prior to the formation of Transamerica he became, successively, assistant secretary, assistant to the president, member of the executive committee, director, and vice chairman of the board of directors of Bank of Italy (RX 255; R. 10,447); he became, successively, assistant to the president and president of Stockholders Auxiliary Corporation (he succeeded his father as president of this company), and he also became, successively, assistant to the president and executive vice president of Bancitaly Corporation; he was also a director of these two companies (EX 72).

65. Much space has been devoted in the Annual Reports of Transamerica and Bank of America N. T. & S. A., as well as

in public releases of other kinds issued by the Transamerica group, to emphasizing the leading and controlling parts which have been played by the Gianninis in the affairs of the various companies; thus, the Transamerica Annual Report for 1932 speaks of "the Giannini management of Transamerica" (BX 3-e, p. 9); in the Transamerica Report for 1934 there appears this statement: "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.* The council will be headed by L. M. Giannini" (BX 3-g, p. 6) (Italics ours); later on in the same Report is this statement: "The selection of L. M. Giannini to head the Advisory Council is, in the opinion of your Board, a particularly happy one for, in addition to his close contact with the wide range of Transamerica's activities since their inception, he is a man whose seasoned judgment, qualities of leadership, and outstanding analytical abilities peculiarly qualify him to head the Council which will determine management policies for the entire group of Transamerica's banks." (BX 3-g, p. 8); the Transamerica Report for 1935 comments on the elevation of L. M. Giannini to the presidency of Bank of America N. T. & S. A. as follows:

"At the annual meeting of the stockholders of Bank of America N. T. & S. A. on January 14 last, L. M. Giannini was elected President of the Bank. L. M. Giannini was admitted to the bar in 1920, two years after he entered the service of the Bank of Italy. He moved by gradual stages through all departments of the Bank and in 1928 became Vice Chairman of the Board of

Directors and a member of the General Executive Committee. In February 1930 he succeeded his father, A. P. Giannini, as President of Transamerica Corporation, and on the return of the Giannini management early in 1932 he was appointed Senior Vice President of the Bank. He thus possesses, in happy combination, a thorough knowledge of law and of the theory and practice of banking." (BX 3-h, p. 5);

the same Report contains one of the many tributes to A. P. Giannini which have been paid to him in the Annual Reports of Transamerica and the Bank of America N. T. & S. A. over the years; this one contains the following clause:

"Whereas, this Board of Directors fully recognizes the fact that the gigantic task of reconstruction undertaken by Mr. Giannini when he resumed control of the management of Bank of America N. T. & S. A. on February 15, 1932, has been accomplished through the genius and indomitable leadership of Mr. Giannini." (BX 3-h, p.6)

66. That A. P. and L. M. Giannini have been the real "bosses" in the Transamerica group is made clear in the testimony of Charles P. Partridge, president of the First National Bank of Richmond, California; Partridge went with the Giannini organization in 1921, joining the Liberty Bank in that year; subsequently he became assistant vice president of Bank of America N. T. & S. A. and later vice president in charge of public relations and new business of the Bank; for a short time (1929-1931) he was in charge of the New York office jointly maintained by Transamerica and the Bank; he was also a member of the general operating and general finance committees of the Bank, while at the head office of the bank (1931-1937) his office was among those of the other senior

officers, including those of A. P. and L. M. Giannini (R. 3003-3009).

67. Partridge testified that, in his capacity as a senior officer of the Bank of America N. T. & S. A., he became familiar with the Transamerica organization and its personnel through intimate personal contact and through observation; as he stated, "The various officers of Transamerica would be up at the Bank of America. There never was any doubt at any time. In other words, the corporations were merely named, one corporation or another; it was all part and parcel of the same family" (R. 3018-3019); at another place he testified:

"Well, you would see them come in; you would see them come into the head office, dealing with L. M. Giannini and A. P. Giannini on various things. A number of people--John Grant, the then President of Transamerica, would be up there; a man by the name of Smith, who was handling Giannini stock transactions, would be up there every night with the stock lists; a man by the name of Hood, who was buying the banks for us up in Oregon; Mr. McClerkin would be waiting for L. M. Giannini for various things on various banks that he had purchased, come and sit at my desk and talk, these various men. They were in constant contact because it was all part and parcel of the same family." (R. 3020)

68. Partridge further testified that A. P. and L. M. Giannini were the dominant factors in the management of the entire Transamerica group; he stated that "They are the bosses" and that

"they were in charge and let it be known that they were in charge. I think that is very well understood among all the officers in the Bank of America, and the whole group, the Transamerica group, that A. P. and L. M. Giannini are definitely in charge, and if there is any

doubt about it, why, you soon learn about it. They have a Gestapo-like force there of detectives, and if you cross them why they will soon learn about it."
(R. 3017-3018)

69. When asked on cross-examination if he had not on one occasion announced his "expectation of ultimately taking over as president or managing head of the Bank of America", Partridge replied:

"Well, I think that is outrageous at the outset. In the first place, anybody that was an officer of the Bank of America that would make a remark like that and knowing the fact that A. P. and Mario Giannini were running it was only asking for his own destruction, so I will have to deny ever making any statement like that." (R. 3036-3037)

Control of Transamerica

70. As we have seen, Transamerica was formed in 1928 to take over control of the various banks and other organizations which A. P. Giannini had founded prior to that time; upon the organization of Transamerica, A. P. Giannini became president of the company and L. M. Giannini became executive vice president; Dr. A. H. Giannini, a brother of A. P. Giannini, also became a vice president of the company; all three became members of the board of directors (EX 3-a).

71. In 1930 A. P. Giannini announced his intention to retire as president of Transamerica (EX 3-c, p. 3); in that year he invited Elisha Walker and certain Eastern bankers to take over the management of the Corporation (R. 9987-9988); in the same year the board of directors was reconstituted to include these men; Elisha Walker became chairman of the board

of directors and his associate, Jean Monnet, was elected vice chairman of the board; A. P. Giannini remained a director and became chairman of the advisory committee of the Corporation; L. M. Giannini was elected president to succeed his father (EX 3-c, p. 2).

72. In 1931 the Walker management determined upon certain fundamental changes in the operations of Transamerica:

87
(a) In the first place, they reduced the carrying value of all assets of the Corporation, whether owned directly or through intermediate holding companies, to their actual net asset values (EX 3-d, pp. 3-6); this resulted in a reduction of \$880,841,309.30 in the carrying value of these assets (id.); the great bulk of this reduction was made necessary because of the fact that "prior to June 30, 1931, the Corporation's investments in the banks and other subsidiaries controlled by it, . . . were largely acquired through the issue of the Corporation's own shares [and] 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." (EX 3-d, p. 4)

(b) Secondly, the board determined eventually to separate Transamerica from its controlled banks, the board believing that it was "unsound to link through a

holding company the ownership and control of a deposit 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" (BX 3-d, p. 8); in connection with this determination a letter to stockholders, announcing the change in policy was sent out under date of September 22, 1931. (Exhibit 30 is a copy of this letter.)

69
73. These announcements brought A. P. Giannini out of retirement; he and L. M. Giannini had both resigned as directors of Transamerica during 1931 (BX 3-d, p. 2; R. 10,993); in the latter part of that year a committee called Associated Transamerica Stockholders was formed, the leadership of which was assumed by A. P. Giannini; this committee had for its objective the ousting of Elisha Walker and his associates as directors of Transamerica and to restore A. P. Giannini and L. M. Giannini to the control of the management of that institution (BX 322, 323, 324; RX 305, 306, 307); a "bitterly contested proxy fight" ensued (BX 36-f); stockholders' meetings were held throughout the State of California at which A. P. Giannini, L. M. Giannini and others interested in supporting the Giannini campaign exhorted stockholders to support the Giannini campaign (R. 10,116, 10,157-10,160); letters were sent out to the stockholders

by both sides; copies of certain of those letters sent out by the Walker management are attached hereto marked Exhibits 31, 32 and 33; copies of those sent out by the Associated Transamerica Stockholders are attached hereto marked Exhibits 34, 35 and 36.

74. The result of the proxy battle was that at the annual stockholders' meeting of Transamerica held on February 15, 1932, the Gianninis were victorious and returned to the control of Transamerica (BX 3-e, p. 5); A. P. Giannini was re-elected chairman of the board, a position which he held from that time until his death in 1949 (BX 3-e-3-u); L. M. Giannini was re-elected a director and chairman of the executive committee (BX 3-e, p. 4); he has remained a director and member of the executive committee ever since (BX 3-e-3-v).

75. In the same month in which the Gianninis were returned to control of Transamerica the following resolution was adopted by the board of directors of that company:

"Resolved, that the Chairman of the Board or the President of this corporation be, and he hereby is, authorized to designate, where deemed advisable by either of them to do so, the particular person or persons who shall represent the interests of this corporation on the Board of Directors of any other corporation of which this corporation owns stock." (R. 1734)

76. On August 23, 1940, the foregoing resolution was superseded by a new one reading as follows:

"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 be entitled to vote at any and all meetings of shareholders of said other corporations." (R. 1734-1735)

77. The Transamerica board now consists of eleven directors (EX 3-v, p. 2); seven of these, Judge Russ Avery, P. A. Bricca, George J. DeMartini, L. M. Giannini, Gordon Gray, A. P. Jacobs and William N. Lagomarsino, were elected by the Gianninis with the proxies they held at the 1932 annual stockholders' meeting following the proxy fight and have been directors each year since that time (EX 3-e-3-v); the remaining four directors are James F. Cavagnaro, E. D. Woodruff, Sam H. Husbands and W. L. Andrews (EX 3-v, p. 1).

69
78. As pointed out in the Transamerica Annual Report for 1949, Cavagnaro "had been closely associated with Mr. Giannini for thirty years" (EX 3-v, p. 14); he had been an officer of Bancitaly Corporation as early as 1925 (EX 346-c); he became an officer of Transamerica Corporation upon its organization in 1928 and remained vice president of that company in all the years between that year and 1948 (EX 3-a-3-t); he was a director of Transamerica between 1934 and 1937, was re-elected to the board in 1942 and has been a member of the board ever since (EX 3-g-3-j; EX 3-o-3-v); between 1932 and 1944 Cavagnaro also was vice president of Bank of America N. T. & S. A. (EX 72, p. 14) and for a time he was in charge

of the New York office occupied by both Transamerica and Bank of America N. T. & S. A. (R. 1743, 1747); in addition, he has been a director of a number of other Transamerica subsidiaries (EX 72, p. 14); in 1949, upon the death of A. P. Giannini, he was elected chairman of the Transamerica board (EX 3-v).

79. For over ten years E. D. Woodruff has been an officer and director of California Lands Inc. and Capital Company, two real estate subsidiaries of Transamerica Corporation; he has been president of Capital Company since 1941 (EX 140, pp. 7-17).

80. Sam H. Husbands was employed by Transamerica in 1946; at that time A. P. Giannini talked with Jesse Jones, former head of the Reconstruction Finance Corporation, about hiring Husbands, and the negotiations leading up to his employment were all conducted on Husbands' behalf by Jesse Jones; just prior to the commencement of Husband's employment he went to California and discussed the matter, first with A. P. Giannini and later with L. M. Giannini (R. 4296-4300).

81. W. L. Andrews was appointed assistant secretary and assistant treasurer of Transamerica Corporation at the time of the Gianninis' return to control in 1932 (EX 3-e, p. 4); he has been an officer of the Corporation ever since that time (EX 3-e-3-v).

Control of Transamerica
Majority Owned Banks

82. Of course Transamerica, which owns a majority of the shares of each of its group banks except Bank of America

N. T. & S. A., enjoys the legal power to control their managements and policies; in exercising this power Transamerica selects the directors who serve upon the various boards of directors of its majority owned banks and also selects their principal officers; the latter are generally men having a background of long association with the Gianninis and usually have been officers of Bank of America N. T. & S. A. (See Findings Nos. 83, 84, 89, 90, 94, 116).

83. In testifying before the Banking and Currency Committee of the House of Representatives in 1930 James A. Bacigalupi, vice chairman of the advisory committee of Transamerica Corporation, stated the mechanics of Transamerica's control of its then group of subsidiaries as follows:

89 "Each of these corporations is operated entirely independent of the others and managed in so far as the ordinary conduct of their business is concerned exclusively by its own competent body of officers and directors. Naturally, Transamerica Corporation exercises its legitimate prerogatives as the principal owner and keeps in constant touch with the activities of its various properties through regular reports that are issued within the organizations for the information and guidance of their own officers. Practically all of the policies of these various institutions were established before Transamerica Corporation was formed, and are still pursued. Any radical departure from any of these policies or abnormal expenditures, however, would call for prior consultation and consent of the management of Transamerica Corporation. The sole concerns of Transamerica Corporation are to select and maintain competent boards of directors and managements for its holdings and to cooperate with them in promoting the efficiency and profitableness of their operation." (R. 228)

84. As we have seen, in 1932, upon the return of the Gianninis to control of Transamerica, A. P. Giannini, as

chairman of its board of directors, was authorized to designate the "persons who shall represent the interests of [Transamerica] on the Board of Directors of any other Corporation of which [Transamerica] owns stock." (R. 1734)

85. In 1934 the Transamerica board named an advisory committee, headed by L. M. Giannini, "to assist A. P. Giannini in directing the activities of all banks controlled by Transamerica Corporation" (BX 3-g, p. 6); eleven of the fourteen members of this committee were senior officers of the Bank of America N. T. & S. A.; the other three were John M. Grant, president of Transamerica Corporation (formerly vice president of Bank of America N. T. & S. A.), E. B. MacNaughton, president of First National Bank of Portland, and Carl Wente, president of the First National Bank of Nevada (formerly vice president of the Bank of America N. T. & S. A.) (BX 3-g, p. 7; BX 72, p. 48).

86. At a meeting of this committee held on February 16, 1934, the expansion of the Transamerica banking group was considered and discussed; the minutes of this meeting contained the following statements:

"Expansion of our Branch Banking was discussed and in this connection the consensus of opinion was as follows:

"a. Expansion should be confined to States in the 12th Federal Reserve District.

"b. Entry should now be sought into the States of Washington and Nevada, provided conditions of entry are favorable to us.

"c. We should enter Nevada through the acquisition of the First National Bank, Reno, at a cost not to exceed \$50,000.00.

"d. Mr. McNaughton should start negotiations for the purchase of banks in favorable locations in Oregon, such purchases to be financed by a subsidiary of Transamerica Corporation, and the cost thereof to be repaid through the liquidation of assets so purchased, until such time as the Security Savings & Trust Company is merged with The First National Bank of Portland, when The First National Bank will finance the purchase of such banks. Branches should be established at the earliest possible opportunity in the following communities:

"Baker	La Grande	Oregon City
Bend	Lakeview	Roseburg
Corvallis	Marshfield	Tillamook"
Eugene	Medford	
Grants Pass	Newberg	

(R. 1736-1737)

87. Transamerica subsequently entered the States of Washington and Nevada and acquired banking offices in eleven of the Oregon towns listed above (BX 257, pp. 336, 341, 346, 349, 355, 356, 358, 359, 363, 367, 379; R. 6820-6821).

88. At another meeting of this committee held on April 10, 1935, the following statement appears in the minutes:

"The Chairman, L. M. Giannini, suggested that the general activities of the Advisory Council embrace consideration of the following matters relating to banks in the Transamerica group:

- "1. Loan policies.
- "2. Investment policies.
- "3. Branch Organization, Personnel and Operating Policies.
- "4. Inter-bank relations.
- "5. Public relations and Business Development.

"6. Pending legislation affecting banking interests.

"7. Representation in Bankers and Clearing House Associations." (R. 1737-1738)

89. The usual procedure followed by Transamerica whenever it acquires a bank has been to allocate a number of qualifying shares to each of those men selected to become directors of the bank; in many instances loans have been made to such persons to enable them to purchase their qualifying shares; in any event an option has been taken by Transamerica to purchase the qualifying shares of these directors; such arrangements have usually been completed prior to the time that Transamerica became the actual record owner of the shares of the banks acquired and while such shares were still owned of record by one or another of the various individuals who negotiated the acquisition on Transamerica's behalf; under this practice Transamerica has been relieved of any necessity to obtain a voting permit from the Board of Governors of the Federal Reserve System under the provisions of Section 5144 of the Revised Statutes (12 U. S. C. 61) which otherwise it would be required to obtain in order to vote for the election of a board of directors in each such bank; by following this procedure boards of directors acceptable to Transamerica have become set prior to the time when Transamerica became the record owner of the shares of the banks acquired and the members of these boards have been in a position to re-elect themselves each year (EX 298; R. 952, 972-974,

976-978, 1068-1072, 1120, 1131-1133, 1139-1142, 1191-1192, 1199, 1206-1208, 1224-1227, 1231-1235, 1248-1250, 1259-1261, 1264-1267, 1270-1281, 1286-1291, 1295-1298, 1304-1305, 1308-1310, 1313-1317, 1325-1327, 1370-1376, 1470-1473, 4344).

68 90. There are a total of 324 directorships among the Transamerica majority owned banks; these directorships are filled by only 266 individuals, some of whom serve as directors of more than one Transamerica group bank; Transamerica holds options to purchase the qualifying shares in connection with 249 directorships; interlocking directorates among the Transamerica group banks are more prevalent in Oregon than in the other states in which Transamerica group banks are located; in Oregon ten individuals (mostly officers of the First National Bank of Portland) hold 50 directorships among the Transamerica group banks in that State (EX 298; R. 4485).

91. Each of the Transamerica majority owned banks is required to submit to Transamerica each month detailed reports of condition and earnings (EX 296; R. 4231, 4391-4477); they are also required to submit quarterly reports showing all loans in excess of a stated amount (this amount varies with the size of the institution), together with information about overdue loans, transit items outstanding over twenty days and overdrafts of over thirty days (EX 297; R. 4481-4484); in addition, Transamerica receives copies of reports of examinations of various supervisory authorities which examine the Transamerica group banks (R. 4231); it also receives

68 reports of examinations of these banks made by the inspection department of the Bank of America N. T. & S. A. (R. 4346-4347); these reports are all analyzed at the offices of Transamerica, and any matters of importance are taken up with the banks by Transamerica officials (R. 4232, 4386-4388, 4396-4398); since his appointment in 1946 as a vice president of Transamerica McClerkin has had general supervision over the Transamerica group banks; in his testimony Husbands, Transamerica president, described McClerkin as the Transamerica "bank liaison man" (R. 4208); in explaining what he meant by the term "bank liaison man" Husbands stated:

"He is the man who goes around and visits the banks of which we own the majority of stock. He talks with the officers and directors on their operations and conditions; how they are getting along. He advises them and helps them. He receives reports and analyzes the reports." (R. 4331);

in commenting upon visits by head office officials to branches of Bank of America N. T. & S. A. Wente quoted A. P. Giannini as saying, "Well, as long as there is nothing wrong, we don't bother about even showing up. But let something go wrong, we will be there sooner than you think" (R. 5677-5678).

92. The internal operations of the majority owned banks are controlled by a manual of operations; this manual has been patterned in each instance on the manual of operations employed by the Bank of America N. T. & S. A. (R. 5930-5932, 5968-5970, 6916-6919, 6933-6934).

93. It has been the policy of the First National Bank of Portland to instruct the officers and personnel of the Trans-america majority owned banks in Oregon in the policies and Procedures of the First National Bank of Portland; officers of such banks have visited the head office of the First National Bank of Portland for varying lengths of time; meetings are held from time to time of the managers of all of the branches of the First National Bank of Portland, and these have been attended by the principal officers of the other Transamerica majority owned banks in Oregon (R. 6935-6939).

94. Transamerica holds a voting permit to vote its shares in the Bank of America N. T. & S. A., the First National Bank of Portland and the First National Bank of Nevada (BX 4).

Control of Bank of America N. T. & S. A.

95. Upon its organization in 1928 Transamerica acquired in excess of 99 per cent of the stock of Bank of America N. T. & S. A. (see Finding No. 14); between that time and July 31, 1937, it continued to own in excess of 99 per cent of such shares (BX 3-b, 3-c, 21); on that date, "as a preliminary step in order eventually that Transamerica Corporation may no longer be classified as a 'holding company affiliate' of member banks within the meaning of the Federal banking laws", Transamerica reduced its holdings of Bank stock by distributing 58 per cent of its holdings to Transamerica stockholders (BX 3-j; RX 351, 352); from time to time since that date Transamerica has further reduced its ownership of Bank shares; Exhibit 37 is a table showing the number and percentage of such shares owned by

Transamerica each year since 1937; its holdings have twice been reduced since this proceeding was commenced; Transamerica now owns 1,838,850 shares or 7.66 per cent of the stock of the Bank (RX 393); with the exception of shares held by Bank of America N. T. & S. A. as trustee for various employee funds, the remainder of the Bank's shares are widely held throughout the United States and in foreign countries (RX 255, p. 43); Exhibit 38 contains a breakdown of the Bank's stockholders as of September 30, 1946, and again as of August 31, 1950, showing the number of stockholders according to the number of shares held by them on those dates; this exhibit shows that as of August 31, 1950, there were 180,575 stockholders of the Bank; Transamerica owned 2,715,431 shares, Bank of America N. T. & S. A. employees' funds owned 450,891 shares, and the next largest holder (a securities dealer) owned only 62,000 shares.

96. Contemporaneously with the victorious return of the Giannini management to control of Transamerica in 1932, following the proxy battle with the Walker management, the Gianninis also returned to the management of Bank of America N. T. & S. A.; as we have seen, the 1935 Transamerica Annual Report speaks of A. P. Giannini as having "resumed control of the management of Bank of America N. T. & S. A." (BX 3-h, p. 6); in 1932 A. P. Giannini became chairman of the board of the Bank and served in that capacity until May 8, 1945, at which time the officer of "Founder-Chairman" was created to

which position he was elected and in which he served until his death (BX 27, 289); at all times, both as chairman of the board and later as Founder-Chairman, A. P. Giannini had the specific responsibility for formulating the policies upon which the Bank's affairs were conducted; this authority was conferred upon him by Section 4 of the Bank's by-laws which, as amended on September 22, 1931, reads, in part, as follows:

68 "Section 4. The Chairman of the Board. The Chairman of the Board of Directors shall preside at all meetings of the Board and of the shareholders, and shall perform all other duties imposed upon him by the Board of Directors and these By-laws. The duties of the Chairman, in addition to the usual executive duties of such officer, shall also include responsibility for the policies upon which the bank's operations and affairs will be conducted..." (BX 289)

97. On May 8, 1945, at the time of the creation of the office of "Founder-Chairman", Section 4 was amended to read, in part, as follows:

"Section 4. The Founder-Chairman. The Founder-Chairman shall be responsible for the formulation of the policies upon which the bank's operations and affairs will be conducted and shall perform such other duties as may be imposed upon him by the Board of Directors and these By-laws..." (BX 289)

98. L. M. Giannini also returned to the management of Bank of America N. T. & S. A. in 1932; in that year he was elected executive vice president; in 1933 he was elected senior vice president and since 1936 he has been president of the institution; he has been a director of the Bank continuously since 1922 (BX 26; R. 10,448-10,449).

(a) Board of Directors of Bank
of America N. T. & S. A.

99. As we have seen (Finding No. 75, supra), between 1932 and 1937 A. P. Giannini, as chairman of the board of Transamerica Corporation, had authority "to designate...the particular person or persons who shall represent" Transamerica on the board of directors of Bank of America N. T. & S. A.; this authority enabled A. P. Giannini to select each member of the board of the Bank between 1932, when the Gianninis were returned to control of Transamerica and the Bank, and 1937, when Transamerica distributed 58 per cent of its Bank shares; the 1937 board, elected when Transamerica still owned in excess of 99 per cent of the shares of the Bank, was as follows:

C. H. Baker	L. M. Giannini
W. E. Blauer	A. J. Gock
Leon Bocqueraz	Marshal Hale
G. E. Caglieri	J. F. Leahy
J. Cereghino	J. E. Marble
John A. Corotto	H. A. Mazzerà
A. DeBretteville	B. B. Meek
F. L. Dreher	Angelo Petri
Scott Ennis	A. E. Sbarboro
C. W. Fay	Joseph M. Schenck
F. W. Flint, Jr.	C. J. Sullivan
A. H. Giannini	J. Zentner
A. P. Giannini	

(BX 26)

100. Twelve years later, and despite the fact that Transamerica's holdings of Bank shares had been further reduced to only 22 per cent of those outstanding, fourteen members of the 1937 board were still directors of the Bank; the 1948 board (an asterisk indicates that he was a member of the 1937 board) was composed of the following members:

F. S. Baer
W. E. Blauer*
Leon Bocqueraz*
G. E. Caglieri*
J. Cereghino*
John A. Corotto*
Louis Ferrari
F. A. Ferroggiaro
A. P. Giannini*
L. M. Giannini*
A. J. Gock*
Marshal Hale, Jr.
C. N. Hawkins

Eric A. Johnston
Alfred J. Lundberg
J. E. Marble*
H. A. Mazzer*
W. W. Mein
Neil Petree
Angelo Petri*
A. E. Sbarboro*
C. J. Sullivan*
E. R. Thurber
C. F. Wente
J. Zentner*

(BX 22, 26)

68
Of this list the following directors have also been directors and/or officers of Transamerica or its subsidiaries in various years since 1937: Blauer (BX 140, pp. 4-6, 45, 63-71); Bocqueraz (BX 140, pp. 9-17, 63-71); Cereghino (BX 140, pp. 36-44); A. P. Giannini (BX 72, pp. 1-2); L. M. Giannini (BX 72, pp. 3-6); Gock (BX 72, p. 26); Hale (BX 140, pp. 69-71); Hawkins (BX 140, pp. 4-6); Mein (BX 140, pp. 54-62); Sbarboro (BX 140, pp. 45-53, 63-71, 79-87); Thurber (BX 140, pp. 7-8, 11-17); Wente (R. 5663, 5986).

101. With the exception of A. E. Sbarboro, all of the members of the 1948 board who had also been members of the 1937 board were directors in each of the years between 1937 and 1948 (BX 26); Sbarboro, who is an officer of Bank of America N. T. & S. A. (BX 27), was relieved at the end of 1937 and re-elected in 1946 (BX 26).

102. Most of the remaining eleven directors of the 1948 board have been closely associated with the Gianninis for a great number of years either as officers of the Bank or in other capacities; a discussion showing the background of each of these directors follows:

(a) F. S. Baer came into the Giannini organization with the acquisition of Pacific Finance Company in 1942, being the managing head of that organization (BX 3-o, p. 12; R. 1882); he became vice chairman of the board of directors of Bank of America N. T. & S. A. in 1943 and served continuously in that capacity through 1948 (BX 27).

(b) Louis Ferrari has been closely associated with the Gianninis since 1919 in which year he became trust attorney for the Bank of Italy (BX 27); between 1926 and 1944 he was vice president and general counsel of the Bank of America N. T. & S. A. and was a director of the Bank in various years commencing in 1929 (BX 26, 27; R. 10,692); he has also been a director of Transamerica Corporation (BX 3-c, p. 2).

(c) F. A. Ferrogiaro has been closely associated with the Gianninis for a great many years; he was an employee of the Bank of Italy since its organization (R. 10,692-10,693); he was also a director of the Bank in various years commencing in 1930 (BX 26).

(d) Marshal Hale, Jr., took the place of his father, Marshal Hale, on the board of directors of the Bank (RX 255, pp. 2(b), 41); Marshal Hale had been a director of the Bank since 1926 (BX 26); the Hale family had been closely associated with the Gianninis for many years (BX 346-a, 346-b, 346-c; R. 10,693-10,694).

(e) C. N. Hawkins has been closely associated with the Gianninis since 1920 at which time he was a director of Stockholders Auxiliary Corporation (BX 346-a); in fact, in 1916 Hawkins' father sold two banks in Hollister (of which he was president) to the Bank of Italy and thereupon became a director of that bank (R. 9957-9958); in 1925 C. N. Hawkins succeeded his father as a director of Bank of Italy and he has been a director in each year since that time with the exception of the four years between 1934 and 1937 (BX 26); during these years he was a member of an advisory board of the Bank (R. 10,022-10,024); he was also on the original board of directors of Trans-america Corporation (EX 3-a; R. 9968).

(f) Carl Wente has been closely associated with the Gianninis ever since 1918, at which time he went to work for Bank of Italy as a teller in the Madera Branch of that bank; later on he was made pro-assistant cashier of that branch; thereafter he held many positions with this and other banks in the Transamerica group; in 1924 he became assistant vice president of the real estate loan department at the head office; in 1925 he managed the Merced Branch of the Bank of Italy; in 1926 he moved back to the head office of Bank of Italy as assistant to the man in charge of the real estate loan department; shortly after this he managed the Stockton Branch of the bank; in 1929 he became vice president of Bank of Italy;

68 in 1930 he was put in charge of the branches in the San Joaquin Valley District, at which time he was given the title of executive vice president; in 1934, following the acquisition by Transamerica of the First National Bank in Reno, he became president of that institution; he also became chairman of the board of this bank; in 1937 he became president of the Central Bank, Oakland, another Transamerica subsidiary; on July 26, 1943, at the request of A. P. Giannini, he returned to Bank of America N. T. & S. A. as senior vice president; he is now vice chairman of the executive committee of the Bank, a member of the trust committee and chairman of the branch premises committee; shortly after his return to Bank of America N. T. & S. A., A. P. Giannini suggested that he become a director of the Bank and he was elected in 1944; since 1934 he has also been a director of the First National Bank of Portland, another majority owned Transamerica Bank (R. 5663-5676, 5986).

(g) E. R. Thurber first became a member of the board of directors in 1932 following the return of the Gianninis to control of the Bank; he was a director in that year and again in 1933; he did not serve as a director in the years 1934 to 1938, inclusive; he has, however, been a director each year since 1939 (BX 26).

(h) Eric A. Johnston became a member of the board of Bank of America N. T. & S. A. in 1946 (R. 10,407);

following a preliminary discussion of the matter with Mr. Braunschweiger, vice president of the Bank of America in Los Angeles, he was invited to become a director by A. P. Giannini; according to Johnston, the invitation was extended by Giannini on an occasion when Johnston had dinner with Giannini in Washington, D. C.; Johnston stated:

"He told me that I had some experience in international affairs, and that the Bank of America was desirous of enlarging their scope of activities abroad, and he felt that I could be of some value, perhaps. We had considerable discussion of the matter at dinner, and I agreed to accept." (R. 10,412).

(i) Neil Petree had been acquainted with A. P. Giannini since about 1925, at which time he was in charge of Hale Brothers Department Store in San Francisco (this was the Hale family which was referred to above); he became a director following invitations to do so by A. P. Giannini in 1942 and 1943 (R. 9825-9826, 9833); Petree stated that in 1945 "Again Mr. A. P. Giannini suggested to me that he would like to know if I wanted to go on the Executive Committee, and I did, and so was elected" (R. 9834).

(j) W. W. Mein was elected to the board in 1938 and has been a director each year since that time (BX 26).

(k) Alfred J. Lundberg became a director of the Bank in January 1946 (R. 8762); he had been acquainted with both A. P. Giannini and L. M. Giannini for a great

many years (R. 8766-8768); in 1941 he negotiated with A. P. Giannini and L. M. Giannini for a loan for himself and his associates in an amount of \$275,000 "for the purpose of assisting us to acquire voting control of the Key System" (R. 8767-8768); he became a director at the invitation of L. M. Giannini (R. 8770).

63 103. In 1949 Claire Giannini Hoffman, the daughter of A. P. Giannini, was elected to the vacancy on the board of directors caused by the death of her father (R. 10,694); at that time Bank of America N. T. & S. A. issued a news dispatch which, in commenting upon the election of Mrs. Hoffman, pointed out that she is "the first woman director to take a seat on the board of the world's largest bank"; it also stated that:

"Mrs. Hoffman shares with her brother, L. M. Giannini, our President for the past thirteen years, the distinction of knowing more than any one else what A. P. Giannini stood for and what the ideals were that governed all his business life. We are very fortunate to have her talents on the Board and we enthusiastically welcome her as a director." (RX 350)

104. In 1950 Roland Tognassini was elected to the vacancy on the Bank's board created by the death of John A. Corotto who died earlier in the year (R. 12,858).

105. Between 1932 (when A. P. Giannini "resumed control" of Bank of America N. T. & S. A.) and 1937 the Giannini management in the Bank was selected by A. P. Giannini who had direct authority "to designate" the members of the Bank's board (see Finding No. 75); after 1937 the Giannini management has

perpetuated itself in the Bank by use of the Bank's proxy machinery which at all times has been under the control of the Gianninis (see Findings Nos. 99-102, 106); each year since that time practically all shares voted for the election of directors at the Bank's annual stockholders' meeting have been voted by the proxy committee representing the management of the Bank; this committee has been under instructions to vote the shares for those members of the board who remained available or for such other person or persons as the management might select (BX 22, 23, 24, 293, 294, 295; RX 341; R. 10,639-10,642).

68 106. Exhibit 39 shows by years since 1937 the number of shares voted for the election of directors at the Bank's annual stockholders' meeting, the number of such shares voted by the management proxy committee, and the names and identification of this committee.

107. The Bank shares owned by Transamerica were not voted at the 1938 meeting (BX 294); they have been voted by the Bank's proxy committee each year since 1939 (see Finding No. 106).

(b) Unusual Services Rendered for Transamerica and its Group Banks and Other Subsidiaries by Bank of America Personnel

108. That there has been no change in the control of the Giannini management in Bank of America N. T. & S. A. since 1937 is further shown by the numerous extraordinary activities which various of the Bank's personnel have undertaken since

that time on behalf of Transamerica and the other banks and companies which comprise the Transamerica group; one of these unusual activities is that of participating in Transamerica's bank acquisitions or in its attempts to buy banks; thus

(a) In 1945 Carl Wente, then senior vice president of Bank of America N. T. & S. A., conducted the negotiations leading to Transamerica's acquisition of the Bank of Corning (R. 5990-5992); (in the period 1934-1937 when he was president of the First National Bank of Nevada he participated in the acquisition of five banks in that state for Transamerica) (R. 5668-5671, 5933).

(b) In 1942, shortly after his election as a director and vice chairman of the board of Bank of America N. T. & S. A., Francis Baer approached H. D. Ivey, president of the Citizens National Trust and Savings Association of Los Angeles, on the subject of acquiring that bank (R. 1882-1890).

(c) In 1941, during the time when Transamerica was active in acquiring the controlling stock interest of the First Trust and Savings Bank of Pasadena, various personnel of Bank of America N. T. & S. A., including Edmund Nelson, vice president, S. C. Beise, vice president, and Louis Ferrari, general counsel, participated in the activities incident to this acquisition and appeared to give it general supervision; the manner in which these men were active in supervising this acquisition

is best understood by an examination of certain correspondence between them or some of them and officers of Transamerica Corporation; Exhibit 40 attached hereto contains copies of certain of these communications.

(d) Beise acted in a similar capacity in connection with Transamerica's acquisitions in 1944 of the First National Bank in Santa Ana (R. 1369-1376) and the First Trust and Savings Bank in Santa Barbara (R. 1550-1551).

(e) He had also acted in a similar capacity in connection with Transamerica's earlier acquisitions of various banks in Washington and Oregon; these include First State Bank, Bremerton, Washington (R. 1195-1196); First National Bank, Klamath Falls, Oregon (R. 1236-1239); First National Bank of Southern Oregon, Grants Pass, Oregon (R. 1264-1267); First National Bank, Merrill, Oregon (R. 1288-1290).

(f) Other personnel of Bank of America N. T. & S. A. who since 1937 have attempted to acquire independent banks in California for Transamerica are A. J. Gock, chairman of the board of Bank of America N. T. & S. A. who is in charge of the operations of the Bank in Southern California (R. 3226, 10,693), E. V. Hermon, manager of the Yreka Branch (R. 3146-3151, 3302-3305), Lloyd Westfall, manager of the Colusa Branch (R. 3321-3323), C. E. Gruhler, vice president of the Bank of America at

its Oakland main office (R. 3171-3174), and Mr. Dickey, manager of the Eureka Branch (R. 3346-3347).

109. Edmund Nelson, vice president of Bank of America N. T. & S. A., was one of a group of three who held and voted Transamerica proxies at annual stockholders' meetings of Citizens National Trust and Savings Association held between 1946 and 1949, inclusive; the two other individuals in this group were W. R. Williams and R. W. Watson, both of whom were retired former employees of Bank of America N. T. & S. A. (BX 237-241; R. 1956-1957).

68 110. Russell A. Kent since 1933 has been, successively, assistant cashier, assistant vice president and vice president in the bond investment department of Bank of America N. T. & S. A.; since February 21, 1934, he has been a member of the finance committee of Occidental Life Insurance Company, a Transamerica subsidiary; this committee manages "all the financial affairs of [that] company" (BX 27, 200).

111. Another unusual service rendered to Transamerica group banks by personnel of Bank of America N. T. & S. A. is that rendered by the inspection department of the Bank; both before and since 1937 this department has conducted periodic audits and examinations of Transamerica majority owned banks; reports of such examinations are supplied to the banks examined and to Transamerica Corporation; this department also conducts audits and examinations of Transamerica non-banking

subsidiaries; the Transamerica group banks and non-banking subsidiaries are billed for this work on an actual cost basis to the Bank (BX 197, 198, 199; R. 4346-4347, 6928-6929).

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112. Personnel of Bank of America N. T. & S. A. also perform a variety of other services for Transamerica and its subsidiaries; these include tabulating services, stock transfer services, addressograph services, mailing services, mechanical maintenance services, automotive services, stationery supply services, rent collection services, burglar alarm inspection services and telephone services (until 1950 Transamerica and Bank of America N. T. & S. A., though having offices at different places in San Francisco, nevertheless had the same telephone number and were served by the same switchboard); these services are also performed by Bank of America N. T. & S. A. at cost (BX 197, 198; R. 1654-1655, 1767-1768, 11,234).

113. Samuel B. Stewart, Jr., since 1947 has been vice president and general counsel of Bank of America N. T. & S. A. (BX 28); he also has a contract with Transamerica Corporation whereby it is agreed that he will continue to handle legal matters for that Corporation (R. 4532); he is counsel for Transamerica in this proceeding.

114. Hugo A. Steinmeyer was employed by Bank of America N. T. & S. A. as early as 1932 at which time he was an assistant vice president of the Bank (BX 27); he is now vice president in charge of the legal staff of the Bank in Los Angeles

(R. 4533); about 1943 Steinmeyer served as counsel for Transamerica in a proceeding before the Securities and Exchange Commission (at which time he was secretary of Bank of America N. T. & S. A.); he is also counsel of record for Transamerica in this case (BX 27; R. 10,766-10,769).

115. About 1943 Louis Ferrari served as counsel for Transamerica in a proceeding before the Securities and Exchange Commission (at which time he was vice president and general counsel of Bank of America N. T. & S. A. as well as a director of that Bank) (BX 26, 27; R. 10,766-10,769, 11,008-11,009).

(c) Transfer of Personnel of Bank of America
N. T. & S. A. within Transamerica Group

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116. Another indication of how all of the banks in the Transamerica group, including Bank of America N. T. & S. A., function as one unit is to be found in the numerous transfers of Bank of America personnel to Transamerica banks and other subsidiaries; a study of these changes shows that Bank of America personnel, after training in that organization, have been placed in key positions in other Transamerica owned banks, thus insuring unity of Giannini system operations and policies and the strategic location of men of unquestioned loyalty to the Gianninis throughout the organization; examples of such transfers are as follows:

(a) Carl Wente, as we have seen (Finding No. 102(f)), has been associated with Giannini organizations since 1918; in that year he entered the employ of the Bank of Italy as

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a teller in the Madera Branch; in the following year he became a branch manager and thereafter was promoted, successively, to assistant vice president and vice president; shortly after Transamerica's acquisition of the First National Bank in Reno he was transferred to the latter institution as president; in 1937, he became president of Central Bank, Oakland, another Transamerica subsidiary; in 1943, at the request of A. P. Giannini he returned to the Bank of America N. T. & S. A. as senior vice president; Wente testified that, when Giannini made this request, he "couldn't do anything but salute the general, and say 'Yes, sir; Mr. A. P., I will be here. When do you want me?'" ; in 1944, he was elected a director of the Bank; at the time of his partial retirement on May 1, 1949, he was either chairman or vice chairman of all the major committees of the Bank; he is now vice chairman of the executive committee of the Bank, a member of the trust committee, and chairman of the branch premises committee; since 1934, he has also been a director of the First National Bank of Portland, a majority owned Transamerica bank (R. 5663-5676, 5986, 7695-7696, 10,697).

(b) Frank Belgrano, Jr., is now president of the First National Bank of Portland, the second largest bank and branch organization in the Transamerica group; he became a vice president of Bank of America N. T. & S. A.

68 in the year following the return of the Gianninis to the control of that institution (BX 72, p. 7); he remained at the Bank through 1940 (BX 27); in 1939 he became president and later chairman of the board of Pacific National Fire Insurance Company, a wholly owned Trans-america subsidiary (BX 3-1, p. 14, BX 72, p. 7); in 1944, when Carl Wentz returned to Bank of America N. T. & S. A. from Central Bank, Oakland, Belgrano was made president of that institution (BX 72, p. 7); (Belgrano's place as president of Pacific National Fire Insurance Company was taken by A. E. Connick, a vice president of Bank of America N. T. & S. A.) (BX 72, p. 18); in 1947, when MacNaughton was made chairman of the board of First National Bank of Portland, Belgrano was made president of that bank (BX 72, p. 7; R. 6542); this appointment was made upon the suggestion of Carl Wentz who at that time was also a director of the First National Bank of Portland (R. 6696-6700).

(c) Since 1936 Oscar Keller has been cashier of the First National Bank of Portland; prior to his appointment to this position he was employed by the Bank of America N. T. & S. A.; his appointment in the First National Bank of Portland was recommended by the Trans-america organization (R. 6920-6921).

(d) W. W. Hopper is now president of the First National Bank of Nevada (BX 72, p. 29); he was in the

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employ of Bank of America N. T. & S. A. as early as 1922, at which time he was an assistant manager of the Woodland Branch of that Bank (RX 255, p. 9); between 1927 and 1937 he was, successively, assistant vice president and vice president of the Bank of America N. T. & S. A. (BX 27, 72, p. 29); during this period he also had been president of the California Joint Stock Land Bank and Bankamerica Agricultural Credit Corporation, two wholly owned subsidiaries of Transamerica Corporation (BX 3-1, p. 12; R. 6070); in the latter part of 1937, when Wentz resigned as president of the First National Bank of Nevada to become president of Central Bank, Oakland, he talked "with Mr. A. P." about his successor at Reno; A. P. Giannini asked Wentz "who would you recommend" (R. 5673); Wentz stated "I said that I would recommend that Mr. Hopper be elected president. If he [A. P. Giannini] or the Bank of America had no objection, I would go ahead and place his name before the Board. I believe Mr. Giannini told me to go ahead and do it. I think that is all there was to it" (R. 6071).

(e) A. H. Brouse is now president of the National Bank of Washington, the Transamerica branch banking organization in Washington (BX 72, p. 11); he was in the employ of Bank of America N. T. & S. A. as early as 1922, at which time he was assistant manager of a Los Angeles

branch of the Bank (RX 255, p. 9); he later was, successively, assistant cashier, branch manager and vice president of this Bank (EX 72, p. 11); in 1938 he was made executive vice president of the National Bank of Washington and was recently made president of the bank (EX 72, p. 11; R. 1178).

65 (f) C. T. Chandler is now vice president of the National Bank of Washington; since 1939 he has been, successively, assistant vice president, cashier and vice president of this bank; prior to his appointment as an officer of this bank he had been employed by the Bank of America N. T. & S. A. as an assistant manager of its San Pedro Branch (EX 72, p. 15).

(g) Since 1941 A. M. Gould has been vice president and trust officer of the National Bank of Washington; between 1927 and 1934 he was, successively, assistant cashier, assistant manager and branch manager of the Bank of America N. T. & S. A. (EX 72, p. 27).

(h) H. C. Gruwell is now president of the First National Bank of Arizona, the Transamerica branch banking organization in Arizona (EX 72, p. 28); he was employed as branch manager of a Los Angeles branch of Bank of America N. T. & S. A. between 1938 and 1941; in 1941 he became vice president of the Bank and remained in that capacity until 1945, in which year he became executive

vice president of the First National Bank of Arizona; since 1947 he has been president of that bank (BX 72, p. 28).

117. Other examples include:

(a) A. J. Gock -- Presently chairman of the board of Bank of America N. T. & S. A.; since 1915 he has been, successively, assistant cashier, vice president and vice chairman of the board of the Bank; between 1932 and 1939 he was also vice president of Transamerica Corporation (BX 72, p. 26).

(b) A. E. Sbarboro -- Between 1927 and 1940 was vice president of Bank of America N. T. & S. A.; he was a director of Bank of America N. T. & S. A. between 1927 and 1932; he again served as director of the Bank in 1936 and 1937; he has been a director of the Bank since 1946; between 1931 and 1947 he was vice president of the Pacific National Fire Insurance Company, a Transamerica subsidiary; he has also been a vice president of Inter-America Corporation and a director of Western Merchandise Mart, two other Transamerica subsidiaries (BX 72, p. 41, BX 26, BX 3-q, pp. 22, 34).

(c) G. M. McClerkin -- Has been the principal bank buyer for the Transamerica group ever since 1924 (R. 3016); he was vice president of Bank of America N. T. & S. A. between 1932 and 1946, inclusive; since 1947 he

has been vice president of Transamerica Corporation (EX 72, p. 34).

(d) J. W. Tapp -- Between 1940 and 1942 was vice president of Bank of America N. T. & S. A.; between 1943 and 1947 he was president of the Axton-Fisher Tobacco Company, a Transamerica subsidiary; since 1945 he has again served as vice president of Bank of America N. T. & S. A. (EX 72, p. 44, EX 3-0, p. 12; R. 9656-9658).

(e) Frank F. Risso -- Between 1918 and 1929 was, successively, assistant cashier and assistant vice president of Bank of America N. T. & S. A.; between 1932 and 1936 he was treasurer of Transamerica Corporation; since 1937 he has been vice president of Bank of America N. T. & S. A.; he has also been an officer of twelve other Transamerica subsidiaries (EX 72, p. 39).

(f) H. H. Benjamin -- Between 1939 and 1946, while serving as vice president of Bank of America N. T. & S. A., also served as vice president of the First National Bank of Garden Grove, a majority owned Transamerica bank (EX 72, p. 8).

(g) M. C. Bolts -- Employed by Bank of America N. T. & S. A. in 1920; between that date and 1937 he became, successively, branch manager, assistant cashier and vice president; in 1939 he became vice president of Capital Company, a Transamerica subsidiary; in 1941 he again

became vice president of Bank of America N. T. & S. A. (BX 72, p. 9).

(h) W. W. Bondurant -- Employed as manager of Bank of America N. T. & S. A. branches between 1942 and 1945; in 1946 he became vice president, cashier and secretary of First National Bank in Corcoran, California, which was acquired by Transamerica Corporation in 1944 (BX 8, p. 256, BX 72, p. 10).

(i) H. W. Brower -- Employed as assistant vice president of Bank of America N. T. & S. A. between 1932 and 1933; since 1933 he has been, successively, assistant secretary, vice president and executive vice president of Occidental Life Insurance Company, a Transamerica subsidiary (EX 72, p. 12).

(j) H. Campana -- Employed by Bank of America N. T. & S. A. in 1924; between that date and 1937 he became, successively, assistant cashier and assistant vice president of the Bank; between 1938 and 1944 he became vice president of Transamerica Corporation; since 1945 he has again been vice president of Bank of America N. T. & S. A. (EX 72, p. 13).

(k) D. L. Clarke -- Between 1930 and 1940 was vice president of Bank of America N. T. & S. A.; since 1936 he was, successively, executive vice president and president of Occidental Life Insurance Company, a Transamerica

subsidiary; he is also a director of Allied Building Credits, Inc., another Transamerica subsidiary (BX 72, p. 16).

(l) C. P. Cuneo -- Between 1925 and 1932 was assistant secretary and later vice president of Bank of America N. T. & S. A.; since 1933 he has been, successively, vice president and comptroller and senior vice president of Capital Company, a Transamerica subsidiary (BX 72, p. 19).

(m) A. C. Dimon -- Between 1928 and 1947 was vice president of Bank of America N. T. & S. A.; since 1945 he has been president of Bank of Tehachapi, which was acquired by Transamerica in 1944 (BX 8, p. 93, BX 72, p. 20).

68 (n) Warner Edmonds -- Between 1931 and 1944 was vice president of Bank of America N. T. & S. A.; since 1945 he has been president of the First National Trust and Savings Bank of Santa Barbara, which was acquired by Transamerica Corporation in 1944 (BX 8, p. 367, BX 72, p. 21).

(o) G. E. English -- Between 1940 and 1942 employed as an assistant cashier of Bank of America N. T. & S. A.; in 1945 he became cashier of the First National Bank of Los Altos which was acquired in 1944 by Transamerica Corporation (BX 8, p. 293, BX 72, p. 22).

(p) R. P. A. Everard -- Between 1931 and 1947 was, successively, secretary and vice president and cashier of the Bank of America N. T. & S. A.; between 1932 and

1940 he was secretary of Transamerica Corporation; he has also served as secretary of ten other Transamerica subsidiaries (BX 72, p. 23).

(q) A. Fenton -- Between 1924 and 1945 was, successively, assistant comptroller, assistant vice president and vice president of Bank of America N. T. & S. A.; since 1946 he has been vice president of Transamerica Corporation; he is also a director of Allied Building Credits, Inc., and Occidental Corporation, two other Transamerica subsidiaries (BX 72, p. 24).

(r) L. Clay Freeman -- Between 1937 and 1947 was, successively, assistant manager and manager of a branch of Bank of America N. T. & S. A.; in 1948 he became president of Bank of Beaumont which was acquired by Transamerica in 1947; he is also a director of the First National Bank of San Jacinto, which was acquired by Transamerica Corporation in 1945 (BX 8, pp. 34, 326, BX 72, p. 25, BX 298).

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(s) H. L. Jacobson -- Between 1934 and 1943 employed as manager of the Escondido Branch of Bank of America N. T. & S. A.; since 1944 he has been, successively, cashier and president of the First National Bank of Bellflower, which was acquired by Transamerica Corporation in 1943 (BX 8, p. 247, BX 72, p. 30).

(t) G. Lumsdon -- Between 1934 and 1940 was, successively, assistant cashier and assistant manager of

the Pomona Branch of the Bank of America N. T. & S. A.; since 1941 has been vice president of the Temple City National Bank which was acquired by Transamerica Corporation in 1941 (BX 8, p. 653, BX 72, p. 31).

65 (u) E. A. Mattison -- Between 1936 and 1940 was vice president of Bank of America N. T. & S. A.; in 1941 he became president of Timeplan, Inc., a Transamerica subsidiary (BX 3-n, p. 12); while serving as president of Timeplan he was simultaneously in charge of the installment credit financing operations of Bank of America N. T. & S. A. (BX 179, p. 2); in 1942 he returned to Bank of America N. T. & S. A. as assistant to the president; since 1945 he has been executive vice president of the Bank (BX 72, p. 32; R. 5477-5480).

(v) Harry McClelland -- Between 1939 and 1940 was vice president of California Lands, Inc., a Transamerica subsidiary; in 1941 and 1942 was vice president of Capital Company, another Transamerica subsidiary; since 1944 he has been vice president of Bank of America N. T. & S. A. (BX 72, p. 33).

(w) M. E. McMillen.-- Between 1939 and 1946 was an assistant vice president at the Pasadena Branch of the Bank of America N. T. & S. A.; in 1947 he became executive vice president of First Trust and Savings Bank of Pasadena, a majority owned Transamerica bank (BX 3-t, p. 12, BX 72, p. 35).

(x) A. J. Nardi -- Between 1930 and 1942 was, successively, assistant cashier and manager of various branches of the Bank of America N. T. & S. A. in San Francisco; in 1948 he became vice president of Central Bank, Oakland, a majority owned Transamerica bank (BX 72, p. 36).

(y) George J. Panario -- Between 1927 and 1940 was, successively, assistant vice president and vice president of Bank of America N. T. & S. A.; since 1935 he has been, successively, president and chairman of the board of Capital Company, a Transamerica subsidiary; during the same period he has also been a director of that company; since 1940 he has been, successively, secretary and chairman of the board of General Metals Corporation, a Transamerica subsidiary; since 1942 he has been chairman of the board of Enterprise Engine & Foundry Company, a Transamerica subsidiary; he is also a director of Occidental Corporation and Western Merchandise Mart, two other Transamerica subsidiaries (BX 72, p. 37).

(z) R. A. Peterson -- Between 1939 and 1945 was, successively, assistant cashier and assistant vice president of Bank of America N. T. & S. A.; since 1946 he has been president of Allied Building Credits, Inc., a Transamerica subsidiary (BX 72, p. 38).

(aa) S. Rustenhoven -- Between 1938 and 1942 was assistant cashier of the Bank of America N. T. & S. A.;

since 1946 he has been cashier, secretary and treasurer of the First National Bank of San Jacinto which was acquired by Transamerica Corporation in 1945 (EX 8, p. 326, EX 72, p. 40).

(bb) J. A. Smith -- Since 1934 has been, successively, assistant cashier, assistant secretary and assistant vice president of Bank of America N. T. & S. A.; since 1932 he has also been assistant secretary and assistant treasurer of Transamerica Corporation; his headquarters have been in New York City where Transamerica and Bank of America have had a joint office continuously since 1929 (EX 72, p. 42; R. 1747-1750).

68 (cc) C. V. Spencer -- Between 1935 and 1942 was assistant cashier of Bank of America N. T. & S. A.; since 1945 he has been cashier of Bank of Tehachapi which was acquired by Transamerica Corporation in 1944 (EX 8, p. 93, EX 72, p. 43).

(dd) J. A. Taylor -- Between 1931 and 1942 was vice president of Bank of America N. T. & S. A.; since 1943 he has been executive vice president of the First National Bank in Santa Ana which was acquired by Transamerica Corporation in 1944 (EX 8, p. 329, EX 72, p. 45) (see also EX 136).

(ee) E. J. Wait -- Between 1932 and 1942 was vice president of Bank of America N. T. & S. A.; since 1943

he has been vice president of the First National Bank of Nevada, a Transamerica majority owned bank (EX 72, p. 46).

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(ff) R. W. Watson -- Between 1931 and 1941 was vice president of Bank of America N. T. & S. A.; since Transamerica acquired a substantial ownership in the Citizens National Trust and Savings Bank of Los Angeles in 1943, Watson has been a member of the proxy committee which has voted Transamerica's stock at the annual stockholders' meetings of that bank; in 1947 he became president of the Farmers and Merchants Bank of Watts which was acquired by Transamerica Corporation in 1945 (EX 8, p. 206, EX 72, p. 47, EX 228, 237-241; R. 1952-1953).

(gg) Craig Thorburn -- At the time of his employment as comptroller of the First National Bank of Nevada was employed by Bank of America N. T. & S. A. (R. 6070).

(hh) A. E. Puccinelli -- Prior to his employment as vice president of the First National Bank of Nevada he had been employed as manager of the East Bakersfield Branch of Bank of America N. T. & S. A. (R. 6069).

(ii) Charles Osborn -- Is the manager of the Elko Branch of First National Bank of Nevada; prior to his employment by that bank he had been assistant manager of the Porterville, California, Branch of Bank of America N. T. & S. A. (R. 6068).

(jj) Rudy Nolthenius -- Is personnel officer and comptroller of Central Bank, Oakland; he came to the bank about 1947; prior to that time he had been employed by the inspection department of Bank of America N. T. & S. A. (R. 6065-6066).

(kk) Don Henderson -- Was cashier of Central Bank, Oakland, at the time Wente took over the presidency of the bank in 1937; he was formerly employed by the credit department of Bank of America N. T. & S. A. (R. 5968).

(ll) L. E. Bedford -- Was a retired manager and vice president of Bank of America N. T. & S. A.; after Trans-america acquired the Bank of Beaumont in 1947, he was made president of that bank (BX 8, p. 34; R. 4508-4509).

64 (mm) H. E. Barker -- In 1949 was made vice president of the First National Bank of Oakdale which was acquired by Transamerica Corporation in 1946; prior to that time he had been an officer in the livestock loan department of Bank of America N. T. & S. A. (BX 8, p. 304; R. 4510-4511).

(nn) Volney Pratt -- Is the auditor in charge of internal auditing of the First National Bank of Portland, including all of its branches; prior to his employment in this capacity he was employed by Bank of America N. T. & S. A. (R. 6923-6924).

(oo) George W. Stewart -- Is assistant trust officer of the First National Bank of Portland; he went to that bank from Bank of America N. T. & S. A. (R. 6924-6925).

(d) Intercompany Relationships between
Bank of America N. T. & S. A. and
Transamerica Companies

68 118. Other indications of the close affiliation and singleness of purpose and direction which has characterized the Transamerica group, including Bank of America N. T. & S. A., both before and after 1937 are to be found in a number of unusual and important intercompany relationships which have existed between various Transamerica subsidiaries and the Bank of America N. T. & S. A. over the years, as well as in certain contracts entered into since 1937 between Transamerica and third parties which virtually guaranteed future action by Bank of America N. T. & S. A. (see Findings Nos. 119-131).

119. So far as the prohibitions of the Clayton Act are concerned, one of the most important relationships which have existed, both before and after 1937, between the Bank of America N. T. & S. A. and Transamerica has been the one whereby Transamerica has acted as bank buyer for Bank of America N. T. & S. A.; between January 1, 1929, and December 31, 1937, Transamerica acquired 107 independent banks and branches in California, the banking business of which was taken over directly or indirectly by Bank of America N. T. & S. A.; since December 31, 1937, Transamerica has acquired 46 independent banks and branches in California; one of the factors taken into account in connection with the decision to acquire such banks and branches has been that the locations of such offices "were

ideal for a possible branch of Bank of America"; when, in 1948 Transamerica acquired the American Commercial and Savings Bank in Moorpark, California, Husbands, president of Transamerica, first discussed the matter with L. M. Giannini and was advised by him that the location would be a good one for Bank of America N. T. & S. A.; applications are now pending before the Comptroller of the Currency to branch twenty-two of these banks and their six branches; in June 1950, while these hearings were in progress, the Bank, in violation of a decree of the Court of Appeals of the Ninth Circuit, actually branched these banks and branches, but subsequently, following a conviction of Transamerica Corporation, Bank of America N. T. & S. A., L. M. Giannini and Husbands for contempt of court, these banks and branches were restored to their former status as separate institutions (BX 286, 353, 354, 355, 356; RX 320, 321; R. 4237-4238, 4241-4242).

120. Another intercompany business relationship is that which has existed between the Bank and Capital Company, a wholly owned Transamerica subsidiary; Capital Company, a California corporation, was first acquired in 1918 by Bancitaly Corporation (R. 216); one of its principal functions over the years has been to manage, operate and sell real estate which it acquired after foreclosure by Bank of America N. T. & S. A. (R. 1612-1613) although some properties were acquired by it from other Transamerica banks and insurance companies (see, for example, BX 3-j, p. 21, footnote B to "Real Estate -- Land,

Buildings and Improvements"); until 1941 it performed these functions solely with respect to city properties in California; another Transamerica subsidiary, California Lands, Inc., performed a similar function with respect to country properties (R. 1612-1613); some idea as to the value of the properties involved in these arrangements may be found in the balance sheets of Capital Company and California Lands, Inc., for 1937, which show total real estate held by the two companies in excess of \$65,000,000 "for the most part acquired from affiliated banks and insurance companies on contracts or by donation" (BX 3-j, pp. 21-22); in 1941 the two companies were consolidated under the name of Capital Company and since that time Capital Company has performed this function with respect to both urban and farm properties (R. 1612-1613); prior to 1938 these activities were performed by the land companies under contracts of outright sale from the Bank, the properties usually being sold to the land companies at the Bank's book cost and the land companies being allowed a number of years in which to liquidate their obligations to the Bank (R. 1612-1613, 11,425-11,428); after 1938 the Bank has retained title to the real estate and since that time properties acquired by it in satisfaction of mortgage loans and trust deeds are operated by Capital Company under sales agency agreements (R. 1613, 1618-1643); Capital Company has no contracts of a similar kind with any bank or organization outside of the Transamerica group (R. 1644).

121. Capital Company also manages the premises occupied by Bank of America N. T. & S. A. at its various branches throughout the State of California; it does not perform this function for any banks outside of the Transamerica group (BX 197; R. 1613, 10,623-10,624, 11,451-11,452).

122. In the three-year period from August 1, 1943, to September 30, 1946, Capital Company received total fees from Bank of America N. T. & S. A. of \$1,108,830.15 (R. 1645-1650).

123. Another significant relationship between Capital Company and Bank of America N. T. & S. A. occurred commencing in 1945 when they undertook a joint arrangement respecting the making of loans to acquire and improve real estate; national banks are not permitted to loan on unimproved real estate for a longer period than six months (12 U.S.C. 371); under the arrangements worked out in 1945 between Capital Company and the Bank, Capital Company, at the request of the Bank (which supplied appraisal and credit information to Capital Company), would make loans to finance the acquisition and improvement of various properties; these loans would be made by Capital Company at competitive rates of interest with the understanding that Bank of America N. T. & S. A. would pay to Capital Company the difference between the actual amount of interest which Capital Company received on such loans and what Capital Company would have received had the loans been made at a rate of 6 per cent; loans were made by Capital Company under this arrangement

on terms as low as 2-1/2 per cent per annum to the borrower; in consideration of this undertaking on the part of the Bank, Capital Company required the borrower to "agree in writing to obtain from the Bank of America N. T. & S. A. any and all financing needed for the construction of the homes to be built on the property" and also required the borrower "as a condition on the sale of any lot or lots of said subdivision by them that the purchaser offer to Bank of America first opportunity to finance any building loans that may be required by any purchaser"; there is no evidence that Capital Company entered into any such arrangements with any other banking institution (R. 1659-1674).

68 124. Arrangements were also effected in 1945 whereby Capital Company undertook under certain conditions to participate in residential loans made by the Bank of America N. T. & S. A., Capital Company assuming that portion of such loans over and above the maximum amount that the Bank could lawfully lend (R. 1655-1658).

125. Capital Company has also acted as a third party in effecting the transfer of numerous branch banking premises between Bank of America N. T. & S. A. and its wholly owned affiliate, Merchants National Realty Corporation; during the years 1941 to 1943 Capital Company recorded the purchase of thirty-two such properties from the Bank at various costs aggregating \$5,658,088.32; within sixty days after such acquisitions Capital Company sold the same thirty-two properties to

Merchants National Realty Corporation, the recorded sales price in each instance being precisely the same as the recorded purchase price, and aggregated \$5,658,088.32; also during those years Capital Company purchased six parcels of real estate from Merchants National Realty Corporation at varying cost prices aggregating \$642,627.88; within sixty days after the purchase of these parcels, Capital Company sold the properties to Bank of America N. T. & S. A.; in each instance the recorded sales price was precisely the same as the recorded purchase price, and aggregated \$642,627.88 (BX 170, 195, p. 8).

126. Another series of intercompany relationships between Bank of America N. T. & S. A. and Transamerica subsidiaries has existed since 1937 between the Bank and InterAmerica Corporation, Pacific National Fire Insurance Company, and Premier Insurance Company; prior to July 31, 1941, Pacific National Fire Insurance Company wrote insurance coverage of automobiles, the purchases of which were financed by the Bank; since that date such insurance has been written by Premier Insurance Company; at all times InterAmerica Corporation has acted as broker in the transactions, this being its principal function; in connection with the placement of this insurance, an arrangement has been in effect between the Bank and each of the insurance companies under which there has been established a formula of adjustment with respect to the premiums paid for such insurance; this formula provides that if the sum of the actual losses incurred on such insurance, plus the expense of

doing business, is in excess of the premiums earned by the insurance company, the difference is to be paid to the insurance company by the Bank; conversely, if the premiums earned exceed the losses and expense, the difference is to be paid to the Bank by the insurance company; under this adjustment formula the Bank, during the period from June 1, 1939, to July 31, 1943, has made payments to Pacific National Fire Insurance Company aggregating \$998,158.70; in the period from August 1, 1941, to September 30, 1946, it has also made payments to Premier Insurance Company under the formula totaling \$1,109,400.17; there is no evidence that any of these companies have similar arrangements with any other banks (R. 2807-2824).

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127. Another such intercompany relationship since 1937 has existed between Bank of America N. T. & S. A. and Corporation of America, a wholly owned Transamerica subsidiary; in recent years the sole function of Corporation of America has been to act as trustee under deeds of trust in which Transamerica and its affiliated organizations have been named as beneficiary; the great bulk of this activity is performed on behalf of Bank of America N. T. & S. A.; this is shown by the fact that over 90 per cent of the income of Corporation of America is derived from fees paid to it by the Bank; numerous officers of the Bank of America N. T. & S. A. are also officers of Corporation of America; they, together with officers of other Transamerica controlled banks, were appointed "to facilitate the execution and delivery of papers in connection

with the functions of Corporation of America as trustee under deeds of trust in which the Bank of America was beneficiary"; the fees paid to Corporation of America by Bank of America N. T. & S. A. represent only 50 per cent of the total fees collected from the trustors, the remaining 50 per cent being retained by the Bank for "acting as agent for Corporation of America" (BX 27, 140, pp. 27-35; R. 1693-1699, 1873-1874, 3533-3534).

68 128. Another intercompany relationship existed in 1941 between Bank of America N. T. & S. A. and Timeplan, Inc., a wholly owned Transamerica subsidiary; in that year Timeplan, Inc., which had just been organized by Transamerica, entered into an agreement with Bank of America N. T. & S. A. under which the Bank authorized Timeplan, Inc., to use and license others to use its registered trade-mark and trade name "Timeplan" in states outside of those in which Transamerica group banks are located; the Bank reserved the right to reject any proposed licensee; E. A. Mattison, a vice president of Bank of America N. T. & S. A., was elected president of Timeplan, Inc., upon its organization; as "added consideration" for the right of Timeplan, Inc., to use the Bank's trade-mark and name it was agreed that "responsibility for the direction and operation of installment credit financing operations of the Bank" should continue to "be assumed by E. A. Mattison, President of the corporation"; under the terms of this agreement Timeplan, Inc., agreed to pay to the Bank 75 per cent of

its net income; while the impact of the war economy brought an end to the operations of Timeplan, Inc., shortly after it commenced doing business, nevertheless prior to and at the time of its organization the officials of Transamerica and Bank of America N. T. & S. A. regarded the company as of great potential value in effecting a nation-wide extension of the installment credit activities of Bank of America N. T. & S. A.; in a speech given on May 6, 1940, to a large group of Bank of America employees on the occasion of A. P. Giannini's seventieth birthday, L. M. Giannini stated as follows:

"Moreover, you will be interested to learn that we have plans also which go beyond the improvement of our banking services within our present territory. Your management is now at work on a far reaching plan for the nationwide extension of one of our best known consumer credit services.

"What we have in mind is to make our Timeplan credit services available nationally in cooperation with existing institutions. This is of interest to you generally because it will result in greater usefulness and greater earnings for our bank. But I would like to point out as well that this extension will mean the opening up of greater individual opportunities for you. As the new activities expand it will mean the creation of new positions of responsibility, meaning more rapid promotion for a great many members of our present staff."

(BX 178, 179, 180; R. 5477-5479).

129. Another intercompany relationship has existed both before and after 1937 between Bank of America N. T. & S. A. and Bankamerica Agricultural Credit Corporation, a wholly owned Transamerica subsidiary; this corporation was engaged in the business of making livestock loans; while it was in operation,

it shared office space with a branch of Bank of America N. T. & S. A. in San Francisco; the larger livestock loans made by this corporation had been referred to it by the Bank, and the corporation rediscounted much of its paper with the Bank; in May 1942 "as a step in the dissolution proceedings of that company" the corporation "distributed to Transamerica Corporation all of its assets, consisting generally of notes and accounts receivable and advances in an aggregate amount of approximately \$9,200,000 of which notes and advances aggregating approximately \$7,900,000 had been previously re-counted at the going rate of 1-1/2 per cent with the Bank. On the date of receipt of such assets Transamerica Corporation sold substantially all of them to the Bank at its acquisition cost plus a premium (based generally on the amount by which the interest receivable exceeded 1-1/2 per cent) to be paid monthly until May 1943" (BX 29 (1943 Proxy Statement); R. 1703-1704, 6071-6075).

130. A further indication of the integration of the various organizations within the Transamerica group, including Bank of America N. T. & S. A., both before and after 1937, may be found from three group insurance policies issued by Occidental Life Insurance Company (a Transamerica subsidiary) to Bank of America N. T. & S. A.; examination of these policies discloses that, both before and after 1937, among those included in the coverage of such policies were employees of Bank

of America N. T. & S. A. as well as employees of Transamerica and its other subsidiaries; digests of three of these contracts are attached hereto marked Exhibits 41, 42 and 43.

131. Another indication of the continued integration of Bank of America N. T. & S. A. and Transamerica after 1937 is to be found in the fact that, on November 10, 1941, Transamerica, in offering to purchase the stock of the First Trust and Savings Bank of Pasadena, agreed that

"If any of the other officers or employees of FIRST TRUST BANK are released from their employment by said Bank in line with any policy of management approved by its Directors TRANSAMERICA agrees that it will endeavor to obtain suitable employment by BANK OF AMERICA of the persons so released in capacities for which they are best suited"

and that Transamerica would approve employees' profit sharing, group insurance, hospitalization and retirement plans

"substantially in line and in accordance with the benefits and advantages of like character with those which Bank of America provides for its employees";

in the same offer Transamerica assured the First Trust and Savings Bank that

"within one year after December 1, 1941, FIRST TRUST BANK will obtain insured FHA loans under existing laws and regulations for its investment account in the amount of not less than \$1,000,000.00 to be provided at the rate of \$250,000.00 quarterly.";

following the acquisition of this bank the record shows that employees of the First Trust and Savings Bank of Pasadena were included in the group life and hospitalization policies mentioned in Finding No. 130 above; in addition, in 1942, following its acquisition by Transamerica the First Trust and Savings

Bank of Pasadena purchased FHA loans aggregating \$500,000 from Occidental Life Insurance Company and an equal amount from Bank of America N. T. & S. A. (BX 31; R. 1763-1765).

NATURE OF COMMERCIAL BANKING BUSINESS

132. A commercial bank is one which accepts deposits subject to check (R. 2135, 2264, 2268, 2508, 2703).

133. In addition to accepting deposits subject to check all commercial banks also render some or all of the following services: Acceptance of deposits for safekeeping, i. e., savings accounts; making of loans of numerous kinds and covering a wide classification of purposes, including commercial or short-term business loans, term loans, real estate loans, individual and consumer loans, agricultural loans, flooring loans, installment loans, etc.; providing currency and change for payroll and other public and business needs; collection of drafts, bills, and other commercial instruments; acceptance of bills of exchange; issuance of letters of credit; sale of traveler's checks; providing safety deposit boxes; rendering trust services; sale of cashier's checks and drafts on correspondent banks; acting as financial adviser to business concerns; purchasing and selling securities for customers; selling foreign exchange; acting as stock transfer agent; and others (R. 2156, 2174, 2180, 2182-2183, 2217, 2222, 2225, 2251, 2256, 2282-2287, 2509, 2726-2727, 4417-4418, 4441-4442,

5709, 6739-6740, 6761-6763, 6766-6767, 6769-6770, 6773-6774, 8948-8949, 8951-8952, 8963-8964, 9212, 9279, 9667, 11,938-11,940, 11,943-11,944).

134. This group of services rendered by commercial banks has been referred to as a "package of services" (R. 11,941) and as a result of rendering this "package of services" commercial banks have been called "department stores of finance" (R. 2262, 8491, 9189, 9279).

135. Commercial banks perform three functions which are unique to commercial banks; they are (1) the money payment function, (2) the money creation function, and (3) the function of providing short-term business credit in the community (R. 2157, 2172, 2184-2185, 2264, 2268, 2278, 2280, 2510, 2709, 2725, 6742-6743, 6755, 8955, 8963, 9074, 9075, 9077, 9290, 9394, 11,939, 11,948).

68 136. The money payment function is that mechanism which has been perfected by the commercial banking system whereby money payments can be smoothly, efficiently and economically effected between persons in the same or widely separated sections of the country by bookkeeping entries, thereby eliminating the necessity of physical transfers of currency or coin; this is accomplished by the issuance of checks drawn against demand deposit balances in commercial banks and the collection of those checks through the commercial banking system; between 80 and 90 per cent of all money payments made throughout the country each year are made by check; more than four billion

checks are drawn annually and these aggregate, in dollar volume, approximately one-and-a-half trillion dollars; there is no adequate substitute for the checking account service rendered by the commercial banks (R. 2140-2151, 2154-2157, 2264, 2268, 2356, 2510, 2511, 2557-2558, 2652, 2703-2707, 2709, 2725, 6741-6742, 9394, 9432, 9443-9445, 11,939).

137. The money creation function, by which is meant the ability of commercial banks, by mere bookkeeping entries, to create in the form of demand deposit balances the means of payment which they lend, is made possible because of the fractional reserve system under which commercial banks operate; under that system commercial banks are required to maintain only a fractional percentage (fixed by law) of their total demand deposits as reserves; the remainder may be loaned or otherwise invested; the reserves which commercial banks are thus required to maintain are largely kept in the form of balances with Federal Reserve Banks; assuming that reserve requirements for demand deposits are fixed at 20 per cent and that all reserves are kept at Reserve Banks, then at any given time there should be a minimum total of commercial bank reserve balances at Reserve Banks equal to one-fifth of the total demand deposits of all such banks; any net balance in excess of such minimum total would be excess reserves; every dollar of such excess reserves would, therefore, support five additional dollars of demand deposits in commercial banks; whenever, therefore, commercial banks have excess reserves they can

create and lend new deposit balances and thus increase the money supply by an amount equal to five times the amount of such excess reserves; excess reserves can be obtained by commercial banks in a number of ways, the most usual of which today is by selling Government securities in the market which are purchased by the Reserve Banks, which thereupon increase the reserve balances of the commercial banks by the amounts of such purchases; another method is by rediscounting eligible paper with Reserve Banks (BX 246; R. 2158-2173, 2508-2509, 2511, 2704, 2710-2714, 2720-2740, 6753-6754, 9079, 9080, 9116, 9661, 11,900, 11,907).

138. The mechanics of money creation by the commercial banking system may be illustrated as follows: Bank A sells \$1,000 in Government bonds to the Reserve Bank, which increases the reserve balance of Bank A by that amount; Bank A thereupon lends \$1,000 to Jones by increasing his demand deposit balance by that amount; Jones draws a check for \$1,000 on Bank A payable to Smith, who deposits the check in Bank B; Bank B sets aside \$200 as the required reserve against this increase in its deposits, and then loans the remaining \$800 to Brown; Brown draws a check for \$800 to Johnson, who deposits the check in Bank C; Bank C sets aside \$160 as reserves, loaning the balance, or \$640, to Chapman; this process is repeated by similar transactions within the commercial banking system until the excess reserves of \$1,000 originally created by the sale to the Reserve Bank of a \$1,000 Government bond by Bank A,

has produced a multiple expansion of newly created deposits totaling \$5,000; it is impossible to ascertain what amount of existing demand deposits have been created by any one bank; this is because it is impossible to trace the flow of deposit money between banks, except on balance; but all commercial banks can and do participate in this function and each, therefore, creates some part of the total money supply; the larger an area encompassed by a single group of banks the more likely it is that that group of banks will function as the banking system functions in creating money, because of the greater probability that a check drawn against a new loan deposit will be paid to a depositor of a bank which is a member of the group; hence, the larger the area covered by such a group of banks the smaller would probably be the adverse clearing balances experienced by such a group of banks after they had initially created deposit balances; the smaller the amount of such adverse clearing balances the greater the opportunity of such group of banks to re-lend the same deposit balances which it originally had created (BX 246; R. 2158, 2159, 2161-2173, 2712-2714, 2715, 2720, 2740, 9116, 11,918-11,919).

139. There are two aspects of the credit activities of commercial banks which are unique to commercial banks:

(a) One important segment, which has been serviced almost exclusively by the commercial bank, is that of short-term business credit; by this type of credit is meant that which is required by small, medium and even

large size businesses for purposes of working capital; because of its intimate knowledge of the affairs of such business concerns and because of the "know how" which such bank has acquired in extending and servicing this type of loan, the local commercial bank has occupied a traditional and almost exclusive role in supplying such credit; exclusive of trade credit, commercial banks supply in excess of 90 per cent of all short-term business credit in the country; no other financial institution can match the local knowledge and know how of the commercial bank in providing this kind of credit and, hence, there is no practical substitute for commercial bank credit in this field; if for some reason a business firm was not able to get credit from local commercial banks, it would suffer great damage to its business (R. 2181-2182, 2184-2185, 2728, 2730, 2733-2734, 6755, 6759-6760, 8951-8952, 9010, 9013, 9069-9070, 9071-9073, 9398-9399, 9402-9403, 11,938-11,948).

(b) Apart from its preemption of the field of short-term business credit, commercial banks reach the broadest base of the borrowing public at the cheapest rates (R. 2184, 2185, 2513-2514, 2729, 2730, 6755, 9010, 9013); all companies or persons who qualify as commercial bank risks can obtain loans from the commercial bank at cheaper rates than they can be obtained elsewhere (R. 9010, 9013); these include consumer cash loans (R. 9018-9022), installment

loans (R. 9026, 9031-9032), dealer loans to finance the acquisition of consumer durable goods (R. 9041), loans to finance purchases at department stores (R. 9043-9044), trade credit (R. 9045), and agricultural credit of all kinds (R. 9053).

68 140. The commercial banking business is essentially a retail business, requiring ubiquitous contacts with the public all day and every day; most of the customers of commercial banks are located within the immediate locality of the bank; while the need for some services may be largely seasonal, the bulk of transactions requires daily access to bank facilities; because of the size and multiplicity of transactions rendered by the bank for the customer it is impossible for him to travel far for service, hence, banking services cannot be properly and adequately performed by distant institutions; notwithstanding the existence of non-banking organizations which extend various kinds of credit, the local commercial banking facilities are an absolute necessity to the smooth functioning, development and growth of the business life of a community (R. 2727-2728, 6755-6756, 8929, 8931-8932, 9394-9395, 9518, 9582, 11,940-11,941, 11,950).

141. The commercial banks have played and are continuing to play an important role in the development and growth of local communities; no substitute has yet been invented to take the place of the commercial banks in fulfilling this role (R. 11,941).

142. A monopoly of commercial banking offices over any substantial geographical area could produce very damaging results upon the economy of such an area; in the first place, monopoly of commercial banking offices carries with it monopoly of the economically all-important money payment system provided by commercial banks in their checking account services; denial by discrimination of these services to some members of the business community would mean that, in making and receiving money payments, such persons or companies would have to resort to other more expensive and less expeditious methods; this could result in an economic slow down in the entire area; these effects plus the difference in cost of transacting business to those discriminated against would surely retard, if not stifle altogether, the business activities of such persons or companies (R. 2189, 2517-2518, 2730-2731, 2734-2735, 6751, 11,940-11,941).

143. Monopoly of commercial banking offices over any substantial geographical area, thus carrying with it a monopoly of the money payment system of checking accounts, would also constitute an important leverage for achieving complete monopoly of all credit in the area; this is because checking account services within the area could be denied to those non-banking organizations which otherwise might lend in the area, and because such services could be also denied to those borrowers who were unwilling to obtain their credit needs at the controlled group of banks (R. 2190-2192, 2734-2735).

144. A credit monopoly could adversely affect very large numbers of businesses and practically all of the people in the area involved; on the one hand, it could cause an over-expansion of credit by lending too much too frequently, which would not be beneficial to the individual borrowers nor to the community, and might easily lead to excessive speculation and subsequent collapse; on the other hand, it could throttle the community by not granting all the credit required for its proper development and growth; most importantly, however, it could do a tremendous amount of harm by discrimination, for it could easily pick and choose such industries and concerns which it wished to favor and deny favor to such others as it wished to discourage; this result would be damaging to the community and inconsistent with the general public policy and way of life this country is attempting to preserve (R. 2730-2731).

145. Unlike most businesses of a retail nature, which may be commenced by any person or group of persons willing to venture their capital in the enterprise, the number of commercial banking offices which may be opened in any area is limited; only those commercial banking offices may be opened which are approved by appropriate bank supervisory authorities; one of the most important considerations taken into account by such supervisory authorities in determining whether or not to approve the establishment of a new commercial banking office at a particular place is whether the opening of such an office

will create an "over-banked" condition, that is, whether there is enough commercial banking business in the area to insure the continued success of those already in existence plus the success of the new one which they are asked to approve; thus, in passing upon applications to create new offices of national banks, the Comptroller of the Currency specifically gives consideration, among other things, to the following questions:

"Will the proposed branch, by virtue of its location, come into direct competition with existing banking facilities? If so, will the existing banking facilities be able to maintain themselves as profitable units against the competition of the proposed new branch? In other words, will the proposed branch create an over-banked situation? The rights of existing banking facilities to remain undisturbed and free from additional competition are carefully weighed against the rights of the prospective branch to be permitted to enter the area as a competing unit." (RX 329; R. 11,961-11,962)

146. Because of these and other considerations which place a real limit upon the number of commercial banking offices that can be established in any particular area, monopolization of commercial banking offices by one group through acquisition of existing offices may be more easily obtained than would be the case in respect to ordinary businesses; indeed, the tendency to monopoly of commercial banking offices by any particular group in an area increases the competitive potential of such a group to a point where its very size might be a reason which would convince the banking authorities that a proposed small institution would have little chance of success in competition against such a giant (R. 11,960-11,962).

147. The very size of an existing huge banking group operating in any area tends to suppress the potential competition of those who might otherwise be willing to establish banks in such an area; new capital is not likely to be tempted into a new banking enterprise if the banking business of the area is dominated by some powerful unit or group; the large group, simply because of its size, can establish branches in localities where smaller institutions or individual entrepreneurs would hesitate to do so because the locality was not sufficiently developed to support a banking office; the large group can do so because it can afford to operate at a loss in a local area for a considerable period of time, simply charging the net loss on such an operation against the profits realized from its other offices; by this method the large group can preempt those banking locations which give promise of later profitably supporting a banking office; Bank of America N. T. & S. A. has opened and operated branches in communities which could not support a local bank in the expectation that such branches would become profitable after further growth by such a community (RX 355, p. 33; R. 2333-2334, 2575-2579, 2758-2759, 11,962).

INTERSTATE ACTIVITIES OF COMMERCIAL BANKS

148. As we have seen, one of the primary functions of every commercial bank is the acceptance of deposits subject

to check; it is this function which distinguishes the commercial bank from every other type of organization of a private nature in our economy; out of the checking account service rendered by commercial banks has been fashioned a national system of money payments which facilitates in a smooth, efficient and economical manner between 80 and 90 per cent of all money payments made in this country (see Finding No. 136).

149. The system of money payments provided for the economy by commercial banks is like any of the transportation systems which carry goods and passengers from one place to another; each time a check is used to make a money payment, the handling of that check in the banking system results in a transfer of funds from the account of the maker to the account of the payee or subsequent endorser; whenever these payments are effected across state lines, it results in an interstate transfer of funds exactly as if currency were physically transported in the process (R. 2142-2150, 2264, 2356, 2510-2511, 2704-2709).

150. Every commercial bank, however small and wherever situated, receives daily a steady stream of checks for deposit which are drawn upon banks outside of the state in which such bank is located; it also receives each day a steady stream of checks drawn upon it by its customers which were used to make out-of-state payments; this is true of each of the commercial banks in the Transamerica group; the number of such out-of-state checks usually has a direct relationship to the amount

of deposits held by a bank and to the size of the community and its nearness to the metropolitan areas (BX 258-262; R. 2140-2142, 2438-2453, 2460-2462, 2708, 4437-4440, 4452-4453, 6037-6040, 6732-6738).

151. Because of the checking account service which it renders, every commercial bank must make regular and daily use of the channels of interstate communication as an essential part of its business activities; this is necessary, among other things, in order to cause those checks deposited with it which are drawn upon out-of-state banks to be presented for payment at the banks upon which they are drawn, and in order to effect payment of those checks used by its customers in making out-of-state payments which are presented for payment to it in the regular course of business; the methods employed by commercial banks in effecting the collection of out-of-state checks are as follows:

68 (a) Most collections of out-of-state checks are effected through the Federal Reserve System; this System is composed of the Board of Governors, at Washington, D. C., and twelve Federal Reserve Banks, each, together with its branches, if any, located in a separate Federal Reserve District; all member banks are permitted to use the check collection facilities of this System, as are such non-member banks which maintain "non-member clearing accounts" at a Reserve Bank; at the close of business each day, out-of-state checks received for deposit are

mailed to the Reserve Bank of the district in which the bank of deposit is located; the Reserve Bank sorts the checks by Reserve Districts and forwards to Reserve Banks and their branches in other districts the checks which are drawn upon banks in those districts; the Reserve Banks or branches to which these checks are sent in turn send such checks in "cash letters" to each of the banks upon which they are drawn; if paid by such banks, the accounts of both the bank of deposit and the bank of payment are increased and decreased, respectively, at the Reserve Banks, and the Reserve Banks adjust between themselves the interdistrict balances resulting from the interdistrict flow of all such checks each day; the settlement between the Reserve Banks is made in the Interdistrict Settlement Fund, which consists of balances on deposit with the United States Treasury to the account of the twelve Federal Reserve Banks; the books of the Fund are maintained by the Board of Governors; each day the Reserve Banks report to the Board, over the System's leased wire facilities, the amount which each bank and branch is paying to each of the other Reserve Banks and their branches arising, inter alia, out of interdistrict check clearances; when entries reflecting these advices have been effected in the books of the Fund, the Board advises each Reserve Bank and branch of the amount that each other Reserve Bank and branch is paying to it and

the amount of the net debit or credit as a result of the settlement for the day (R. 2142-2146, 2339-2341, 2449, 2469-2470, 2511, 2705-2707, 2709, 4437-4438).

(b) Some collections of out-of-state checks are effected by commercial banks through their correspondent banks in other states; in such cases the bank of deposit mails the out-of-state items to its correspondent, which either collects them through the Reserve Bank of its district in the manner hereinabove set forth, or sends them in a cash letter directly to the banks upon which they are drawn; if the latter procedure is followed, the banks of payment remit by draft to the correspondent which, in turn, credits the account of the sending bank (R. 2148, 2353).

(c) A final method is by direct sending, that is, by the bank of deposit mailing the out-of-state checks directly to the banks upon which they are drawn; the banks of payment in such cases remit for the item by draft drawn upon a correspondent bank (R. 2715).

152. Some idea of the extent of interstate check transactions may be found in the clearances effected between Reserve Banks as reflected in the Interdistrict Settlement Fund; for the year 1948 total clearings between the Federal Reserve Banks amounted to \$447,893,318,556.24 (BX 248; R. 2342-2346); for the month of March 1949 there were total clearings of

over \$40,000,000,000 reflected in this Fund (BX 247); during the year 1948 the clearings of the San Francisco Reserve Bank (the district which includes the five-state area involved in this proceeding) totaled in excess of \$40,000,000,000 (BX 249); in excess of 50 per cent of all of the totals referred to above represented interdistrict check clearances alone (BX 250; R. 2354, 2355); breaking these totals down still further, during the period of one week (selected while these hearings were in progress) the San Francisco Reserve Bank and its branches (other than Salt Lake) and member banks in those zones sent to other Reserve Banks and their branches (and to the Salt Lake Branch of the San Francisco Reserve Bank) a total of 305,303 checks aggregating \$171,635,000 (BX 258; R. 2442-2443); in addition, 38,793 Government card checks were so sent aggregating \$5,262,000 (BX 258; R. 2445); during the same week the San Francisco Reserve Bank and its branches (other than Salt Lake) received from other districts or across state lines within the district 595,087 checks drawn on banks within the district aggregating \$232,079,000 (BX 258; R. 2438-2440); in addition, they similarly received 163,639 Government card checks aggregating \$26,534,000 (BX 258; R. 2443-2445).

153. During the four-week period ending April 30, 1949, a record was kept by the San Francisco Reserve Bank of the number and amount of checks received for collection by that bank from out-of-state sources which were drawn upon the

twenty-five smallest banks majority owned by Transamerica; this count revealed that as to such banks (excluding First Savings Bank, San Jacinto, California, which does not accept deposits subject to check) the Reserve Bank daily received for collection a steady stream of checks drawn upon them and bearing out-of-state endorsements; the number of such checks varied according to the size of the bank (EX 11, 259-262; R. 2446-2453, 2461).

154. Other activities of commercial banks which require them to make regular use of interstate channels of communication include the collection of bill of lading drafts or other commercial paper, maturing bonds and interest coupons, and other such items for their customers; the maintenance of correspondent bank relationships with banks in other states; the purchase and sale of Government and other eligible securities for its own account; the purchase and sale of stocks and bonds for its customers; the effecting of wire transfers of funds for its own or customers' accounts; each of these activities constitutes a regular part of the business of commercial banks (EX 296; R. 4393-4477, 6766-6775).

155. Apart from their regular and continuous use of the channels of interstate communication as a part of their everyday business activities, commercial banks, through the performance of their normal functions, also directly and continuously affect interstate commerce in a great many ways; through

their checking account service they facilitate interstate payments of all kinds, including the great volume of such payments which are incident to transactions of interstate purchase and sale of goods and property; through the exercise of their lending function they facilitate and make possible interstate commerce of all kinds: By loans to manufacturers they facilitate the manufacture of goods destined for interstate commerce; by loans to farmers they make possible the growth of crops and livestock and other farm products which will be consumed in other states; by their loans to dealers and retailers they finance the importation of goods of all descriptions for resale within the state; by loans to consumers they contribute extensively to the great interstate flow of consumers goods of all kinds; through the activities of commercial banks in discounting and collecting bill of lading drafts the actual interstate shipment of goods is expedited and affected (EX 247, 248, 249, 268A; R. 2282-2287, 2704, 6760-6775).

CITIZENS NATIONAL TRUST AND SAVINGS
BANK OF LOS ANGELES

156. Transamerica has been attempting to acquire the Citizens National Trust and Savings Bank of Los Angeles, a national bank having numerous branches in the City of Los Angeles, since 1936; in that year rumors that Transamerica was going to acquire that bank became so pronounced that the

board of directors of the bank authorized and directed its officers to refute them; a letter was sent to Mr. Byrne, who purportedly acted on behalf of the Gianninis in seeking to obtain stock of the bank, advising him that the bank was not for sale and requesting that he desist from calling on stockholders of the bank in an attempt to acquire their shares (R. 1881).

157. In October 1942, Francis Baer, a vice president of the Bank of America N. T. & S. A., called upon Herbert Ivey, president of the Citizens Bank, and inquired if a deal could be worked out for the sale of all or part of the stock of Citizens Bank to Transamerica; Ivey reported the conversation to the executive committee of his bank; on the same day the executive committee rejected the proposition and determined not to bring the matter before the full board of the bank for fear of causing harmful rumors; Ivey reported the action of the executive committee to Baer; later in the same month Baer again renewed his overtures to Ivey; this time the matter was taken up with the directors of the bank and Ivey reported to Baer that the directors did not wish to dispose of their stock holdings or to pursue the matter further (R. 1882-1890).

158. On May 12, 1943, Bob Evans of Nelson Douglass & Co. called at Citizens Bank and informed Ivey that Transamerica intended to present to the board of directors of Citizens an offer to exchange stock of National City Bank of New York for Citizens Bank stock (R. 1891-1892).

159. On May 14, 1943, Ivey was informed by the Title Insurance and Trust Company that Transamerica was arranging to set up an escrow to handle an exchange of stock of National City Bank of New York for Citizens Bank stock; Ivey informed officers of the Title Company that the proposed exchange did not have his approval; subsequently an officer of the Title Company informed Ivey that Evans, representing Transamerica, was starting the escrow; he also advised Ivey that Evans had been active in acquiring control of First Trust and Savings Bank of Pasadena and Pacific Finance Corporation for Transamerica (BX 3-o, p. 14; R. 1894-1897).

160. On May 15, 1943, Ivey consulted with the attorney for Citizens Bank to find out what might be done in order to avoid being taken over by Transamerica (R. 1896).

161. On May 18, 1943, there was delivered to Ivey a letter from Nelson Douglass & Co. containing the following enclosures:

(a) Offer dated May 18, 1943, addressed to the board of directors of Citizens Bank by Transamerica over the signature of A. P. Giannini to acquire 124,000 shares of the Citizens Bank; there were outstanding 250,000 shares of this bank; at the time of the offer by Transamerica, Occidental Life Insurance Company, a Transamerica subsidiary, owned 2,000 shares of Citizens Bank stock.

(Exhibit 44 is a copy of the Transamerica offer of May 18, 1943.)

(b) A letter, dated May 18, 1943, addressed to the board of directors of the Citizens Bank by Transamerica over the signature of A. P. Giannini assuring the directors that, in the event Transamerica acquired an interest in the Citizens Bank, Transamerica, "so long as Citizens ...is operated as an independent bank and is not merged or consolidated with another banking institution", would vote such shares as it acquired under the offer for the retention of the present directors and personnel of the bank. (Exhibit 45 is a copy of this letter.)

(c) Form of letter to be used by those stockholders who accepted the offer in transmitting their stock to the Title Company. (Exhibit 46 is a copy of this letter.)
(R. 1897-1914)

162. On the same day that the Transamerica offer was received it was presented for consideration of the board of directors of Citizens Bank; in considering the offer the board also considered an analysis of the stock of Citizens Bank and of National City Bank, which Transamerica was offering in exchange for Citizens Bank on a share for share basis; the board adopted a resolution that Transamerica's request that the offer be formally submitted to Citizens' stockholders be denied; the president of the bank sent a letter to the bank's stockholders advising them that an offer had been received and that each stockholder interested in the offer might examine it, together with the analysis of the stock of Citizens and

National City Bank, by calling at the main office of the bank (BX 214; R. 1917-1923).

163. On May 19, 1943, Ivey sent a letter to A. P. Giannini, chairman of the board of Transamerica, advising him of the action of the Citizens' board. (Exhibit 47 is a copy of this letter.)

164. On May 20, 1943, Ivey sent a letter to stockholders in which he stated that it was his "firm conviction that the Transamerica offer...is not an acceptable or advantageous one for any stockholder, group of stockholders, or for the bank as an institution" (Exhibit 48 is a copy of this letter); in addition, on May 21, 1943, a letter signed by several of the substantial stockholders of the Citizens Bank was sent to the stockholders of the bank; this letter was in the nature of a vote of confidence for the management of the bank and an endorsement of the management's attitude towards the Transamerica offer (Exhibit 49 is a copy of this letter).

165. On May 20 and May 21, 1943, following the rejection by the Citizens' board of the Transamerica offer, advertisements appeared in various of the Los Angeles newspapers by Nelson Douglass & Co.; these advertisements were addressed to the stockholders of the Citizens Bank and advised of the Transamerica offer to acquire the stock of that bank and how acceptance of the offer might be made. (See Exhibit 24.)

166. On May 22, 1943, C. M. Washburn, acting for Nelson Douglass & Co., requested a copy of the stockholders' list of

the Citizens Bank; this request was denied (R. 1928-1930).

167. On May 28 and May 29, 1943, additional advertisements were inserted in various Los Angeles newspapers by Nelson Douglass & Co. which again called to the attention of Citizens' stockholders the Transamerica offer to acquire their shares. (See Exhibit 25.)

168. On May 25, 1943, Ivey wrote to the stockholders of the Citizens Bank again urging that the stockholders reject the Transamerica offer (Exhibit 50 is a copy of this letter); this letter was followed up by newspaper advertisements emphasizing Citizens Bank as an independent institution. (See Exhibits 26 and 27.)

169. On June 7, 1943, according to its terms the Transamerica offer expired; on June 15, 1943, the Citizens management published an announcement pointing out that the "recent effort of Transamerica to gain control of this institution has failed dismally" (see Exhibit 28); as a result of its offer Transamerica acquired 54,583 shares or slightly more than 21 per cent of the outstanding stock of the bank (R. 1952-1953).

170. Since Transamerica's acquisition of shares of the Citizens Bank it has each year nominated and elected five of the twenty-one members of the board of directors of that bank; one of the directors so elected each year has been Dwight L. Clarke, president of Occidental Life Insurance Corporation, a Transamerica subsidiary (BX 228, 237-241; R. 1958-1965, 11,925).

171. Since 1943 Transamerica has continued to acquire shares of the Citizens Bank; it now owns 58,142 shares (BX 227).

172. As of the end of 1947 the Transamerica banking group in Los Angeles County operated 42.1 per cent of all banking offices in that county, and these banks held 37.7 per cent of the deposits of all of the banking offices in that community; as of that time the Citizens Bank had 35 offices, all located in Los Angeles, and deposits of \$349,147,000 (BX 16; R. 2049-2050, 2095); should Transamerica acquire control of the Citizens Bank, the Transamerica control of all banking offices and deposits in Los Angeles County, computed on the basis of the 1947 figures, would be increased to 51.4 per cent of offices, and 45.7 per cent of deposits.

173. Unless restrained, Transamerica intends to acquire the controlling stock interest in Citizens Bank (EX 213-217, 219-229, 232, 233, 237-241; R. 1881-1914, 1917-1944, 1952-1986).

Respectfully submitted,

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