

October 25, 1935.

Dear Charlie:

I did not receive your air mail letter sent on Monday until Wednesday noon and when I sent the wire suggesting that you also write to Hornblower & Weeks, it was not because I was displeased in any sense of the word with the suggestion that I go over to Hornblower and talk the matter over, but simply that I thought it would be wise from my angle to spread the responsibility. Unfortunately Wednesday afternoon I had a meeting starting at 3:10 which lasted until 9 o'clock without any dinner, so that it was almost impossible for me to get out even to telephone as the matter was highly confidential and Mr. Gay did not want anyone to leave the room. However Thursday morning I went over to see Dewey Everett and had a very pleasant talk with him and I think they understand the situation very clearly and are certainly very agreeable about the matter. The only reason they were anxious to get an answer so promptly was that they had actually sold the entire allotment and hence they wanted to see exactly where they stood so far as making up the selling group is concerned.

In regard to my own position on underwritings, I remain definitely of the opinion that it is a very risky business indeed and one which on the whole we would be better to keep out of. Almost all of the underwriting houses here have been very successful recently and are riding the crest of the wave, particularly as money is an absolute glut on the market. One of our customers came very close to buying the entire \$200,000 and still may be interested in acquiring them provided his investment manager approves. I have talked to Hornblower about this and think that we can get a large portion of the bonds on a take down basis, almost anytime. The only real problem in the matter and one which you are in a much better position to judge than I am is the necessity of keeping active our unlisted trading department in St. Louis and thus keeping fellows like Josh Harvey. I am afraid this will get to be more and more of a problem if the underwriting business continues to be as good as it has been recently. There is every reason to believe that there will be some new alignments in this field but in the long run there is no urgent necessity for our facing this problem at this time as the broker-dealers segregation problem if decided in the negative by the S.E.C. will result in a complete revolution of the Street and many firms will split up so that it is too early to determine with whom it would be best to be aligned and how feasible it will be to do this. Until after January at least I think the best thing for us to do is do nothing at all. I am trying as much as possible to keep on top of this problem and see which way the wind is blowing as it vitally will affect our business in the long run and it is very essential that we make the right connections. I have been so swamped with little detail work that it has been almost impossible to get around and call on the important partners of the underwriting business but through Dewey Everett and through our own trading department we stand in a pretty fair place to gradually get on a lot of lists, that is, the selling group list as time goes on. I think we are making real progress in this direction and that all needed, is for me to take a couple of weeks off and contact all of these people. At the present time this is not feasible and with the impending fights over the matter and the resultant bitterness that may be attached thereto, I am not at all sure that it is desirable at this time. Hornblower is very pleased with us I think in every way and they are

certainly a nice group of people to work with. They know their business thoroughly and have an excellent organization.

Wednesday afternoon as I mentioned before, we had a terribly long meeting involving a challenge of power to the S.E.C. which was very satisfactory from my angle as my good friend Allen Lindley made a complete jack-ass out of himself and I think it finally sounded the death knell of his power. I think Mr. Roosevelt is very definitely in favor of broker-dealer segregation and on account of this the S.E.C. is afraid of going counter to his wishes, so they are exerting what pressure they can on the Exchange to discipline members for violation of technicalities as a cloak for their own sense of lack of power to control certain phases of the business, while from a policy standpoint it might be desirable to the Exchange to do so, it would be a rank injustice to the offenders punished inasmuch as they would have been definitely singled out not because of any wilfull violation but simply because of their carelessness, so as to make this policy possible. I was very pleased to discover how many fair-minded men there are on the Board and how regardless of their own interests, they were not willing to take such a course. These have been very hectic and interesting sessions but the problems involved are too complex for my feeble intellect I am afraid, and the more I see of this Government business racket, the more sympathy I have with the people in places of responsibility. Almost everyone has something to criticize; everyone is sore about something and convinced of some one else's dishonesty; a great many of them call in learned professors and technicians as authorities for the most ridiculous statements and then when you put it up to them and suggestion that a decision must be reached by say six o'clock that evening, they are not willing to assume any responsibility themselves and whatever attitude the press and the general public may take, they are always second guessers and thus can never be wrong.

Aside from the above incident very little has taken place with the exception of the final passage of the provision for the new customers' man committee which will doubtless be in the hands of Mr. Gayer Dominick, who is one of the finest men I have met down here and perhaps a little bit too idealistic in his viewpoint to obtain the popularity such a proposal deserves but all I can say is that it would be a great thing for the community if we had a few more like him. The new committee will probably be set up around the first of December and it looks very much as though I would be made a member of it if I so desire. I am very dubious about accepting this as there has been too much friction already and I have had to assume the leadership on too many other things, so that I can see no real reason for accepting more work and responsibility unless something is definitely to be gained by it. In the event that I shall be re-elected in the Spring then it would be a different matter and with a four year term it might be worth the effort expended. In the meantime with the exception of probable moral issues, my intentions are to lie low and attend to my own business as much as possible. I am going to Washington tomorrow to have one more long talk with several of the economists of the S.E.C. and then I think I shall have done all that I can reasonably do to serve both the community and the firm. I have spent a good deal more time and energy on this than perhaps it warrants but so far as the next five years is concerned it seems very important to me to be as well posted as to what is going on in this direction as it is possible to be. I am enclosing herewith for you and Pres and the others the copies of the Q.C. minutes of yesterday which this time are largely routine and sent only as a matter of interest.