

New York, N.Y.
May 25, 1936.

Dear Pres:

I have been meaning to write to you for some time as I guess you are interested in the details with regard to the Stock Exchange election and the general state of the Nation here in New York so far as it concerns us. I got back Monday morning, the 11th, but did not go downtown until too late to vote for myself. This did not make any particular difference as I had expected and out of twelve candidates I ran the fifth highest, receiving 926 votes out of 1,094 cast. Mr. Gay told me later that he considered it in the light of controversial matters one of the most remarkable votes in the history of the Exchange and was very gratifying to me personally though exceedingly disappointing as to the election of Mr. Lindley whom I had consistently opposed in every matter all year. It was a rather bitter struggle and it was just as well for me to be away as I am sick and tired of personalities and arguing about non-essentials. The only real fight on the ticket involved Mr. Lindley and myself and it was a complete draw so far as policy was concerned, inasmuch as I had the largest personal following but was unable to swing the Old Guard against the man who has been in charge of the Business Conduct Committee for the last twenty years. It was very gratifying as I noted before to learn that his followers had made a real effort to have me scratched but that they had been so unsuccessful in accomplishing this that they gave it up entirely and concentrated all their attention on a relatively unknown fellow named Wardle of Hubbard Brothers whose home had been in Memphis, Tennessee. The out-of-town brokers were successful in getting Mr. Pigeon of Boston elected despite the fact that he too is relatively unknown. The highest vote was recorded by Ray Sprague, an extremely well liked specialist who received 1,054 votes. The next three were Mr. Mills, Blair Williams, and A. Hayward McAlpin who have served on the Board for over twenty years a piece and represent respectively the Morgan and Rockefeller interests and the Old Guard. In short, the inside group politically would consider that their vote proved nothing whatever except that their likeable "yes men" are popular. In short, I really ran second on the ticket whereas Mr. Lindley ran eighth and came very close to running last. I think that some intangible good may have been accomplished by the fact that he now realizes that despite his prominence in certain social circles, he is no longer a popular individual with the membership at large and he will watch his P's and Q's very carefully as to future policy in the Exchange.

The organization meeting was held last Wednesday and there were no changes of importance on any of the committees represented. They tried to elect me Chairman of the Constitution Committee with an idea to having me rewrite the Constitution but as I worked far too hard last year and for the moment had been licked on all the things which I struggled for, I am planning to take it easy and simply tend to my knitting and let them handle their own affairs. Mr. Oakley, who is the one important new addition to the Board is a hard working, capable, fearless individual and a real credit to the community. I think the only

chance of accomplishing anything so far as breaking down the special privilege group is in organizing the minority. I doubt very much if there has been any organized majority or minority among the officers since the early 1920's, but the line of demarkation is pretty clear at the present time and an organized minority might succeed in breaking up any policy moves of the old school. Oakley was chairman of the committee which threw Mr. Whitney out of office and is very bitter about the finances of the Exchange. It seems unwise for me to be too active in such a matter but I intend simply to keep my eyes and ears open and do everything I can to build up his leadership. From the standpoint of seniority they look to me as the logical leader but on account of my age I think it much better to get him to be the leader and I can do much more effective work on the outside. The salaries paid, the relatively unknown officials of the exchange are an absolute outrage and the present Treasurer who together with myself and Mr. Gay represented the New Deal ticket last year, is growing thoroughly discouraged about the fruitlessness of his work. On the Finance Committee he has been voted down on twenty-three out of twenty-four moves to alter the present status. Mr. J. M. B. Hoxsey for example receives \$36,000 per year. In his particular case I am not at all certain but what he has almost been worth it, particularly since Mr. Landis has spread over the front pages of every paper in the country the fact that he is one of the most capable listing experts he has ever come in contact with. I am not particularly interested in anything more than publishing what actually exists as to salary status. I still think that had the membership at large known or had I been in a position without breaking my word, to divulge to just a few key men the fact that the Hon. A. L. Lindley in addition to having an alternate on the floor to handle his personal business received nearly \$30,000 in fees during a year, when he spent three months of his time on a Mediterranean Cruise, he could not possibly have been elected.

Mr. Gay, having obtained a first class publicity man for which I take considerable credit, has now gone the way of all flesh and considers himself a whole lot more important than he actually is. Like Mr. Roosevelt, power has turned his head or I should not say turned his head, but blinded him and he is now crazy about Public Relations. He visions himself as selling the Stock Exchange to the entire nation, something which could never be done entirely and certainly not by a man with his poor speaking ability. They have succeeded in getting rooms and reams of space in almost all the leading newspapers and magazines to write him up. Like Mr. Landon, he makes an excellent story book figure, starting at \$5.00 a week, etc., they have played the thing up to the point that the New York Times in the magazine section a week ago yesterday had such a ridiculous article about his life story that it was almost disgusting. By and large the great mass of the people are swallowing it wholesale and he has now reached the state where he pats me on the back and assures me that the so-called opposition to the Stock Exchange which I imagined exists, is almost entirely a myth. He even tells me he spent an evening in Union Square and talked to half a dozen men of the street who not knowing him, talked to him for three hours about the Stock Exchange and agreed with him that there was very little to criticize. He is a very lovable, kindly, amiable old gentleman and one with considerable poise and knowledge of life itself; a sincere contrast to Mr. Whitney and a thorough credit to the institution but he has not had the education nor contact with public life to understand how when anyone attains prominence,

everyone flatters him and tells him how wonderful he is. Internally he inherited an almost impossible task of clean-up and in the pinch he proved to be incapable of slowing off life long friendships for the sake of principle. I have a great deal of sympathy for him nevertheless and would be the last one in the world to criticise him too freely in this respect because loyalty to one's friends is one of the finest traits a man can possess. However, it is very difficult for a man to be associated for twenty-five or thirty years with another man and at the same time keep an open mind as to his qualifications and limitations. There was no one else available for the job who was willing to accept it and by and large he was a whole lot better with his failings in this regard than if he had been more capable and ruthless. There is one thing that I am very proud of about him and that is that he is unflinchingly honest and also he has a real social perspective. He is a man of considerable means who I am certain would donate all of his money to the poor tomorrow if you could show him how it would truly benefit society. His very weakness is his greatest charm. Faced with such a situation he found it much easier to attack the cows from without than to clean up the situation internally. Outside the Exchange, he has done a magnificent job. Inside the Exchange, he has been a miserable failure. Mr. Brinton has borne the brunt of attempting to change salaries and reapportion the difficult assignments of the Exchange. He is a first class lawyer who has been a specialist on the Exchange for about ten years and understands the financial side of it thoroughly. As I stated before, he has become so discouraged that he is almost useless, but I think can be stirred up to offering his resignation unless the matters under question are given some publicity and voted on by the Board as a whole. Such a vote is now in contemplation for the early part of the Fall and if he can have a minority group back of him at that time, I have no fear of the outcome. Mr. Whitney is having domestic trouble and is reported in the society columns as being on the verge of a divorce. He is a badly distraught individual and I doubt very much if he will have much influence for some time to come, although he still hopes to get back in the saddle some day. He is only 51 years old.

The office is functioning reasonably well. Our market in Beryllium Corporation has not been too hot and since it has become known that we are the only market in the stock, the lot of small holders have been forcing us to buy a considerable quantity of stock so that at the present time we are short only ten shares. We still have an option of an indefinite duration against which we can go short to the extent of 5,000 shares at any time. Of course we are not taking any position in the stock ourselves. Everything in connection with it has been cleared with Post & Flagg so that they are really just as responsible as we are in the event that we should ever be accused of manipulating the stock. There is no danger however of this as I have checked carefully with every available source.

The difficulty of doing business grows every day in the face of the new margin requirements and the technicalities surrounding them. As far as I can see, the majority of the firms are living up to the Federal Reserve Board requirements and where stock exchange rules make it difficult to do this, are violating the Exchange rules rather than the Boards. A lot of firms have been hung up recently with new issues and our secondary distribution committee has had a number of interesting cases to pass on. Friday afternoon the group which are hung up with Union Bag and Paper stock to the extent of 35,000 shares, planned to form a new group to get

from under. In the new group were five stock exchange houses and three non-members. When I told them they would be compelled to offer on the exchange enough stock to take care of any bids which might come into the market while they were confirming stock at the last sale of the market, they agreed to comply, but inasmuch as they were borrowing some \$10,000,000 from the Chase Bank against collateral of which this was a part, I asked them if they had consulted Counsel as to the possibility of their being forced to have a fifty-five-percent margin against this loan in place of the 85% loan value they are now receiving. They were very much upset about this and by the wording of Regulation U, if they did sell even 100 shares in the open market, the Chase would be required to call them for the additional money. I got Roland Redmond on the phone and he talked to Dr. Parry at the Board and finally got a ruling from him which he was willing to pass on to the Chase Bank, stating that although the Board did not see fit to alter its position, he as the Technical Advisor to the Board would have no hesitation in stating that such a situation should not invalidate the loan. I am not at all certain that the Chase will be willing to go through with such an arrangement although it is very good business for them and it may hold up the whole matter. This morning they have had Counsel attempting to thrash it out and I think the Bank of New York and Trust Company would be willing to take a chance on it, in the hopes of getting some new business. Just a sample of the difficulties of doing legitimate business with some of these cock-eyed regulations.