

STOCK EXCHANGE PRACTICES

HEARINGS BEFORE THE COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

FIRST SESSION

ON

S.Res. 84

(72d CONGRESS)

A RESOLUTION TO INVESTIGATE PRACTICES OF STOCK
EXCHANGES WITH RESPECT TO THE BUYING AND
SELLING AND THE BORROWING AND LENDING
OF LISTED SECURITIES

AND

S.Res. 56

(73d CONGRESS)

A RESOLUTION TO INVESTIGATE THE MATTER OF BANK-
ING OPERATIONS AND PRACTICES, THE ISSUANCE
AND SALE OF SECURITIES, AND THE TRADING
THEREIN

PART 1

MAY 23, 24, and 25, 1933

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BANKING, FINANCING, AND SECURITIES SALES PRACTICES

TUESDAY, MAY 23, 1933

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to the call of the chairman at 10 o'clock a.m., in the hearing room of the committee, Room 301 Senate Office Building, Senator Duncan U. Fletcher, presiding.

Present: Senators Fletcher (chairman), Glass, Barkley, Costigan, Townsend, and Couzens.

Present also: Senators Bulkley, Gore, Reynolds, Byrnes, Bankhead, McAdoo, Adams, Goldsborough, Walcott, and Steiwer.

Present also: Ferdinand Pecora, counsel to the committee, Julius Silver, David Saperstein, and James B. McDonough, Jr., associate counsel to the committee. John W. Davis, counsel for J. P. Morgan & Co., Randall J. LeBouef, Jr., and Earle J. Machold, counsel for the United Corporation and for George H. Howard, president of the United Corporation.

The CHAIRMAN. The committee will come to order. It is a little unprecedented perhaps but might be just as well to swear in the official reporters of the committee. They will please stand, hold up their right hand and be sworn: You, and each of you, solemnly swear that you will accurately write in shorthand and true and complete typewritten transcript make of all the proceedings of the committee. So help you God.

Mr. HART. I do.

Mr. CARLSON. I do.

Mr. WILFONG. I do.

The CHAIRMAN. Let the proceedings today show as hearings resumed on what is known as the investigation of stock exchange practices, under resolutions of the Senate, particularly Senate Resolution 56, which will be made a part of the record at this point:

SENATE RESOLUTION 56

Resolved, That the Committee on Banking and Currency, or any duly authorized subcommittee thereof, in addition to the authority granted under S.Res. 84, Seventy-second Congress, agreed to March 4, 1932, and continued in force by S.Res. 239, Seventy-second Congress, agreed to June 21, 1932, and further continued by S.Res. 371, Seventy-second Congress, agreed to February 23, 1933, shall have authority and hereby is directed—

(1) To make a thorough and complete investigation of the operation by any person, firm, copartnership, company, association, corporation, or other entity,

of the business of banking, financing, and extending credit; and of the business of issuing, offering, or selling securities;

(2) To make a thorough and complete investigation of the business conduct and practices of security exchanges and of the members thereof;

(3) To make a thorough and complete investigation of the practices with respect to the buying and selling and the borrowing and lending of securities which are traded in upon the various security exchanges, or on the over-the-counter market, or on any other market; and of the values of such securities; and

(4) To make a thorough and complete investigation of the effect of all such business operations and practices upon interstate and foreign commerce, upon the industrial and commercial credit structure of the United States, upon the operation of the national banking system and the Federal Reserve System, and upon the market for securities of the United States Government, and the desirability of the exercise of the taxing power of the United States with respect to any such business and any such securities, and the desirability of limiting or prohibiting the use of the mails, the telegraph, the telephone, the radio, and any other facilities of interstate commerce or communication with respect to any such operations and practices deemed fraudulent or contrary to the public interest.

For the purpose of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places, either in the District of Columbia or elsewhere, during the first session of the Seventy-third Congress or any recess thereof, and until the beginning of the second session thereof, to employ such experts, and clerical, stenographic, and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production and impounding of such books, papers, and documents, to administer such oaths, and to take such testimony and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the investigation shall be paid out of the sum heretofore made available for the investigation authorized under S.Res. 84, S.Res. 239, and S.Res. 371, Seventy-second Congress.

The CHAIRMAN. Let the record show as the members of the subcommittee those which have heretofore been named in the report; also counsel for the committee, Mr. Pecora and his assistants, witnesses who have been subpoenaed, and others.

Now, Mr. Pecora, who is your first witness?

Mr. PECORA. Mr. J. P. Morgan.

The CHAIRMAN. Mr. Morgan, will you be sworn?

Mr. MORGAN. Certainly.

The CHAIRMAN. Hold up your right hand. You solemnly swear that you will tell the truth, the whole truth, and nothing but the truth regarding the matters now under consideration by the committee, so help you God.

Mr. MORGAN. I do.

The CHAIRMAN. You might take a seat at the committee table opposite the committee reporter. Proceed, Mr. Pecora.

Senator BARKLEY. Mr. Chairman, I understand that Mr. Morgan wants to make a preliminary statement before he is examined by counsel for the committee.

Mr. PECORA. How long will it take?

Senator BARKLEY. Is it lengthy?

Mr. DAVIS. It is not very lengthy.

Senator COUZENS. Why not let counsel for the committee handle the matter?

The CHAIRMAN. Mr. Morgan, do you desire to make any preliminary statement?

Mr. MORGAN. I should like to do so, Mr. Chairman, if I might.

The CHAIRMAN. I think the committee will permit it.

Senator BARKLEY. Mr. Chairman, let there be order in the room.

Senator McADOO. Mr. Chairman, cannot we try to get order in the room? Nobody can hear the proceedings.

The CHAIRMAN. Will the officers please see that we have order in the room. Now, you may proceed, Mr. Morgan.

TESTIMONY OF J. P. MORGAN, A MEMBER OF THE FIRM OF J. P. MORGAN & CO., NEW YORK CITY

Mr. MORGAN. It is our desire, naturally, that we should help the committee as much as we can to perform their wishes, and I have made up a short statement of my own views in regard to the duties and uses of private bankers, and I should be very glad to read it to the committee. It is very short; or if the committee prefers I will turn it in as a part of the record. But I should prefer to read it.

The CHAIRMAN. I think it is quite in order for you to read it, Mr. Morgan.

Mr. MORGAN. All right, sir.

The CHAIRMAN. We would like to hear it.

Mr. MORGAN. Our desire being to be of use to the committee, I have ventured to frame a brief statement of my views on the subject of the duties and uses of private bankers, which I hope the committee will receive as an outline and, if it so desires, discuss with me or with some of my partners.

In the first place, what are the differences between the rights and privileges of a private banker and an incorporated bank. As I see it, they consist chiefly in the fact that an incorporated bank receives from the Government, Federal, or State, from which its charter comes, certain privileges, and for those privileges it has to conform to certain laws and regulations of the Government, applying only to the incorporated bank's business. The private banker has none of these privileges, but as he does not have to conform to any special Government regulation, he has a somewhat greater freedom of action.

The private banker is a member of a profession which has been practiced since the Middle Ages. In the process of time there has grown up a code of professional ethics and customs, on the observance of which depend his reputation, his fortune, and his usefulness to the community in which he works.

Some private bankers, as indeed is the case in some of the other professions, are not as observant of this code as they should be; but if, in the exercise of his profession, the private banker disregards this code, which could never be expressed in legislation, but has a force far greater than any law, he will sacrifice his credit. This credit is his most valuable possession; it is the result of years of fair and honorable dealing and, while it may be quickly lost, once lost cannot be restored for a long time, if ever.

Senator BYRNES (interposing). Mr. Chairman, there is no use of our having this hearing unless there is some order in the room.

The CHAIRMAN. The people must be seated or retire from the room.

Senator BARKLEY. I move that the doorkeeper be ordered to keep the door shut and not to open it under any circumstances.

A NEWSPAPER REPORTER. Oh, Senator Barkley, we must be getting in and out regularly in order to send our reports.

Senator McADOO. I also desire to suggest that the photographers desist from taking any more photographs.

Senator COUZENS. Mr. Chairman, I ask that the sergeant-at-arms order the photographers not to make any more photographs and cease to bother us with this clicking of their cameras.

THE CHAIRMAN. You may now proceed, Mr. Morgan.

Mr. MORGAN. The banker must at all times so conduct himself as to justify the confidence of his clients in him and thus preserve it for his successors.

If I may be permitted to speak of the firm, of which I have the honor to be the senior partner, I should state that at all times the idea of doing only first class business, and that in a first-class way, has been before our minds. We have never been satisfied with simply keeping within the law, but have constantly sought so to act that we might fully observe the professional code, and so maintain the credit and reputation which has been handed down to us from our predecessors in the firm. Since we have no more power of knowing the future than any other men, we have made many mistakes—who has not during the past 5 years—but our mistakes have been errors of judgment and not of principle.

Another most important duty of the private banker is to take special care that his banking position in regard to his deposits is at all times sufficiently strong, knowing as he does that none of the aids provided by the Government for incorporated banks, such as the Federal Reserve System or the Reconstruction Finance Corporation, are at his disposal.

The private banker has at least one other duty; he must be ready and willing at all times to give disinterested advice to his clients to the best of his ability. If he feels unable to give his advice without reference to his own interests he must frankly say so. The belief in the integrity of his advice is a great part of the credit of which I have spoken above, as being the best possession of any firm.

So far as to the duties. I will now pass on to the uses of private bankers. These seem to me to be closely related to the fact that, as they are risking their own money and doing their own work, they may properly undertake certain responsibilities and businesses which the management of an incorporated bank might not be justified in dealing with. Subject to the paramount need of keeping their banking position toward their depositors sound and liquid, they can in a very prompt and effective way assist in the development of the industries and productions of this largely industrialized world. They can also come to the aid of a general situation, or of their friends and clients, in times of panic and distress, to an extent that an incorporated bank might well feel it had not a right to do with its stockholders' money.

Another very important use of the private banker is to serve as a channel whereby industry may be provided with capital to meet its needs for expansion and development. To this end the private banker can serve well, since, as he has at stake not only his clients' interests but his own reputation, he is likely to be specially careful. If he makes a public sale and puts his own name at the foot of the prospectus he has a continuing obligation of the strongest kind to

see, so far as he can, that nothing is done which will interfere with the full carrying out by the obligor of the contract with the holder of the security. To accomplish this it is frequently desirable that the private banker should be a director of the company, the securities of which he has sold.

As to the charge that is frequently and, as I believe, carelessly made that bankers force their way into boards of directors, I can only say that, in my experience of over 40 years, I cannot remember any partner of the house taking a directorship except at the earnest request of the board of directors of the company in question. It is often useful for the directors of a company who are not financial experts to have an expert of that sort, in whom they have confidence, at hand for consultation. This is why I regret the tendency of so much present day legislation which endeavors to prevent bankers from being directors of one thing or another; or which throws on directors such liabilities for errors for which they could not be responsible as to make it too dangerous for any man of experience or means to assume such responsibilities.

We must not lose sight of the fact that the steady supply of capital for industry is an essential of our system, and that anything which may hinder the flow of such a supply, or needlessly diminish the confidence of the investor in the safety of his investments, is undesirable. At the present moment, owing to the destruction of confidence in this time of depression, there is no flow of capital into industries, and consequently no investment possible for the savings of the people which are turned over daily to savings banks and insurance companies to be invested. Just at present these are the only sources from which industry can obtain its needed capital, as the savings of the incomes of private persons have been so greatly reduced by the depression and by the extreme weight of taxation on incomes and estates; and as the depression, for the first time as far as I know in the history of the world, is so widespread no country can lend money in any other.

Though, at the present time, there is no demand for capital for industry, this condition will pass, and we should not, by any means, force the organization for distribution of securities out of business, lest when there is again a legitimate demand for capital it be found that the machinery of distribution has disappeared. No private banker, whether he is, as we are, a wholesale merchant of securities or whether he deals directly with the ultimate investor, could continue in the business if he had no other sort of business to fall back on in such times as the present.

The question has been raised whether a private banker should be permitted to accept deposits. The laws of the State of New York very wisely, as I think, and under careful restrictions have sanctioned the practice. Those restrictions prevent, among other things, our holding ourselves out as depositaries for the public and from paying interest on deposits of less than \$7,500. The bulk of our deposits has come from our having done work for some client, or because we are the paying agents for coupons, or the custodians of sinking funds. If we, for instance, should be deprived of the right to receive deposits which clients wish to leave with us, we should very probably have to disband a large part of our organization and thus should be less able to render in the future that im-

portant service in the supply of capital for the development of the country which we have rendered in the past.

In regard to the presence of private bankers on the boards of directors of other banking institutions, I believe it to be true that none of the directorships held by any private banker in other banking institutions is held at his request, but because of the strong desire of those in charge of the institution of which he becomes a director. This certainly is the case in our own office and I believe in other cases too, although of course I cannot speak for anybody but our own firm. Personally, I have always been averse to banking directorships for my partners, but I feel constrained reluctantly to consent, because of my belief that it is one of the duties of a private banker to be of use in the general affairs of the community, and that the only way people can be helped is in the way they wish to be helped. Therefore, if friends in whom we have confidence ask us to serve them by advising them, we are bound to give them the best advice we can. No law could prevent anyone from discussing problems with, and seeking advice from, friends in whose judgment he has a confidence which is the result of years of experience and cooperation, and I do not see any need for legislation which makes such consultation more difficult.

The private banker is also useful in offering a sort of neutral territory where, at times, the management of incorporated banks may meet and discuss the general problems without rivalry or competition. I believe if you were to ask the heads of all the great banks in New York who have had experience of both good and bad times, you would be assured that the private bankers, by offering that neutral ground, have served a very useful purpose, and would have been much missed had they been forced out of business by law, either State or Federal.

To sum up, I state without hesitation that I consider the private banker a national asset and not a national danger. As to the theory that he may become too powerful, it must be remembered that any power which he has comes, not from the possession of large means, but from the confidence of the people in his character and credit, and that that power, having no force to back it, would disappear at once if people thought that the character had changed or the credit had diminished—not financial credit, but that which comes from the respect and esteem of the community.

Mr. PECORA. Mr. Morgan, have you stated in the record your residence?

Mr. MORGAN. No. My residence is at Glen Cove, N.Y.

Mr. PECORA. And what is your business address?

Mr. MORGAN. 23 Wall Street.

Mr. PECORA. What is your business or profession?

Mr. MORGAN. Private banker.

Mr. PECORA. Are you in business for yourself or a member of any firm or copartnership?

Mr. MORGAN. I am a member of the firm of J. P. Morgan & Co., and of Drexel & Co., which are one firm; and have also a partnership interest in the two foreign houses of the house of J. P. Morgan & Co.

Mr. PECORA. What are the names of those two foreign houses?

Mr. MORGAN. Morgan, Grenfell & Co. of London, and Morgan & Co., in Paris.

Mr. PECORA. Are the two latter companies copartnerships, Mr. Morgan?

Mr. MORGAN. Well, in London, it is a company under the unlimited liability company law. In Paris it is a copartnership.

Mr. PECORA. How long has the firm of J. P. Morgan & Co. been in existence?

Mr. MORGAN. They began on the 31st of December, 1904, if I remember rightly.

Mr. PECORA. Have you been a member of the firm since that time?

Mr. MORGAN. Yes.

Mr. PECORA. Were you a member of any other firm engaged in the banking business prior to 1904?

Mr. MORGAN. That was 1894.

Mr. PECORA. I thought you said 1904.

Mr. MORGAN. Well, I meant 1894. I was wrong. Yes; I was a partner of Drexel, Morgan & Co., and of Drexel & Co., which were the predecessors of J. P. Morgan & Co.

Mr. PECORA. Might I have a copy of the statement which you read into the record at the outset of this hearing?

Mr. MORGAN. Certainly. Let us have some copies.

Senator GORE. Have they been distributed?

Senator REYNOLDS. No.

Senator GORE. Have you copies for the members of the committee?

Mr. DAVIS. Yes, Senator Gore; we have. We will pass them around to the members of the committee.

Mr. PECORA. Mr. Morgan, will you state the general nature of the business conducted by the firm of J. P. Morgan & Co.?

Mr. MORGAN. A general banking business, such as is conducted under the law of New York by a private banker. We take deposits from people who wish to deposit with us. We at times issue securities. We buy and sell exchange. We issue letters of credit. We take orders which we have executed on the stock exchange. In fact, we do a general banking business.

Mr. PECORA. A general banking and investment business?

Mr. MORGAN. Yes. But the investment is not the largest part of our business, in my opinion.

Mr. PECORA. How many individuals compose the firm of J. P. Morgan & Co. at the present time?

Mr. MORGAN. That is a most difficult question to answer. I think there are 20. You have them listed for you there. I think it is 20.

Mr. PECORA. Has it since its institution in 1894 consisted of 20 partners?

Mr. MORGAN. Oh, no. We have gradually added as we needed them.

Mr. PECORA. At the present time, from the statement you read into the record, I understand that you are the senior partner of the firm?

Mr. MORGAN. I am the senior partner.

Mr. PECORA. How long has the firm been constituted as it now exists?

Mr. MORGAN. 1916, I believe, the 31st of March.

Mr. PECORA. Has it had the same copartners continuously since that time?

Mr. MORGAN. Oh, no. We have taken on new ones, we have lost some by death and some by retirement. It is like any other big machine.

Mr. PECORA. Well, I asked you how long the firm had been constituted as it now exists.

Mr. MORGAN. Three years, is it? When was the last time a partner was added?

Mr. WHITNEY. January 2, 1932.

Mr. MORGAN. Two years.

Mr. PECORA. Will you designate or give the names of your copartners in that firm?

Mr. MORGAN. Have you got a list there, somebody? I never can repeat a whole list from memory. I am sorry to give you that answer, Mr. Pecora.

Mr. PECORA. All right. Let us have them.

Mr. MORGAN. A list of partners of J. P. Morgan & Co. at the end of December 31, 1931—and that does not take in Mr. Dickey, does it?

Mr. WHITNEY. Mr. Charles D. Dickey.

Mr. PECORA. All right. Let us have the list.

Mr. MORGAN. Myself, E. T. Stotesbury, Charles Steele, Thomas W. Lamont, Horatio G. Lloyd, Dwight W. Morrow—no, he retired. Thomas Cochran, Julius S. Morgan, George Whitney, Thomas S. Gates—no, he has retired. Russell C. Loffingwell, Francis D. Bartow, Arthur M. Anderson, William Ewing, Harold Stanley, H. S. Morgan, Thomas S. Lamont, H. P. Davison, Thomas Newhall, Edward Hopkinson, Jr., S. Parker Gilbert, and Charles D. Dickey.

Mr. PECORA. When did Mr. Dickey become a partner?

Mr. MORGAN. On the 2d of January 1932.

Mr. PECORA. Are there any written articles of copartnership?

Mr. MORGAN. Oh, yes.

Mr. PECORA. And do those articles of copartnership define the respective rights and interests of the various partners?

Mr. MORGAN. Yes; they do. Yes.

Mr. PECORA. And they set forth, do they, the basis upon which the partners contribute to the capital of the firm?

Mr. MORGAN. They have an outline of it, but it is not complete.

Mr. PECORA. Have you a copy of the articles of copartnership here, Mr. Morgan?

Mr. MORGAN. No.

Mr. PECORA. Has any of your associates, if you know, who are gathered about the room here, a copy of those articles of copartnership?

Mr. MORGAN. No. They have not.

Mr. PECORA. Could a copy of those articles be made available to the committee?

Mr. DAVIS. I think, Mr. Chairman, that we should not be required to do that. I cannot see that it would in any way illuminate this work. These gentlemen are general partners, and they stand bound each for all and all for each.

Senator COSTIGAN. What is the objection to furnishing them?

Mr. PECORA. I do not know.

Mr. DAVIS. The objection is that it seems purely a matter between the partners themselves. It cannot have any relevancy to any public interest in this matter as long as it is understood that they are all general partners, and all equally bound, that a partner is bound for the entire obligations of the firm.

Mr. PECORA. That is the statement of counsel. I think the liabilities would be fixed and determined by the articles of copartnership themselves. And I think the committee is entitled to have them.

Mr. DAVIS. If I might suggest, why don't you ask the witness if they are not all general partners and all bound for it?

Mr. PECORA. I should rather have the document to speak for itself.

Senator BARKLEY. Might I ask, Mr. Davis: Under the law of New York whether there is any place where articles of copartnership are filed or recorded?

Mr. DAVIS. There is not. It is purely a private matter; unless a copartnership is of limited character, and then notice must be given. But if there is no filing there is no limitation.

The CHAIRMAN. Do those articles set out the rights and interests of each individual partner, or are they just general articles of copartnership without specifying the rights and interests of each individual partner?

Mr. DAVIS. Never having seen the articles myself I cannot say, but I would say that the articles naturally provide what the interests of the partners shall be in the firm. But they do not limit the liabilities of the partners for the firm's obligations.

Senator BARKLEY. Do they provide in an automatic way whereby a new partner is taken in, or is there a new article added?

Mr. MORGAN. Yes.

Mr. DAVIS. There is a new article each time.

Senator BARKLEY. They have a new article each time?

Mr. DAVIS. Yes, sir; in taking in a new partner there is a new article added.

Mr. PECORA. It seems to me the document called for, to be produced, is essential to the obtaining by this committee of necessary information with regard to the operations and practices of the banking firm of which the witness has stated he is the senior partner, and which firm he has also stated is engaged in the general banking business.

The CHAIRMAN. What is the sense of the committee on that subject?

Senator BYRNES. What is the object of the question?

The CHAIRMAN. What was that?

Senator BYRNES. What is the object of the question? I did not hear it if it was stated.

Mr. PECORA. It is a question of the relationship between profits, capital, and losses, and I think is an important matter for this committee to inquire into in any investigation into the practices of banking firms. This banking firm, as has been shown by the testimony already given by the witness, receives deposits from the public, or, as he put it, from whoever chooses to leave deposits with them.

Senator COUZENS. Might I suggest that this matter be decided in executive session?

The CHAIRMAN. Very well.

Senator STEIWER. I think that is most appropriate. Now might I ask counsel a question: To what phase of this investigation would this information relate or be pertinent?

Mr. PECORA. The question of liability of the individual partners. This is a firm which accepts deposits from the public.

Mr. DAVIS. Isn't it true, Mr. Pecora, that under the laws of New York unless they comply with the statute to affect limitation by recordation, that they are all liable for the total liabilities of the firm? There can not be any doubt about that, can there?

Mr. PECORA. That may be, and undoubtedly is true, Mr. Davis, but—

Senator COUZENS (interposing). We have no record of it here.

Mr. PECORA. No.

The CHAIRMAN. Can you proceed with something else, Mr. Pecora?

Mr. PECORA. Is it intended to decide that matter in executive session? If so, we will pass it for the time being.

The CHAIRMAN. We will pass this question for the present and consider it in executive session.

Mr. PECORA. Mr. Morgan, who prepared the statement which you read into the record?

Mr. MORGAN. Myself.

Mr. PECORA. Did you prepare it after a conference with your partners?

Mr. MORGAN. Well, it was suggested by one of them that it might be useful. And I asked various of them to look it over and see whether I had made duplications, or something of that sort. But I did it myself entirely.

Mr. PECORA. Did any of your partners express any dissent from any of the views or statements embodied in this statement?

Mr. MORGAN. None of them.

Senator COUZENS. Might I ask a question, Mr. Chairman?

The CHAIRMAN. Yes.

Senator COUZENS. Does this represent the general intent of all private bankers?

Mr. MORGAN. I cannot speak for anybody but ourselves.

Senator COUZENS. I understand; but in reading through the statement there appears many times a reference to private bankers, and therefore it seems to be all-inclusive.

Mr. MORGAN. Well, it is my view of the duties and uses of private bankers. I cannot answer as to—

Senator COUZENS (interposing). You do not know whether this applies to all private bankers?

Mr. MORGAN. I do not know whether all private bankers take the same view of their duties and responsibilities.

Senator COUZENS. So I think it might be understood that this does not represent the conduct or obligations or standing of all private bankers?

Mr. MORGAN. I cannot say that it does or does not.

Senator COUZENS. I only wanted to make clear that this could not stand as a statement applicable to all private bankers.

Mr. PECORA. In other words, this statement represents your views as well as the views of your partners in the firm of J. P. Morgan & Co.?

Mr. MORGAN. Yes, sir.

Mr. PECORA. Is the business of J. P. Morgan & Co. departmentalized among its partners?

Mr. MORGAN. Not in any formal way; no.

Mr. PECORA. Is it in any informal way?

Mr. MORGAN. No. If a subject comes up, and we have somebody who knows more about that kind of subject than any of the rest of us, he generally takes charge of it.

Mr. PECORA. Well, what subjects, then, are especially assigned to individual partners under that informal arrangement?

Mr. MORGAN. As they come up they are assigned to them.

Mr. PECORA. Well for instance, what subject or subjects would be especially assigned to yourself?

Mr. MORGAN. Well, I do not get any assigned to me now. I am more or less retired.

Mr. PECORA. Do you make the assignments yourself?

Mr. MORGAN. No; we do it as a firm. Every act that we do is done as a firm. As a matter of fact, I used to be very active in the firm, and as I became older I found that I had some very useful and some very, very good partners, and I leave it mostly to them.

Senator BARKLEY. You do not admit that you are old enough to retire, do you, Mr. Morgan?

Mr. MORGAN. Pretty nearly.

Mr. PECORA. You do not want the committee to understand that you have retired from the general supervision of the firm, do you?

Mr. MORGAN. No. I have general supervision, and I accept complete responsibility, as we all have to do.

Mr. PECORA. What matters or subjects of firm business are assigned to any other partner in your firm, if you can tell us?

Mr. MORGAN. Well, I really do not know. Very often it would depend upon who is there.

Senator GORE. Could you divide the work, if you cannot assign it, to those who are in the different departments? What are the departments themselves, regardless of who have charge of them?

Mr. MORGAN. Such as—

Senator GORE (continuing). Deposits, foreign loans, domestic loans, foreign exchange, whatever it is.

Mr. MORGAN. Sales of securities, general banking, exchange, credit letters, and all that sort of thing.

Senator REYNOLDS. Mr. Chairman, I should like to ask him one question.

The CHAIRMAN. All right.

Senator REYNOLDS. Mr. Morgan, who has charge of the business of buying foreign securities and marketing them in this country?

Mr. MORGAN. Well, we have them all taken in individually, more or less, but I think Mr. Lamont is the one who has done more of that. He appeared before a committee down here 6 months ago or a year ago and gave a full statement.

Senator GORE. That was the Finance Committee?

Mr. MORGAN. Yes.

Mr. PECORA. Is that Mr. Thomas W. Lamont?

Mr. MORGAN. Yes, sir; Mr. Thomas W. Lamont.

Senator GORE. What is the amount of your deposits? I should like to know that at this point.

Mr. MORGAN. What was that?

Senator GORE. The amount of your deposits.

Mr. MORGAN. The amount of our deposits?

Senator GORE. Yes, sir.

Mr. MORGAN. In the two houses about \$250,000,000 or thereabouts. It varies.

Mr. DAVIS. We have given that exact figure to counsel for the committee.

Senator GORE. Then that was given before I came in.

Mr. DAVIS. We gave him a statement.

Senator REYNOLDS. No. That has not been developed so far, Senator Gore.

Mr. DAVIS. We have given counsel for the committee a full statement.

Mr. PECORA. Do the copartners of your firm hold meetings or conferences at regular intervals for the discussion and transaction of the firm's business?

Mr. MORGAN. For discussion; yes. Transaction is generally done with outsiders, so that they do not come into it. But for the discussion of business; yes.

Mr. PECORA. How frequently are those meetings of the partners held?

Mr. MORGAN. Every week day but Saturday.

Mr. PECORA. Every day but Saturday?

Mr. MORGAN. Every week day but Saturday.

Mr. PECORA. Are any minutes kept—

Mr. MORGAN (interposing). No.

Mr. PECORA (continuing). Of the proceedings or discussions of your partners at those meetings?

Mr. MORGAN. No.

Mr. PECORA. Is any written record of any kind kept of the proceedings and discussions at those meetings?

Mr. MORGAN. Only the names of those who are there.

Senator COUZENS. Do you have any bylaws?

Mr. MORGAN. No.

Mr. PECORA. The only record kept is that which would show the names of the partners attending each conference; is that it?

Mr. MORGAN. Yes.

Mr. PECORA. No record is kept of the deliberations or proceedings?

Mr. MORGAN. None whatever.

Senator COUZENS. Nor of the conclusions?

Mr. MORGAN. Or of the conclusions.

Mr. PECORA. Has that always been the rule?

Mr. MORGAN. That has always been the rule.

Mr. PECORA. As long as you can recall?

Mr. MORGAN. This plan of having meetings was started about 22 or 23 years ago. At the first meeting it was decided that no minutes should be kept.

Mr. PECORA. Prior to that time were any minutes kept?

Mr. MORGAN. We did not have any meetings.

Senator COUZENS. Was your father at the head of it at that time?

Mr. MORGAN. My father was at the head of it at that time. But he did not usually come down early enough to get to the meetings. He never attended one.

The CHAIRMAN. Are all of the partners present at every meeting?

Mr. MORGAN. Every partner, unless he has something else that he must do.

The CHAIRMAN. How many partners generally attend?

Mr. MORGAN. Oh, it depends upon who is there in New York. Or if the Philadelphia partner is over there in New York he comes in, too. There may be 15 present.

Mr. PECORA. You stated that in 1894 it was decided not to keep minutes of those meetings.

Mr. MORGAN. Not in 1894. I said about 20 years ago, when we began having meetings. Up to that time we never had them. And we found that it was rather difficult to get along without having all know what was going along, and when we got rather numerous we decided it would be a good plan to have those meetings.

Mr. PECORA. What was the reason for not keeping any minutes or other written record of the proceedings of the meetings of your partners?

Mr. MORGAN. Well, for reasons of convenience. It would take one man's time to write them up, and they wouldn't be of any use to you.

Mr. PECORA. Would they serve as good a purpose as do the minutes of meetings of boards of corporations?

Mr. MORGAN. Oh, no. Because you do not have to keep a record of anything, like with a corporation you would have to have a vote on a thing. In our organization you do not have to have a vote.

Mr. PECORA. Is that the only reason why it was decided not to keep minutes of your meetings?

Mr. MORGAN. That is the only reason so far as I ever heard.

Mr. PECORA. When a question arises as to what action took place at a meeting of your partners, how is the question determined, according to the recollection of the partners?

Mr. MORGAN. Yes. And I must say that I have never known of their recollections to vary materially at all.

Mr. PECORA. All recollections are uniformly good?

Mr. MORGAN. Yes.

Mr. PECORA. Are all of the partners of the firm known as J. P. Morgan & Co. also partners of the firm known as Drexel & Co.?

Mr. MORGAN. Yes. In fact, it is one firm.

Mr. PECORA. It is one firm?

Mr. MORGAN. It is one firm, doing business in two places with two names.

Mr. PECORA. Where is the place of business of the firm of Drexel & Co., or rather, your firm under its name of Drexel & Co.?

Mr. MORGAN. The place of business of Drexel & Co.—it is in Philadelphia at Fifteenth and Chestnut Streets.

Mr. PECORA. Are there any independent auditing or accounting or bookkeeping departments kept in the Philadelphia office of Drexel & Co.?

Mr. MORGAN. Oh, yes. They run their own bookkeeping, their own establishment.

Mr. PECORA. Which members of the firm are resident in the city of Philadelphia and actively look after the immediate interests and business of the Philadelphia office?

Mr. MORGAN. Mr. Stotesbury, Mr. Lloyd, Mr. Newbold, Mr. Hopkinson, and Mr. Dickey. There are also in Philadelphia one or two others interested only in the Philadelphia side.

Senator REYNOLDS. Mr. Chairman, I would like to ask Mr. Morgan a question.

The CHAIRMAN. Proceed.

Senator REYNOLDS. Mr. Morgan, I believe you stated to the committee a moment ago that your organization kept no record of what took place at any of the meetings.

Mr. MORGAN. Yes.

Senator REYNOLDS. Let us suppose that at the particular meeting time of one of the sessions a couple of your partners happened not to be present, and two months after that they wanted to find out what had taken place at that particular meeting, how would you advise them as to what had taken place at that time?

Mr. MORGAN. I should refer them to the books to see what transactions had gone on.

Senator REYNOLDS. Refer them to the books?

Mr. MORGAN. Refer them to the firm's books.

Senator REYNOLDS. Refer them to the firm's books?

Mr. MORGAN. Of account; yes.

Senator REYNOLDS. Then the minutes of each particular meeting are recorded by way of what took place on that particular date?

Mr. MORGAN. Yes.

Senator REYNOLDS. And as a consequence thereof they serve as the minutes of the meeting?

Mr. MORGAN. No. The books show actual transactions completed.

Senator REYNOLDS. Yes.

Mr. MORGAN. And they could find out from those what transactions had been completed they did not happen to know about. But most of them make inquiries when they come back: "How about that thing?" "How does this thing stand?" and so on, you see.

Senator REYNOLDS. Now, the matters that you discuss that day, do those transactions take place on that day?

Mr. MORGAN. Not necessarily.

Senator REYNOLDS. Well, then, how do you keep a record of the matters that you discuss on that particular meeting day if the transactions do not take place then?

Mr. MORGAN. We do not. Because the business moves along, and the next day or the next, or three days afterward the interview with the client has taken place and the partner in charge reports to that meeting.

Senator REYNOLDS. Well, Mr. Morgan, you do have a record? You meet every day, do you not?

Mr. MORGAN. Yes.

Senator REYNOLDS. And of course you do keep a record of the names of the members of the firm that attend that meeting?

Mr. MORGAN. Yes.

Senator REYNOLDS. You keep their names?

Mr. MORGAN. Yes.

Senator REYNOLDS. But that is all?

Mr. MORGAN. That is all.

Senator REYNOLDS. Nothing else?

Mr. MORGAN. Nothing else.

Senator REYNOLDS. Now, naturally, you have a stenographer present at each one of your meetings, do you not?

Mr. MORGAN. Oh, no.

Senator REYNOLDS. You do not have a stenographer at all?

Mr. MORGAN. No.

Senator REYNOLDS. And your firm keeps no record whatsoever?

Mr. MORGAN. Of what goes on at the partners' meetings; no.

Senator REYNOLDS. All right. That is all, Mr. Morgan.

Senator GLASS. Mr. Chairman, let me ask a question.

The CHAIRMAN. Yes.

Senator GLASS. Although a member of the subcommittee I have been through such a mass of other legislative matters that I have not been able to attend the meetings. I would like to know if the counsel in charge has conferred with the subcommittee and has given us any indication of what it is he proposes to prove, in order that we may understand the significance of questions asked here?

Mr. PECORA. Senator, I have——

Senator GLASS. In other words, of what interest is it to the subcommittee or to anybody as to the exact location of the house of Drexel in Philadelphia?

Mr. PECORA. That question, Senator, was simply an incidental question to the ascertainment of the firm of J. P. Morgan & Co. and Drexel & Co., its places of business, names of the members of the firm, and its legal status.

Senator GLASS. Mr. Morgan stated that it was the same, and that Drexel & Co. were located in Philadelphia.

Mr. PECORA. Yes. I did not pursue that any further, having elicited that information for the record.

Senator GLASS. Well, then, be good enough to answer my question as to whether you have indicated to the subcommittee what testimony you propose and expect to bring out.

Mr. PECORA. I have not indicated it in any regular meeting of the subcommittee. I have on occasion conferred with the chairman of the committee, Senator Glass, and indicated to him in a very general way the lines of inquiry that I was pursuing as counsel for the committee.

Senator GLASS. I, myself, would like to understand the significance of the questions being asked; whether they are to elicit information supposed to be useful to the Banking and Currency Committee and the Congress in enacting legislation or whether they are just in the form for a court inquiry?

The CHAIRMAN. Counsel laid the foundation for the question and asked the questions directly on that.

Senator REYNOLDS. Mr. Chairman, I would like to ask a question.

The CHAIRMAN. Proceed.

Senator REYNOLDS. Mr. Morgan, have you any objection to providing this committee with the articles of copartnership?

Mr. MORGAN. I would greatly prefer not to do so.

Senator COSTIGAN. What is the basis of the objection?

Mr. MORGAN. The basis of the objection is that that ceases to be an inquiry into the affairs of a firm and becomes an inquiry into each individual partner's personal affairs, and I do not understand that those are part of this investigation.

Senator McADOO. Mr. Chairman, as I understand it, that question has been relegated to an executive committee now and it seems to be useless to discuss it at this time.

The CHAIRMAN. Yes; it has. No; it is not necessary to discuss it now. Let us proceed, Mr. Pecora.

Senator GORE. Do these articles undertake to define or limit the duties, the functions, or activities of your firm?

Mr. MORGAN. No.

Senator BARKLEY. Or the obligations?

Mr. MORGAN. Oh, no obligations. Except to give their entire time to the business.

Senator BARKLEY. I mean the financial liability?

Mr. MORGAN. The financial liability is not specified because it is complete for every single member.

Senator BARKLEY. Regardless of the size of each man's interest in the partnership he is liable for the whole?

Mr. MORGAN. Absolutely.

Senator COSTIGAN. Do they not develop your relations to the public?

Mr. MORGAN. No; not at all.

Senator McADOO. Mr. Morgan, it is a joint and several liability, is it not?

Mr. MORGAN. Absolutely.

Senator McADOO. That is all there is to it?

Mr. MORGAN. Complete.

Senator COUZENS. In that connection, Mr. Morgan, you said there were several partners in Philadelphia.

Mr. MORGAN. Yes.

Senator COUZENS. That do not appear in the New York firm?

Mr. MORGAN. Yes.

Senator COUZENS. Well, how can they be just as counsel, Mr. Davis, has said, all for one and one for all, if there is a division between the two houses?

Mr. MORGAN. They would be liable. They are partners in Philadelphia in the earnings of Philadelphia. But they are liable like everybody else for all the debts of all the houses.

Senator COUZENS. Mr. Davis, you did not make that plain.

Mr. MORGAN (after conferring with his counsel, Mr. Davis). Only of Drexel & Co. I was wrong, Senator. I beg your pardon.

Senator COUZENS. So, Mr. Davis did not make it quite accurate when he said they were all for one and one for all, because it appears now that there are partners in Philadelphia that are not responsible for the others?

Mr. MORGAN. Well, as there are in London and as there are in Paris.

Senator COUZENS. Yes.

Mr. DAVIS. I think, Senator, as long as I used that perhaps inaccurate statement that perhaps—

Senator GORE. The partners are the same in these concerns, but their responsibilities are distinct? Each firm has its distinct responsibilities, distinct from the others?

Senator COUZENS. Mr. Davis started to answer a query, Senator.

Senator GORE. I beg your pardon.

Mr. DAVIS. I started to answer this question that perhaps under the strict application of the rule of law of electus personorum, of the rule of partnerships, the firm of Drexel & Co. is separate from J. P. Morgan & Co., because it has, I believe, two junior partners who were elected specifically to that firm, and because of that, if we were speaking in terms of strict law, that might create a separate legal entity. But the two firms are treated as one and the same, except for this interest of the two juniors.

Senator COUZENS. Is that true with regard to the foreign companies?

Mr. MORGAN. No, it is not true.

Senator BARKLEY. Does not that then make it necessary to have a separate copartnership for the Philadelphia office?

Mr. MORGAN. Yes.

Senator BARKLEY. And a separate copartnership for the London and Paris offices?

Mr. MORGAN. That is quite true.

Senator BARKLEY. So they are not branch houses of one copartnership?

Mr. MORGAN. No.

Senator COUZENS. So they are not one for all and all for one.

Mr. DAVIS. I just am advised by Mr. Whitney that we filed in Philadelphia, under the Pennsylvania law, an agreement in Philadelphia, a fact of which I was not advised.

Senator COSTIGAN. Which agreement did you file there?

Mr. DAVIS. Drexel & Co. It is a separate partnership in that sense, although not so treated.

The CHAIRMAN. You have 4 separate partnership agreements; 1 in New York, 1 in Philadelphia, 1 in London, and 1 in Paris.

Senator COSTIGAN. Are they on file anywhere, the London and Paris agreements?

Mr. DAVIS. I should like Mr. Leffingwell to answer as to the status of the London and Paris firms.

Senator COSTIGAN. May I ask whether the London and Paris agreements are on file anywhere?

Mr. DAVIS. Do you mean London and Paris?

Senator COSTIGAN. Yes.

Mr. MORGAN. The one in London, I can answer that question, sir. The one in London, I know about that. We conform to the companies law in England.

Senator COSTIGAN. There are articles of incorporation?

Mr. MORGAN. There are articles of incorporation, and stock issued.

Senator COSTIGAN. And those are on file?

Mr. MORGAN. Those are on file in London. In Paris they are registered under the French law, but which is more complicated than I can understand.

Senator COSTIGAN. Are they available for public inspection where registered?

Mr. MORGAN. I believe so.

Senator GORE. And the ones in Philadelphia are also?

Mr. MORGAN. So I understand.

Senator GORE. Yes; so then there would be no objection to filing those?

Mr. MORGAN. May I ask Mr. Whitney to explain that, because I do not know this Philadelphia arrangement?

Mr. WHITNEY. The situation is that there is 1 firm of 20 partners—

The CHAIRMAN. What is the name?

Mr. WHITNEY. Mr. George Whitney.

Senator McADOO. May I ask if we can have order? We cannot hear down here what the witness is saying.

The CHAIRMAN. Let us have order here. The people must sit down or move out, or move in and get seated, and let us be quiet.

Senator McADOO. The chief disturbance seems to be in the hall. If that could be quieted.

Mr. PECORA. I would suggest for the record that Mr. Whitney be sworn if he is going to make some statements for the record.

The CHAIRMAN. Do you solemnly swear, Mr. Whitney, that the evidence you will give in this hearing will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WHITNEY. I do. The situation is there are 20 partners in the firm of J. P. Morgan & Co. and Drexel & Co. Their liabilities are complete and undivided—complete liabilities.

Senator McADOO. Speak a little louder, please.

Mr. WHITNEY. Complete liabilities for the obligations of both the firms of J. P. Morgan & Co. and Drexel & Co. In Philadelphia, under the Pennsylvania law, there are four—I think—men who are so-called “partners” in Drexel & Co. and liable for the full obligations of Drexel & Co., but they have nothing to do with J. P. Morgan & Co. We have to file under the Pennsylvania law a certificate of copartnership in Pennsylvania, and in that there is a list of the partners, 20 partners in both firms, and I think it is 4 who are partners merely in Philadelphia. But the liability of the 20 partners of J. P. Morgan & Co. is complete and several as to the obligations of both J. P. Morgan & Co. and Drexel & Co.

Senator GORE. Are they distinct legal entities? What I am trying to get at is this: If they sued the New York concern and got a judgment against them would the Philadelphia concern be liable? I could not get the point of distinction.

Mr. WHITNEY. I did not quite get that.

Senator ADAMS. Let the reporter read the question.

(Thereupon the last question by Senator Gore was read by the reporter as above recorded.)

Mr. WHITNEY. The five Philadelphia resident partners, who are also partners in J. P. Morgan & Co., would be liable; yes. The four other junior partners in Drexel & Co. would not be liable for the obligations of J. P. Morgan & Co.

Senator ADAMS. You set up a separate capital structure in your Philadelphia office from your New York office?

Mr. WHITNEY. On our books, yes. It is run entirely separate from the New York office, as a distinct entity, so far as the books are concerned.

Senator ADAMS. The deposits made there are made merely on the Philadelphia books?

Mr. WHITNEY. Yes. Two different sources. They come together through the 20 partners.

Senator GORE. I still do not understand whether their obligations are common, are joint or not.

Mr. WHITNEY. They are common, sir, as far as the 20 partners of J. P. Morgan & Co.

Senator GORE. In the two firms?

Mr. WHITNEY. In the two firms, which is the list which Mr. Morgan read to you. Then there are in addition to those 20, so far as Drexel & Co. are concerned—there are 4 others who are liable merely for the obligations of Drexel & Co.

Senator GORE. They are limited partners.

Mr. PECORA. May we have the names of those four, Mr. Whitney?

Mr. WHITNEY. They have been furnished to you. They are Arthur E. Newbold, H. Gates Lloyd, Jr., Edward H. York, Jr., and Perry E. Hall.

Senator REYNOLDS. Mr. Witness, talk a little louder.

Mr. WHITNEY. Arthur E. Newbold, H. Gates Lloyd, Jr., Edward H. York, Jr., and Perry E. Hall.

Mr. PECORA. Mr. Morgan, what is the end of the fiscal year adopted by J. P. Morgan & Co.?

Mr. MORGAN. Generally the 31st of December. It is the 31st of December.

Mr. PECORA. Now, at the end of the last fiscal year your firm was in receipt of deposit accounts which it maintained for the account of customers, was it not—depositors?

Mr. MORGAN. It had deposit accounts; yes.

Mr. PECORA. Do you know what the aggregate amount was of those deposit accounts at the end of the last fiscal year?

Mr. MORGAN. December 31, 1932, \$340,000,000.

Mr. PECORA. What was the capital of the firm on that date?

Mr. MORGAN. \$53,194,000, and odd.

Mr. PECORA. Does that capital represent contributions thereto of all the partners?

Mr. MORGAN. Its net worth. The net worth is what answers to capital. And that means the balance standing to the credit of the partners' accounts beyond the total amount of the liabilities of the firm.

Senator COUZENS. I do not think that answer is quite complete.

Senator BARKLEY. In that bookkeeping process do you count deposits as liabilities?

Mr. MORGAN. Do I? I do not think that question is very necessary, Senator.

Senator GORE. What reserve do you carry against your deposits? Does it vary, or do you have a fixed rule? A fixed minimum?

Mr. MORGAN. Do we have what?

Senator GORE. Do you have a fixed minimum?

Senator COSTIGAN. Of reserve against your deposits?

Mr. MORGAN. It has all been given to the committee. We do not carry a legal reserve.

Senator GORE. So I understand.

Mr. MORGAN. But at that moment we had cash on hand and in bank of \$33,800,000, call loans of \$7,300,000, and United States Government securities of \$224,000,000.

Senator COUZENS. Do you pay interest on those deposits?

Mr. MORGAN. Oh, yes.

Senator COUZENS. Uniform rates?

Mr. MORGAN. We pay rates—just what the clearing house pays.

Senator COUZENS. Does it vary with different customers?

Mr. MORGAN. No.

Senator COUZENS. What would be the position if we passed the Glass bill prohibiting interest to be paid on commercial deposits in commercial banks, and you were not required not to pay interest on those deposits? I assume that the deposits would flow to your bank, would they not?

Mr. MORGAN. And we were able to pay interest on the deposits?

Senator COUZENS. Yes.

Mr. MORGAN. If we could find an investment for it.

Senator COUZENS. I mean, if the Glass bill should pass and interest be prohibited from being paid by commercial banks on demand deposits, then the deposits would automatically flow to the private banks where they did pay interest, would they not?

Mr. MORGAN. Probably. I think they would.

Senator COUZENS. Yes.

Mr. MORGAN. How much the private bankers would be able to paying interest I do not know.

Senator COUZENS. Well, of course that would vary according to conditions.

Mr. MORGAN. Yes.

The CHAIRMAN. It would apply to all banks. The others could not do it any more than they could.

Senator GLASS. Under another provision of the bill a private banker engaged principally in the investment business could not receive deposits.

Senator BARKLEY. Mr. Chairman, may I suggest that the Glass bill is on the calendar of the Senate, and I would like to know if we are going into hearings on that bill, or are we going to pursue the stock market investigation?

Senator COUZENS. Well, I might point out to the Senator from Kentucky that there are many features of the Glass bill which have relation to this investigation and it is perfectly pertinent to ask questions.

The CHAIRMAN. Proceed, Mr. Pecora.

Senator GORE. Mr. Morgan, this is the point. You stated the amount of your deposits and cash on hand and your securities held. Will you give the amount of your loans?

Mr. MORGAN. I think that we have already given the whole balance sheet.

Senator GORE. Have you?

Mr. MORGAN. To counsel.

Senator GORE. Well, I did not know that.

Mr. MORGAN. The whole statement to counsel.

Senator GORE. I beg your pardon.

Mr. MORGAN. And I think it is hardly worth while to give it out of its place.

Senator GORE. All right. Go ahead.

Senator BARKLEY. The difference is that we are making a record here, and what you have given counsel privately does not go into the record.

Senator GORE. A man reading the record alone does not have it if is not placed in the record.

The CHAIRMAN. Put that in the record.

Mr. MORGAN. If you will allow me I will put this into the record, sir.

The CHAIRMAN. Very well.

Mr. MORGAN. Do you want it read into the record? Shall I read it? It is pretty hard to follow.

The CHAIRMAN. Let us put it in the record.

Senator GORE. Put it in the record; yes.

Mr. MORGAN. Have it inserted in the record? All right.

Senator GOLDSBOROUGH. I suggest that counsel for the committee be allowed to continue his questioning.

The CHAIRMAN. Well, the counsel is ready, but the Senators are interrupting him. The counsel is ready to proceed, but at the time he proceeds somebody asks a question, and we cannot very well stop that. Go ahead, Mr. Pecora.

Mr. PECORA. Mr. Morgan, do you recall that during the month of March of this year, as counsel for this committee I addressed what might be called a questionnaire to your firm?

Mr. MORGAN. Yes.

Mr. PECORA. And among the questions shown on that questionnaire was one which I will read to you, known as "question 16", calling for the balance sheets of the firms of J. P. Morgan & Co. and Drexel & Co., showing assets, liabilities, and capitalization at the end of each fiscal year during the period commencing with the 1st of January 1927, terminating on the 31st of December 1932. Did your firm in response to that question submit or render to me the statement which I now show you and which is captioned: "Consolidated statement of condition of J. P. Morgan & Co. and Drexel & Co."?

Mr. MORGAN. We have a copy of that; yes.

Mr. PECORA. I mean, I want to put that in the record. Have it marked.

Mr. MORGAN. I understand. Then you will put that into evidence?

Mr. PECORA. Yes.

Mr. MORGAN. That will be all right. That is correct.

Mr. PECORA. Now, I offer that in evidence and ask that it be spread on the minutes of the hearing.

The CHAIRMAN. That will be done.

(Consolidated statement of condition J. P. Morgan & Co. and Drexel & Co. is here printed in the record in full,, as follows:)

Consolidated statement of condition J. P. Morgan & Co. and Drexel & Co.

	Dec. 31, 1927	Dec. 31, 1928	Dec. 31, 1929	Jan. 2, 1931	Jan. 2, 1932	Dec. 31, 1932
ASSETS						
Cash on hand and in banks.....	\$44,502,403.03	\$42,031,527.67	\$59,476,918.24	\$67,461,469.73	\$44,531,897.66	\$33,857,665.95
Call loans.....	54,320,000.00	109,935,000.00	79,050,000.00	8,425,000.00	21,075,000.00	7,325,000.00
U. S. Government securities.....	178,152,075.89	113,397,933.76	165,667,994.49	190,739,957.32	110,821,189.69	224,580,150.03
Acceptances of other banks and bankers.....		14,365,263.59			15,671.20	
State and municipal bonds.....	163,340,854.03	103,981,950.65	64,577,005.43	82,752,582.41	12,173,741.20	6,745,299.56
Corporate bonds.....	26,019,843.93	15,789,649.59	7,072,891.18	21,403,738.52	10,031,368.25	15,073,885.29
Corporate stocks.....	40,989,357.21	68,546,325.22	64,281,479.74	57,822,593.90	22,607,957.56	13,875,028.21
Other investments.....	9,327,470.73	12,643,341.24	27,631,636.97	124,841.69	471,174.85	810,925.91
Loans:						
Time.....	86,895,651.70	43,329,916.96	62,771,917.34	66,384,784.73	86,489,535.77	34,836,442.07
Demand.....	34,671,119.98	39,001,772.81	69,553,613.15	92,232,492.18	55,419,267.26	47,869,164.93
Banking houses.....	8,309,504.47	8,593,304.12	9,471,304.12	9,471,637.45	9,661,470.78	9,691,304.12
Accrued interest receivable.....	1,806,637.51	1,898,277.57	1,668,065.44		8,947.60	
Acceptances sold under our guarantee per contra.....			18,469,338.56	45,092,618.78		
Customers liability account of acceptances per contra.....	3,558,751.23	20,681,366.33	20,061,175.65	21,854,208.09	21,684,166.75	11,397,271.20
Foreign exchange, per contra.....	12,398,937.19	35,779,192.53	30,631,698.32	40,143,568.89	37,575,400.15	10,645,958.29
Total.....	664,292,606.90	629,773,822.06	680,381,938.83	703,909,403.69	432,566,788.70	424,708,095.56
LIABILITIES						
New Worth.....	71,638,314.32	91,555,934.99	118,604,183.75	91,843,140.28	52,959,772.70	53,194,076.80
Deposits.....	562,406,896.60	481,188,646.91	492,292,666.39	503,898,014.82	319,405,848.57	340,047,701.88
Bills payable.....	14,000,000.00					
Accrued interest payable.....	53,965.61	310,989.45	192,027.06	409,639.87	236,842.07	
Acceptances sold under our guarantee, per contra.....			18,466,338.56	45,092,618.78		
Acceptances payable, per contra.....	3,800,493.18	20,939,058.18	20,195,024.55	22,522,421.05	22,390,925.23	12,820,358.59
Foreign exchange, per contra.....	12,398,937.19	35,779,192.53	30,631,698.32	40,143,568.89	37,575,400.13	18,645,958.29
Total.....	664,292,606.90	629,773,822.06	680,381,938.63	703,909,403.69	432,566,788.70	424,708,095.56

Mr. PECORA. Now may I have that back, please, Mr. Reporter. Has your firm always paid interest on the demand deposits entrusted to it?

Mr. MORGAN. So far as I know.

Mr. PECORA. You believe you know that that is so, do you not?

Mr. MORGAN. Well, I think—I can remember it for 40 years. I do not know what happened before that.

Mr. PECORA. Well, I am speaking of the firm of which you are the senior partner.

Mr. MORGAN. Yes, sir.

Mr. PECORA. Since 1904.

Mr. MORGAN. Yes. That has always paid the interest.

Senator BULKLEY. How does the rate compare with that paid by the commercial banks?

Mr. MORGAN. It used to vary for a year or so, and then after 18—after the war I got a movement going to have the clearing house banks agree together to charge the same rate of interest, and when they did that we came in with them.

Senator McADOO. You mean to allow the same rate of interest, do you not, Mr. Morgan?

Mr. MORGAN. How?

Senator McADOO. You mean to allow the same rate of interest, do you not?

Mr. MORGAN. To pay the same rate of interest.

Senator McADOO. You said to charge.

Mr. MORGAN. I meant to say allow.

Senator McADOO. Do you know what the rate of interest is on the average in the normal years? I mean in normal years?

Mr. MORGAN. It has varied greatly. It has been up as high as 2½ percent and it is down now to about one half of 1 percent.

Senator McADOO. I am speaking of the average in normal years. About 2 percent?

Mr. MORGAN. It might be about that. Likely. I do not know when you are going to find a normal year, Senator.

Senator McADOO. Not recently, I admit.

Senator COUZENS. I am informed that a different shorthand reporter is coming in at this point, and I suggest that he be sworn.

The CHAIRMAN. You solemnly swear that you will accurately write in shorthand and true and complete typewritten transcript make of all the proceedings of the committee that you report, so help you God?

The SHORTHAND REPORTER (Mr. Randolph). I do.

Senator GLASS. Mr. Morgan, suppose the various banks of New York were prohibited from charging interest on deposits?

Senator COUZENS. Did you mean from paying interest on deposits?

Mr. MORGAN. You mean from paying interest on deposits? I don't think that we should.

Senator GLASS. I am asking you if you think they do.

Mr. MORGAN. I could not tell that, Senator. I am sorry.

Senator GLASS. I cannot either. I want you to guess for me.

Mr. MORGAN. I cannot guess under oath, Senator; I am frank to you.

Mr. PECORA. Mr. Morgan, are any of the members of your firm members of the board of directors or board of trustees of any bank or trust company?

Mr. MORGAN. I have a whole list here. I think you have it before you.

Mr. PECORA. We have to get it into the record, and I want to do it through the medium of these questions.

Mr. MORGAN. I am perfectly willing.

Senator TOWNSEND. I suggest the list be put in the record.

The CHAIRMAN. He may answer the question.

Mr. MORGAN. Mr. Lamont is a director of the Guaranty Trust Co. of New York; Mr. Thomas Cochran of the——

Mr. PECORA (interposing). One moment. There are two Mr. Lamonts. Will you designate which one you are now referring to?

Mr. MORGAN. Mr. Thomas W. Lamont is a director of the Guaranty Trust Co. of New York. Mr. Thomas Cochran is a director of the Bankers Trust Co. Mr. George Whitney is a director or trustee for the Bank for Savings of the city of New York, and a director of the Guaranty Trust Co. of New York. Mr. Arthur Anderson is a director of the New York Trust Co.

Mr. William Ewing of the Bankers Trust Co.; Mr. H. P. Davison of the New York Trust Co.; Mr. S. Parker Gilbert of the Bankers Trust Co., and Mr. C. D. Dickey of the City Bank Farmers Trust Co. He has been a director of that for a good many years.

In Philadelphia Mr. Stotesbury is a director of the Girard Trust Co.—or member of the board of managers—and a director of the Fidelity Philadelphia Trust Co.

Mr. Horatio Lloyd is a director of the Pennsylvania company for insurance of lives and granting annuities; and a director of the Main Line Trust Co.

Mr. Edward Hopkinson, Jr., is a director of the Germantown Trust Co., of the Philadelphia Savings Fund Society, a member of the board of managers of that, and a member of the board of managers of the Girard Co. Mr. Dickey in Philadelphia is a member of the Indemnity Trust Co., a director, and of the Western Savings Fund Society. He is a member of the board of managers. Mr. Gates Lloyd, Jr., partner in Philadelphia, is a director of the Northern Trust Co.

Mr. PECORA. Mr. Morgan, has the banking firm of J. P. Morgan & Co. ever been subject to any power of inspection or visitation or examination by the banking authorities of the State of New York?

Mr. MORGAN. I am not certain how the exact legal situation of that stands. They have the right, I understand, to examine us far enough to see that we keep the rules which exempt us from examination.

Mr. PECORA. What are those rules which exempt you from examination?

Mr. MORGAN. Will you mind if I ask Mr. Leffingwell to answer these questions, because he is much better posted on this banking law than I am.

**TESTIMONY OF RUSSELL C. LEFFINGWELL, A MEMBER OF THE
FIRM OF J. P. MORGAN & CO., NEW YORK CITY**

The CHAIRMAN. Will you raise your right hand, Mr. Leffingwell? [Request complied with.] You solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, regarding the matters now under consideration by the committee, so help me God.

Mr. LEFFINGWELL. I swear.

Mr. PECORA. Mr. Leffingwell, Mr. Morgan has suggested that the question asked him with regard to the rules which exempt the firm of J. P. Morgan & Co. from examination at the hands of the banking authorities of the State of New York be addressed to you as one who can better answer it. Would you please answer it?

Mr. LEFFINGWELL. To the best of my ability and speaking from memory of the statute law of the State, it is roughly that private bankers who do not pay interest on deposits in excess of \$7,500 a year—under \$7,500 a year—who do not advertise themselves as bankers and who do not receive average deposits—and the language of the statute I cannot carry in memory—of less than \$500, were not subject to examination, but that the Superintendent of Banks is empowered to make such examination as he may desire of any private banking house to ascertain whether the nature of its business is such as to subject it to examination.

I am speaking from memory of the statute, which covers a couple of pages. No doubt you are familiar with it also, Mr. Pecora.

Mr. PECORA. Do you recall, Mr. Leffingwell, when those provisions were embodied in the New York statute?

Mr. LEFFINGWELL. Well, they have had a long history, I should think going back for 20 or 30 years. I do not speak exactly. They grew out of the experience of the city with small private bankers dealing with immigrants, and it was felt necessary that those who dealt with such bankers should have protection.

The CHAIRMAN. Do the State authorities examine Morgan & Co.? Is it their practice to make any examination as to Morgan & Co.?

Mr. LEFFINGWELL. I do not think so, Senator.

The CHAIRMAN. You indicated they had authority to do it, but, as I understand, they do not do it.

Mr. LEFFINGWELL. They have authority to examine any banking house for the purpose of ascertaining whether it should be subjected to examination, Senator, and they are constantly under invitation to make such examination, but the practices in that respect of our firm are such that I should think the question would scarcely arise in the mind of the superintendent.

I am reminded, if you can, Mr. Pecora, that there is one other limitation than I spoke of in relation to the private banking firms; third, a banker who receives money in such sums that the average of all separate deposits from all depositors during 12 months is less than a thousand dollars; and the further one, one who receives money for transmission in amounts of less than \$500 unless he shall have posted Government collateral.

Mr. PECORA. The firm of J. P. Morgan & Co. has always seen to it that it complied with those regulations of the New York State

banking laws which would exempt it from examination by the State superintendent of banks, has it not?

Mr. LEFFINGWELL. I should hardly put it that way. The nature of our business is such that I should think that it was at all times not subject to examination by the superintendent of banks except for the purpose of ascertaining whether the business was of that character.

Mr. PECORA. You receive an authorization certificate to do business as private bankers from the State superintendent of banks, do you not?

Mr. LEFFINGWELL. I don't remember, Mr. Pecora.

Senator GORE. Did I understand you to say you do not pay interest on deposits of less than \$7,500?

Mr. LEFFINGWELL. Yes, Senator Gore. We do not.

Mr. PECORA. I will resume the examination of Mr. Morgan.

TESTIMONY OF J. P. MORGAN—Resumed

Mr. PECORA. Mr. Morgan, is there any minimum sum which the firm of J. P. Morgan & Co. will receive as a demand deposit or a minimum balance rather for the depositor to carry?

Mr. MORGAN. Well, we do not like the little deposit accounts with many drawings and that sort of thing, because they are simply an expense without any return. We discourage them all we can.

Mr. PECORA. And your firm fixes a minimum amount for balances of demand deposits?

Mr. MORGAN. It used to be understood that we had—that people would keep a couple of thousand dollars, roughly, but it has never gone down to anything like that as a rule. The average is much more than that.

Mr. PECORA. Has it any rule as to any maximum amount of balance that it will permit a depositor to maintain in a demand deposit account?

Mr. MORGAN. At times, yes. We have had to make such a limitation.

Mr. PECORA. Has it at the present time?

Mr. MORGAN. No. At the present time I do not think there is any such limitation existing.

Mr. PECORA. Your firm, of course, is not subject to examinations by any other authority than the banking authorities of the State of New York, is it?

Mr. MORGAN. No. It, as a matter of fact, does report its condition every year in very great detail to the Federal Reserve Bank of New York. That is done because the Federal Reserve bank wished to be in position to buy our bills and felt that it must have the information.

Mr. PECORA. For how many years has your firm submitted such reports or statements to the Federal Reserve Bank of New York?

Mr. MORGAN. Well, for the last 5 years certainly in great detail. Before that they were more or less informal.

Mr. PECORA. You know, don't you, that those statements or reports are submitted in strict confidence to the Federal Reserve bank by your firm?

Mr. MORGAN. I know it.

Mr. PECORA. Have you copies here, Mr. Morgan, of those statements that have been so submitted or rendered for the past 5 years?

Mr. MORGAN (addressing an associate). Have we them here? No; we have not.

Senator BULKLEY. Does the Federal Reserve bank make any examination of your firm?

Mr. MORGAN. No. Senator, if I might comment, you must remember that there is nobody so interested in knowing that our accounts are right as ourselves.

Senator BULKLEY. My question was not argumentative.

Mr. MORGAN. No; I know that.

Senator BARKLEY. I did not understand why you said you made these reports to the Federal Reserve bank.

Mr. MORGAN. Because the Federal Reserve bank is almost the only market for bankers' bills, and they do not like to buy bankers' bills unless they know something about their condition.

Mr. PECORA. May I ask Mr. Davis off the record if copies of those statements are here?

Mr. DAVIS. They are not here.

Mr. PECORA. You indicated to me you would permit the auditors for the committee to have access to those in order to check that against the balance sheets.

Mr. DAVIS. That is right. I repeat that, and if your auditors want them you will get them.

Mr. PECORA. Well, can it be made available here during the day or tomorrow?

Mr. DAVIS. Yes.

Mr. PECORA. Very well, sir.

Mr. DAVIS. I should like if you get them to have one of our men explain the—reconcile the two statements, about certain items in one statement are given one name and are embodied in a different name in the other, although the totals of the items and the reconciliation are the same.

Mr. PECORA. When will those copies of statements be available, Mr. Davis?

Mr. DAVIS. I think we can get that for you in 24 hours—48 hours.

Mr. PECORA. All right. Thank you.

Mr. DAVIS. I am sorry it was not done in New York, as I offered.

Mr. PECORA. Well, I understood that they would be turned over to the auditors.

Mr. DAVIS. I understood perfectly that they were there for the auditors to dispose of it. That is exactly what I told you.

Senator COUZENS. Did I understand that the Federal Reserve bank over—

Senator REYNOLDS (interposing). Mr. Morgan, have the banking authorities of the State of New York ever made any investigation of your private banking business?

Mr. MORGAN. No; not that I know of.

Senator COUZENS. I understand the Federal Reserve bank at no time checks your statement; in other words, they took it for granted that it was all right.

Mr. MORGAN. I think so. Of course, we explain it to them.

Senator COUZENS. Yes; but I mean they never went into your office to prove the accuracy of the statement filed?

Mr. MORGAN. Oh, no. They have never asked to.

Senator COUZENS. Beg your pardon?

Mr. MORGAN. They never asked to.

Senator COUZENS. No; I did not allege that. I was just finding out whether they did or not.

Mr. MORGAN. Yes.

Senator COUZENS. In other words, they are very meticulous about examining the statements of——

Mr. MORGAN (interposing). Oh, yes; they are very careful about that.

Senator COUZENS (continuing). Of incorporated banks, and I wondered why they were so lenient with the Morgan house.

Senator GLASS. They have no legal authority to examine the Morgan house.

Senator COUZENS. Yes; but they insist upon a statement which they act upon, nevertheless.

Senator GLASS. That is simply because they have business transactions with the Morgan company, and they want to know the status of their business before they buy any of their bills.

Senator COUZENS. And of course they take the statement that Morgan & Co. file as the status of their business without any auditing.

Senator GLASS. Exactly. But I say they have no legal right to peremptory examination of the bank.

Senator COUZENS. No; and they have no legal right to examine that statement of Morgan & Co. if Morgan & Co. do not want to hand it to them.

Senator GLASS. None whatsoever.

Senator COUZENS. But still they go on and transact business.

Senator GLASS. Yes.

Senator McADOO. Isn't it customary when bills are bought that way by a bank to accept statements from this company from whom they purchase the bills?

Mr. MORGAN. Yes.

Senator McADOO. They do not make examination. It is manifestly impossible.

Senator GLASS. They examine the bills rather than the bank.

Senator COUZENS. Why do they demand a statement of the bank, then, if they confine their examination to the bills?

Senator GLASS. They do not demand it, but I understand the house of Morgan furnishes it.

Senator ADAMS. Senator Couzens, you will find banks generally where they are buying commercial paper ask for a statement for the buyer; that is, a company requiring a statement for the buyer, and it is very rare that those things are audited. It is assumed that they are dealing with responsible people.

The CHAIRMAN. We will have to go ahead with the inquiry.

Mr. PECORA. Mr. Morgan, are the statements that have been submitted by your firm to the Federal Reserve bank in the same general form as the statement in evidence here called the consolidated statement of condition?

Mr. MORGAN. In the same general form; yes.

Mr. PECORA. Same general form?

Mr. MORGAN. Yes.

Mr. PECORA. There is no breakdown of this statement ever made for the Federal Reserve bank?

Mr. MORGAN. It is talked over with them, but they do not make any statement. I do not know what they do about that.

Mr. PECORA. Now, Mr. Morgan, are you or any of your partners members of the board of directors of any corporation doing an interstate business?

Mr. MORGAN. Doing an interstate business?

Mr. PECORA. Yes, sir; or engaged in interstate commerce.

Mr. MORGAN. This has also been furnished. This is another part that you want to get onto the record?

Mr. PECORA. Yes, sir.

Mr. MORGAN. I am a director of the Steel Corporation.

Senator McADOO. You mean the United States Steel Corporation?

Mr. MORGAN. United States Steel Corporation; First Security Co.; Discount Corporation of New York; the Pullman, Inc., and the Pullman Co.; the Aetna Insurance Co. of Hartford and some subsidiaries of it; the Century Indemnity Co., and the World Fire & Marine Insurance Co. Those are the two subsidiaries.

Mr. Stotesbury is a director of the Reading Co. and its subsidiaries, of which there are 3. Of the Beaver Coal Co.——

Mr. PECORA. Will you state the 3 subsidiaries of the Reading Co.?

Mr. MORGAN. New York & Long Branch Railway Co., Philadelphia & Reading Terminal Railroad Co., and Philadelphia, Newtown & New York Railroad Co.

Of the Beaver Coal Co., he is a director; of the Lehigh & Hudson River Railway Co., a director; New York & Middle Coal Field Railroad Co., a director; of the Second & Third Street Passenger Railway Co., a director; Transportation Mutual Insurance Co., a director; Highland Coal Co., director; Wyoming Valley Water Supply Co., director; National Storage Co., a director; Bellevue-Stratford Hotel Co., a director. Is that an interstate business? Beaver Coal Corporation, a director.

Charles Steele is a director of the Atchison, Topeka & Santa Fe Railway Co. and of the Cerro de Pasco Copper Corporation.

Thomas W. Lamont is a director of the United States Steel Corporation, of the Northern Pacific Railway Co., Chicago & Erie Railroad Co., the Crowell Publishing Co., the First Security Co. of the City of New York, director; of the International Agricultural Corporation, director.

You have resigned from the International Harvester Co., haven't you?

Mr. LAMONT. Yes.

Mr. MORGAN. He was on the International Harvester Co. but has resigned recently. I would like to cut that out of this.

Of Lamont, Corliss & Co., Southwestern Construction Co., National Railways of Mexico, Foreign Finance Corporation, and American Securities Investing Corporation.

Mr. Horatio G. Lloyd is a director of the Philadelphia Electric Co. and its subsidiaries, which are the Philadelphia Electric Power Co. and the Susquehanna Power Co.

A director of the General Asphalt Co., of the Bell Telephone Co. of Pennsylvania, of the Diamond States Telephone Co.

Mr. Thomas Cochran is a director of the General Electric Co. and its subsidiaries, the International General Electric Co., Inc., of the Kennecott Copper Corporation and its subsidiaries, the Copper River and Northwestern Railway Co., Braden Copper Co., the Alaska Steamship Co., the Alaska Development & Mineral Co., and the Nevada Northern Railway Co.

He is a director also of the Astor Safe Deposit Co., Foreign Finance Corporation, and American Foreign Securities Co.

J. S. Morgan is a director of the United States Steel Corporation, of the General Motors Corporation, and of the Foreign Finance Corporation.

Mr. George Whitney is a director of the General Motors Corporation, of the Kennecott Copper Corporation and its subsidiaries, which are the same as—no, they are different—the Alaska Steamship Co., Alaska Development & Mineral Co., the Braden Copper Co., Copper River & Northwestern Railway Co., the Utah Copper Co.

He is a director of the Consolidated Gas Co. of New York, trustee—he is a trustee of it, and of the New York Edison Co. he is a director.

The United Corporation and its subsidiary, the New York United Corporation, director; Texas Gulf Sulphur Co.; Pullman, Inc., and Pullman Co., the Johns-Manville Corporation, a director; the Continental Oil Co., director; Foreign Finance Corporation, director; New Jersey & New York Railroad Co., director; the American Branch of the Royal Exchange Assurance and its subsidiaries; the Car & General Insurance Co., Ltd., the United States branch. He is a member of the financial advisory board. Provident Fire Insurance Co., he is a director; and State Assurance Co., Ltd., United States branch, he is a member of the financial advisory board. Those are the subsidiaries of the Royal Exchange Assurance.

He is a director of the Willow Corporation and of the American Securities Investing Corporation.

Mr. PECORA. Mr. Whitney is also president of the Willow Corporation, is he?

Mr. MORGAN. President and director; yes.

Senator GORE. Is J. S. Morgan related to you?

Mr. MORGAN. My son.

Mr. Russell C. Leffingwell is a director of the Northern Pacific Railway Co., International Telephone & Telegraph Corporation and its subsidiaries, All America Cables, Inc., and the Postal Telegraph & Cable Corporation.

He is a director of the North British & Mercantile Insurance Co., Ltd., of London and Edinburgh, of New York, and its subsidiary, the Mercantile Insurance Co. of America.

Mr. Francis D. Bartow is a director of the Johns-Manville Corporation, a New York director—oh, he is a director of the American Radiator & Standard Sanitary Corporation; director of the 150 Wil-

liam Street Corporation. He is treasurer and director of the Willow Corporation. He is of Home Life Insurance Co. a director. He is a director of the International General Electric Co. and the United Electric Securities Co.

Mr. Arthur M. Anderson is a director of the International Telephone & Telegraph Corporation and subsidiary, Postal Telegraph & Cable Co. He is a director of the United States Guarantee Co., a director of the New York, Susquehanna & Western Railroad Co., a director of the General Steel Castings Corporation, a director of the Western Pacific Railroad Corporation, president and director of the Foreign Finance Corporation.

Mr. William Ewing is a director of the Standard Brands, Inc., a director of the Utah Copper Co., a director of the J. I. Case Threshing Machine Co., director of the Associated Dry Goods Corporation and of Lord & Taylor, which is a subsidiary, and director of the Richmond-Washington Co.

Harold Stanley is a director of the Columbia Gas & Electric Corporation, Niagara Hudson Power Corporation, the United Corporation and subsidiary, New York Utilities Corporation.

Mr. Henry S. Morgan is a director of the Kennecott Copper Corporation and its subsidiaries, the Braden Copper Co., Copper River & Northwestern Railway Co., the Utah Copper Co., and the Alaska Steamship Co.

Mr. PECORA. Is Mr. H. S. Morgan related to you, Mr. Morgan?

Mr. MORGAN. He is my younger son.

Mr. T. S. Lamont is a director of the Texas Gulf Sulphur Co., a director of the Phelps Dodge Corporation, director of the Continental Oil Co., and the Great Lakes Pipe Line Co., which is a subsidiary of it.

Mr. PECORA. Is Mr. T. S. Lamont related to Mr. T. W. Lamont?

Mr. MORGAN. He is a son of Mr. T. W. Lamont.

Mr. H. F. Davison is a director of the Standard Brands, Inc., and the Montgomery Ward & Co.

In Philadelphia Mr. Thomas Newhall is a director of the Baldwin Locomotive Works and its subsidiaries, which are the Midvale Co., Baldwin-Southwark Corporation, Standard Steel Work Co., Southwark Foundry & Machinery Co., the Whitcomb Locomotive Co., Federal Steel Foundry Co., Cramp Brass & Iron Foundry Co., I. P. Morris & De La Vergne, Inc., Baldwin Locomotive Securities Corporation.

Those are all subsidiaries of the Baldwin Locomotive Works.

He is a director of the General Steel Castings Corporation, of the Philadelphia & Reading Coal & Iron Corporation, and its subsidiary, the Philadelphia & Reading Coal & Iron Co.; and of Sharp & Dohme, Inc., he is a director.

Mr. Edward Hopkinson, Jr., is a director of the United Corporation and subsidiary, New York United Corporation. He is a director of the United Gas Improvement Co., of the Pennsylvania Fire Insurance Co., of the Frankford & Southwark Philadelphia City Passenger Railway Co., of the Keystone Watch Case Corporation, of the Second and Third Street Passenger Railway Co., of the Riverside Metal Co., Philadelphia Electric Co., and subsidiaries, the Philadelphia Electric Power Co., the Susquehanna Power Co., and

the Susquehanna Electric Co., those three being subsidiaries of the Philadelphia Electric Co. Public Service Corporation of New Jersey, he is a director of also.

Mr. S. Parker Gilbert is a director of the Lehigh Valley Coal Corporation and its subsidiary, the Lehigh Valley Coal Sales Co. That is not in Philadelphia; that is New York.

Mr. Charles D. Dickey is a director of the Fire Association of Philadelphia and subsidiaries, Reliance Insurance Co., of Philadelphia, the Victory Insurance Co. of Philadelphia, the Beaver Coal Corporation, the American Pulley Co., Sharp & Dohme, Inc., the Stonega Coke & Coal Co., and the United Gas Improvement Co.

Arthur E. Newbold, Jr., is a director of the Philadelphia & Reading Coal & Iron Corporation and its subsidiary, the Philadelphia & Reading Coal & Iron Co. He is also a director of the Markle Corporation and subsidiaries, the Hazle Brook Coal Co. and the Jeddo-Highland Coal Co. He is a director of the Wilkes-Barre & Hazleton Corporation, and Wilkes-Barre Corporation.

Gates Lloyd, Jr., is a director of Charles E. Hires Co., of the Markle Corporation and its subsidiaries, the Hazle Brook Coal Co., and Jeddo-Highland Coal Co.

Perry E. Hall is a director of the Northern Pacific Railroad Co., the Philadelphia Steel & Wire Corporation.

Edward H. York, Jr., is a director of the Lehigh Valley Coal Sales Co., the DeBardeleben Coal Corporation, of the Markle Corporation and its subsidiary, the Hazle Brook Coal Co.; of Franklin County Coal Corporation, Inc., and Bee Line Transportation Co.

That, I think, is the lot.

Senator BULKLEY. Is that a complete list of all directorships held in corporations doing an interstate business?

Mr. MORGAN. So I understand. I had it made up for that purpose.

Senator STEIWER. Are the members of J. P. Morgan Co., the banking house, also partners in other financial institutions?

Mr. MORGAN. No; except those that I mentioned. That is to say, Paris and London.

Senator STEIWER. Those are directorships, as I understand your testimony. I am inquiring now merely about partnership relations.

Mr. MORGAN. No; we have no other partnership relations.

Mr. PECORA. By the way, Mr. Morgan, how many of the partners of J. P. Morgan and Drexel & Co. are also members of the firm called Morgan, Grenfell & Co. of London?

Mr. MORGAN. All but those four names who are Philadelphia partners, who are only in Philadelphia.

Mr. PECORA. Are there any persons who are members of the firm or company of Morgan, Grenfell & Co. of London who are not partners of J. P. Morgan & Co. or Drexel & Co.?

Mr. MORGAN. Oh, yes. We have a very strong staff over there.

Mr. PECORA. A large staff?

Mr. MORGAN. Well, a strong lot of partners.

Mr. PECORA. Yes.

Mr. MORGAN. Mr. E. C. Grenfell, a member of Parliament, and Mr. Vivian H. Smith, who is a man of very high position and who is the head also of the great Royal Exchange Assurance Co.

We have Sir Thomas Cadow, a baronet, who has done very fine work in India in business and different places all around.

We have Mr. Randall-Smith and the Honorable Francis Rodd—Mr. Charles Whigham.

Senator GORE. What is this member of Parliament's name?

Mr. MORGAN. Grenfell, G-r-e-n-f-e-l-l.

Senator GORE. How did he get elected, Mr. Morgan?

Mr. MORGAN. He is the senior member of the city of London, Senator GORE. He gets in without a contest right along.

Senator McADOO. Maybe he is elected without a contest because he is neither a Democrat nor a Republican.

Senator GLASS. Mr. Morgan, does your concern find it desirable to have these directorships and managerial positions in this multiplicity of corporations because it tranacts business with them and makes loans to them?

Mr. MORGAN. I think that the real reason why we are on most of them is the reason that I gave in my little note here, little statement; that is, that they are most of them corporations for which we have done work in the past and consequently feel ourselves—feel it necessary if they want us to go on the boards to give them financial advice when they ask for it.

Senator GORE. Now, do they borrow money from you or do you handle securities for them or both from time to time?

Mr. MORGAN. Both, sometimes. It depends what they want to have done.

Senator GORE. Are members of your firm in London also members of a good many directorates?

Mr. MORGAN. No; they have no other firm memberships. They are only partners in London.

Senator GORE. I mean different corporations and concerns in London are—

Mr. MORGAN (interposing). They have no partnerships. They have directorships.

Senator GORE. I understand. I meant the directors of your company in London—

Mr. MORGAN (interposing). Yes.

Senator GORE. Are they also members of numerous directorates there?

Mr. MORGAN. Yes. Mr. Grenfell is director of the Bank of England besides being a member of Parliament.

Senator GORE. The same is true in France?

Mr. MORGAN. The same is true in France, although less so.

Senator McADOO. Mr. Morgan, does your firm have a dominating interest in the policies of these various corporations in which the members of the firm are directors?

Mr. MORGAN. We have no more domination than one vote gives us, Senator McADOO.

Senator GORE. Unless they are borrowers?

Mr. MORGAN. Even if they are borrowers.

Mr. PECORA. Mr. Morgan, are all of the partners of the firm of J. P. Morgan & Co.-Drexel also partners of the firm of Morgan & Co. in Paris?

Mr. MORGAN. Yes. We are partners there as firms?

Mr. PECORA. As a firm?

Mr. MORGAN. As firms.

Mr. PECORA. Are there any other partners of Morgan & Co. of Paris?

Mr. MORGAN. Yes.

Mr. PECORA. Who are they?

Mr. MORGAN. Let me see—I will get that list. Have you got that?

Mr. PECORA. No; I haven't got that.

Mr. MORGAN. Mr. — ask——

Mr. PECORA. I will be very happy to get the information from any one of you gentlemen.

Mr. MORGAN. Mr. J. R. Carter and Mr. Endine—Mr. B. S. Carter and Mr. Aragon and Mr. Pasceo Didien—and Mr. B. S. Carter, Mr. A. B. Aragon. It is the hardest thing in the world for me to say a list. I apologize.

Mr. PECORA. Under the partnership interest or arrangement between the firms of J. P. Morgan & Co. and Drexel & Co. are the partners of J. P. Morgan & Co. and Drexel & Co. individually and severally liable for the debts and obligations of the firm of Morgan & Co. of Paris?

Mr. MORGAN. Yes.

Mr. PECORA. There is no corresponding liability, is there, on the part of those members of Morgan & Co. who are not partners of J. P. Morgan & Co. of Drexel & Co.; is there?

Mr. MORGAN. No; no partners. They have no liability for J. P. Morgan & Co. or Drexel & Co.

Mr. PECORA. No.

The CHAIRMAN. Do these members of your firm who are directors of these various corporations respectively take an active interest in the affairs of those corporations? Do they attend the meetings of the directors? Do they have an active interests, or are they just used for advertising purposes?

Mr. MORGAN. Oh, no. I might say I almost wish it was, Mr. Chairman.

Mr. PECORA. Mr. Morgan, when your firm obtains credit from the Federal Reserve bank——

Mr. MORGAN (interposing). We never have.

Mr. PECORA. Or when it sells credit to the Federal Reserve bank, do you disclose to them the fact that partners of your firm are severally and individually liable for these foreign firms, obligations, and liabilities of the foreign firms?

Mr. MORGAN. Yes, they know that statement. When we show them our statement that is——

Mr. PECORA (interposing). Does the statement set that forth?

Mr. MORGAN. How? The statement, I think, sets that forth [addressing an associate], doesn't it? Yes, it does.

Mr. PECORA. The obligations are set forth in the consolidated statement of condition, and this consolidated balance sheet which has been put into the record here as exhibit A of this hearing would indicate those liabilities?

Mr. MORGAN. No. No liability has been incurred as yet. It is a possible liability in case everything goes wrong. We have capital in both those places, of course, and that is not included, but the capital is there——

Mr. PECORA (interposing). That refers to the capital invested in Morgan, Grenfell & Co. of London?

Mr. MORGAN. Yes.

Mr. PECORA. And Morgan & Co. of Paris is included in this consolidated balance sheet—

Mr. MORGAN (interposing). No.

Mr. PECORA. For the 6 fiscal years that are shown there?

Mr. MORGAN. No; it is not included.

Mr. PECORA. Do you know the amount of liabilities that the members of your firm have individually and severally on account of these foreign firms?

Mr. MORGAN. We know their statements, of course.

Mr. PECORA. Is there anyone here from your firm who can include during the recess of this session—

Mr. MORGAN (interposing). No; we haven't got the records here.

Mr. PECORA (continuing). A list of those liabilities in the consolidated balance sheet?

Mr. MORGAN. We never make up the consolidated balance sheet that way.

Senator COUZENS. When you make your returns to the Commissioner of Internal Revenue or the Internal Revenue Bureau, do they come down and audit the partners' accounts at your firm?

Mr. MORGAN. Oh, yes.

Mr. PECORA. Mr. Morgan, who determines the policies of the firm of Morgan, Grenfell & Co., of London?

Mr. MORGAN. The London partners mostly.

Mr. PECORA. Just the London partners?

Mr. MORGAN. The London partners mostly, yes; although we are in real close touch with them all the time. I have the advantage; you see, I lived over there for 8 years and worked over there for 8 years, and most of these men I know very well and have worked with. So we do not have any misunderstandings.

Mr. PECORA. Is there an understanding that the policies of that firm or company are under the direction and control of the London partners whose names you have given?

Mr. MORGAN. Yes. They are in charge of the business.

Mr. PECORA. Members of your firm share a liability individually and severally—

Mr. MORGAN (interposing). We share a liability.

Mr. PECORA (continuing). For the liabilities of that firm?

Mr. MORGAN. Yes.

Mr. PECORA. So that the capital of your firm could be very seriously impaired by losses incurred through the operation of that London firm?

Mr. MORGAN. I suppose it could.

Mr. PECORA. Yes. And that is likewise true with respect to the—

Mr. MORGAN (interposing). That is likewise true—

Mr. PECORA. Of the Paris firm of Morgan & Co.?

Mr. MORGAN. Or with Drexel & Co.—anybody—or with ourselves.

Mr. PECORA. Does Morgan & Co. maintain any deposit account with Morgan, Grenfell & Co.?

Mr. MORGAN. We have had money on deposit over there often. I do not know what the present condition of that is.

Mr. PECORA. What would be the general range of the amount of those deposits, say, for the past 5 years?

Mr. MORGAN. Oh, I could not guess that.

Mr. PECORA. Can you tell us approximately?

Mr. MORGAN. I do not think I could even do that, because it varies a great deal from time to time, of course.

Mr. PECORA. What is the range? What would you say would be the range for the last 5 years?

Mr. MORGAN. Have you got any figures [addressing an associate] that would help me about that?

Mr. WHITNEY. No; I could not remember from my head. It has been a purely working balance. I did not understand, Mr. Pecora, that you mean the range or they maintain?

Mr. PECORA. You maintain, J. P. Morgan & Co.

Mr. WHITNEY. Purely working balance against financial, commercial transactions, letters of credit, foreign exchange, and all those different things—

Mr. PECORA (interposing). Well, I want to get the range.

Mr. WHITNEY. I unfortunately do not carry details like that in my head. I can find out the range. Perhaps a half a million dollars.

Mr. PECORA. Are you speaking of the balance at the present time?

Mr. WHITNEY. No; I could not guess, but I should think about that. I could find out very easily for you.

Mr. PECORA. I wish you would, sir.

Mr. WHITNEY. It is very simple. But it is just a working balance that fluctuates up and down all the time.

Mr. PECORA. Does J. P. Morgan & Co. maintain a deposit account for Morgan, Grenfell & Co. here?

Mr. MORGAN. Very often.

Mr. PECORA. And also for Morgan & Co. of Paris?

Mr. MORGAN. Yes. It is part of our deposits as shown in the—

Mr. PECORA (interposing). Are they included in the item of deposits shown on this consolidated balance sheet?

Mr. MORGAN. Yes.

Senator McADOO. Mr. Morgan, will you tell us what portion of these deposits shown on the balance sheet are domestic and what are foreign?

Mr. MORGAN. I could not tell you that figure now.

Senator McADOO. You could give it to us, I suppose?

Mr. MORGAN. Oh, it could be got, yes.

Senator McADOO. I would be glad if you put it in the record.

Mr. MORGAN. Say, the 31st of December last year, is that the idea?

Senator McADOO. That would do.

Mr. WHITNEY. Or now?

Senator McADOO. Then and now; just an idea as to how these deposits run as to foreign and domestic.

Mr. MORGAN. They have changed a good deal. I should like to fix the date if you don't mind.

Senator McADOO. I was speaking of December 31, if there is no objection.

Mr. MORGAN. All right; December 31. We will get that.

Mr. PECORA. In the balance sheet furnished to me and which has been read into the record, Mr. Morgan, it appears that at the

end of the last fiscal year the firms of J. P. Morgan & Co. and Drexel & Co. had among its assets corporate bonds of a figure of \$15,073,885.29.

Mr. MORGAN. Yes.

Mr. PECORA. Does that value represent market value or cost as of the end of the fiscal year?

Mr. MORGAN. Market value.

Mr. PECORA. Is that true of all the other items shown on this balance sheet relating to securities on hand?

Mr. MORGAN. Yes.

Mr. PECORA. Such as the item of corporate stocks and other investments?

Mr. MORGAN. That is true of them all.

Mr. PECORA. Now, in looking over this consolidated balance sheet, Mr. Morgan, I notice that there is no statement of condition as of the end of the fiscal year 1930, the calendar year which corresponds to your fiscal year 1930. Can you account for that?

Mr. MORGAN. I don't know about that. A new partner came in on the 2d of January, and I don't suppose he gave the 31st—we did not figure it in there because it was practically the same as the 2d of January. But a new partner came in on January 2, 1931. The two days we did not bother about. I think that that is the reason why it was not put in there. We did figure our accounts on the 31st of December.

Mr. WHITNEY. A new partner came in on January 2. We put it up the same way as we did to the Federal Reserve bank. We took that as a real valuation, so we took that date, and that was set forth in the statement given to the Federal Reserve banks. That question came up, and it is the same date and approximate figures.

Mr. PECORA. Now, Mr. Morgan, was a statement of financial condition made up by your firm as of the end of the calendar year 1930?

Mr. MORGAN. Yes; I think so.

Mr. PECORA. Is that here?

Mr. MORGAN. How?

Mr. PECORA. Can a copy of that be introduced?

Mr. MORGAN. Then I am wrong about it. There was not one.

Mr. PECORA. There was not one?

Mr. MORGAN. No. Do you want that matter explained—because Mr. Keyes can do it much better than I can.

Mr. PECORA. What is the relationship of Mr. Keyes to your firm?

Mr. MORGAN. Mr. Keyes is a sort of general office manager and most confidential clerk.

Mr. PECORA. To your knowledge was a statement of the financial condition of the firm prepared as of December 31, 1930?

Mr. MORGAN. I do not have any knowledge about it, no recollection.

Mr. PECORA. Was one prepared as of the 2d day of January 1931?

Mr. MORGAN. There was.

Mr. PECORA. Do you know the reason why that date was adopted for the balance sheet or statement of condition—

Mr. MORGAN (interposing). Because a new partner—

Mr. PECORA (interposing). And embraced the calendar year 1930 instead of the date of December 31, 1930?

Mr. MORGAN. Simply because there was a new partner coming in I believe. I don't know any other reason.

Mr. PECORA. Is that the only reason?

Mr. MORGAN. So far as I know.

Mr. PECORA. Who was the new partner that came in there?

Mr. MORGAN. Mr. Parker Gilbert.

Mr. PECORA. Was the statement of financial condition as of January 2, 1931, about the same as would have been as of December 31, 1930, had a statement been drawn as of that date?

Mr. MORGAN. I am informed that it would have been about the same.

Mr. PECORA. Mr. Morgan, did your firm make a tax return, a return for income-tax purposes, for the fiscal year of 1930?

Mr. MORGAN. I presume we did; the calendar year 1930.

Mr. PECORA. For the calendar year 1930?

Mr. MORGAN. Yes. We do not make a firm return on income tax, do we [addressing an associate]? Oh, we do.

Mr. PECORA. Do you know whether the firm of J. P. Morgan & Co. made out another return for income-tax purposes as of the 2d day of January 1931, which was only 2 days after the end of the calendar year 1930?

Mr. MORGAN (addressing an associate). Did we? Yes, we did.

Senator BARKLEY. How could you include those 2 days in January in your income-tax report for 1930?

Mr. MORGAN. We did not include them in the income-tax report for 1930.

Mr. PECORA. What would be the object of making it for that date?

Mr. MORGAN. Huh?

Senator BARKLEY. Regardless of any new partnership, your income-tax report would have been the same for 1930, and it did not have to be made out until the middle of March?

Mr. MORGAN. But it was made out as of December 31, 1930. We had two accounting periods.

Senator BARKLEY. I don't know just how important that is, but it does not seem to me a few days amounted to much.

Mr. MORGAN. I do not think it did amount to much.

Senator GLASS. Mr. Morgan—

Mr. MORGAN. Yes.

Senator GLASS. Does the Internal Revenue Bureau, through its expert examiners, inquire into your income-tax returns?

Mr. MORGAN. Oh, yes, sir. He has done it for the last 20 years, I think, ever since there was an income tax.

Senator GLASS. Did he express any suspicion or institute any investigation of this 2 days' variation in your report?

Mr. MORGAN. I think he received an explanation of the reason why it was done from Mr. Keyes, which I think he accepted as being correct and in order. That is what I understand. They are all there through 1930 [addressing an associate], aren't they? Yes.

Senator GLASS. I do not know just where we are headed, how we are going there. I have just had the privilege of reading your statement to the committee before I got in; with some of the things I do not agree at all. But whether your statement or my disagreement has any pertinent relation to this inquiry I suppose I shall

find out in time. You say that in the first place you risk your own money. Is that especially accurate?

Mr. MORGAN. I say that we do what?

Senator GLASS. That your firm risks its own money. I understood that you received deposits to the extent of——

Mr. MORGAN (interposing). We do.

Senator GLASS (continuing). Three hundred millions of dollars plus.

Mr. MORGAN. We do.

Senator GLASS. Well, somebody else's money you risk too, isn't it?

Mr. MORGAN. Well, we keep that in the banking fund. We do not risk our depositors' money in speculative investments.

Senator GLASS. Well, you loan it, don't you?

Mr. MORGAN. Only——

Senator GLASS (interposing). You don't keep it there as dead lumber; you loan your deposits just as an association does?

Mr. MORGAN. We loan it with a great deal more care. That is it.

Senator GLASS. Oh, I am not questioning that, but I think that is an inaccurate expression of your activity there. You do not simply risk your own money; you loan your depositors' money. You risk that to the extent that any risk is involved?

Mr. MORGAN. To the extent that that risk is involved; yes.

Senator GLASS. Now, you say here on page 2 that you are compelled to keep a strong position and that the private banker is compelled to keep a strong position, knowing, as he does, that none of the aids provided by the Government for incorporated banks, such as the Federal Reserve System or the Reconstruction Finance Corporation, are at its disposal. Do you think that is exactly right?

Mr. MORGAN. I have not intended that they are at our disposal in any way.

Senator GLASS. Have you any idea, can you approximate the volume of bills sold by your concern to the Federal Reserve banks?

Mr. MORGAN. Well, I don't know how much it would run to over a period of years. It is something like—it is probably fifteen or twenty millions outstanding, on an average, of acceptances.

Senator GLASS. Isn't that availing yourself of the privileges of the Federal Reserve System?

Mr. MORGAN. It does go up to 30. No, because after all, you can sell them to the banks quite well.

Senator GLASS. Yes, I know, but that is availing yourself of the——

Mr. MORGAN (interposing). Oh, we never have sold—we have only once sold them, I am informed, directly to the Federal Reserve bank.

Senator BARKLEY. Did they buy them as an investment?

Mr. MORGAN. They bought them as an investment.

Senator GLASS. Yes, but that is availing of the facilities of the Federal Reserve bank. But the point I want to arrive at is to dissipate a popular error, and that is that the Government of the United States neither owns a dollar of proprietary interest in the Federal Reserve Banking System nor does it provide the Federal Reserve Banking System any aid. What aid do you think it provides them?

Mr. MORGAN. The Government is an aid provided—the Government provides an aid to the incorporated banks of the Federal Reserve System.

Senator GLASS. Oh, no; the Government does not provide that; the banks themselves provide that. The Government does not own a dollar of the stock under the Federal Reserve Banking Act.

Mr. MORGAN. But under that very admirable law, the Federal Reserve law, the banks are incorporated by the United States.

Senator GLASS. Yes. But so far as the Government aiding it, the only aid that the Government does is to institute a system of espionage in them.

Mr. MORGAN. Yes; but the provision of the Federal Reserve bank is a very great aid by the Government to the national bank, a very great aid, and it was devised for that purpose, Senator.

Senator GLASS. It is an aid not extended by the Government of the United States; it is an aid by the banks to themselves. They own the Federal Reserve System. The Government simply has a supervisory control over it.

Mr. MORGAN. I know, but when the Government has complete control over it I think that—

Senator GLASS (interposing). It has not complete control; it has supervisory control.

Mr. MORGAN. Very nearly so.

Senator GLASS. It has supervisory control. But how does the Government aid it?

Mr. MORGAN. I do not say the Government aids the Federal Reserve bank itself. I say that the Government provides the Federal Reserve banks, gives authority to make them Federal Reserve banks. It is a great aid to the Federal Reserve System. I still think so.

Senator GLASS. The Government gives authority to the banks themselves to organize a Federal Reserve bank.

Mr. MORGAN. Yes; that is a great help.

Senator GLASS. And avail themselves of the facilities

Mr. MORGAN. Yes.

Senator GLASS. That is not any financial aid by the Government.

Now, some people talk about the right of issue. Federal Reserve banks have not the right to issue. The Government has the right of issue upon the request of the Federal Reserve bank, and you know perfectly well that the member banks of the system did not want that done, don't you?

Mr. MORGAN. No; I did not know about that at all, sir.

Senator GLASS. In other words, the responsibility of the Government for a Federal Reserve bank note is so absolutely remote as to scarcely be detected. In other words, the Government issues a note and it interposes all of the assets and facilities of the 12 Federal Reserve banks to liquidate that note before the Government assumes any responsibility whatsoever—isn't that so?

Mr. MORGAN. Yes.

Does that mean—I do not quite understand the thing in that way—but does that mean that the Government is really the endorser of the note?

Senator GLASS. Does that what?

Mr. MORGAN. Does that mean that the Government is really an endorser of the note?

Senator GLASS. Yes. But this endorsement is not worth a flip of the hand for it has to be paid 20 times over before it reaches Government responsibility.

Mr. MORGAN. That is not an endorsement?

Senator GLASS. It was just an idle theory that was put there. It was the only scientific mar upon the then Federal Reserve Bank Act. There have been a devil of a lot of mars put on it since, I can tell you that.

Mr. MORGAN. Well, I am sorry that I started this mare's nest.

Senator GLASS. And do you say that private bankers have not access to the Reconstruction Finance Corporation?

Mr. MORGAN. I have not known that they have.

Senator GLASS. May be you have never availed yourself of it. But everything on the face of God's green earth has access to the Reconstruction Finance Corporation, I should say. [Laughter.]

Mr. MORGAN. I am sorry I am the only exception, then.

Senator GLASS. All that you would have to do would be to come down here and tell them your tale of woe in order to borrow the Government money at the expense of the taxpayers of the United States.

Senator COUZENS. And I might point out that in the case of the railroads J. P. Morgan & Co. have received the benefit of the Reconstruction Finance Corporation. They have received loans, the railroads have, from the Reconstruction Finance Corporation.

Mr. MORGAN. But we did not.

Senator COUZENS. They paid you off with the money that they got from the Reconstruction Finance Corporation.

Mr. MORGAN. When the money was due.

Senator COUZENS. In no way else could you have got it.

Mr. MORGAN. Well, we could have foreclosed.

Senator COUZENS. But you could not have got the money by foreclosing, because they did not have any money to pay you with.

Senator GLASS. I should like to say that I included the railroads in my very comprehensive question.

Senator COUZENS. I simply want the record to show that the house of Morgan has gotten money because the railroads came down here and got money.

Mr. MORGAN. I beg your pardon, but doing what?

Senator COUZENS. The railroads came down here and got money from the Reconstruction Finance Corporation.

Mr. MORGAN. You said something about controlled the railroads, I thought.

Senator COUZENS. I should like to have that point brought out.

Mr. PECORA. We will probably bring it out before the hearings are over.

The CHAIRMAN. Mr. Morgan, do I understand it to be your theory that the better system would be a system of private banks rather than the system that we now have?

Mr. MORGAN. Oh, I think both have their places.

The CHAIRMAN. Do you think we ought to have both?

Mr. MORGAN. I hope we will have both, will continue to do so.

The CHAIRMAN. I did not know but what your line of thought was that really the better system would be a private banking system and take the Government out of the matter.

Mr. MORGAN. Oh, I was not suggesting that.

Senator BARKLEY. I understand that your position is one of justifying private bankers without attacking public bankers, is that it?

Mr. MORGAN. That is exactly what I am doing.

Mr. PECORA. Mr. Morgan, you know that your firm filed an income tax statement or return for a portion of the calendar year 1930, embraced between the dates January 1 and June 30, both inclusive; and also filed a separate return for the balance of that calendar year, that is to say, for the period between July 1, 1930, and December 31, 1930, both inclusive, do you not?

Senator GORE. State those dates again?

Mr. MORGAN. I do not know anything about income tax questions at all, sir, I am sorry to tell you.

Mr. PECORA. Well, you stated a few moments ago when I was questioning you about the making of these returns, that a balance sheet was not taken as of the end of the calendar year 1930 because a new partner came into the firm on the 2d of January, 1931, and that hence a balance sheet was taken as of that date. Do you recall that testimony?

Mr. MORGAN. I recall that testimony. I made that on statements that were made to me, and perhaps I was not entirely correct, but I think I was. That is correct, sir, I find.

Mr. PECORA. Do you know that your firm made a return for income-tax purposes for the 2-day period between January 1 and January 2, 1931?

Mr. MORGAN. I think it is very probable but I do not know it.

Mr. PECORA. You stated before that the condition which would be shown as of January 2, 1931, would be about the same as the condition that would be shown as of December 31, 1930; do you recall that?

Mr. MORGAN. No.

Mr. PECORA. Do you know that in the income-tax return filed by your firm for the 2-day period of January 1 and January 2, 1931, deductions were claimed by way of losses for that 2-day period amounting to \$21,071,862.94?

Mr. MORGAN. I do not know about the thing at all.

Mr. PECORA. Well, that isn't an item of such small consequence that the partners would not know of it, is it Mr. Morgan?

Mr. MORGAN. I really do not know anything whatever about the income-tax statements of the office. They are all made up apart from me and I cannot base an examination on them.

Mr. PECORA. Do you know of any loss that accrued to the firm of J. P. Morgan & Co. for the two days of January 1 and January 2, 1931; do you?

Mr. MORGAN. Well, do I know of that loss?

Mr. PECORA. Of any loss which accrued to the firm on account of the business it transacted in those two days?

Mr. DAVIS. Mr. Chairman, may I suggest that, if the committee thinks it important to go into these income-tax matters, and that it is relevant, and inasmuch as Mr. Morgan has said it was all done

by Mr. Keyes, the office manager, who is here and is prepared to respond to any questions Mr. Pecora may want to inquire of him.

The CHAIRMAN. He might state any losses that occurred.

Senator GLASS. Mr. Chairman, Mr. Morgan has stated distinctly that he does not know anything about it. It seems to me we ought to have the man before the committee who knows about the matter.

Mr. MORGAN. And the man is here.

Mr. DAVIS. The man is here, and is quite ready for it if you want to go into it with him.

Mr. PECORA. Mr. Morgan, did the firm of J. P. Morgan & Co. do business for the 2 days of January 1 and January 2, 1931, which resulted in any considerable loss to them, to your knowledge?

Mr. MORGAN. No, sir.

Mr. PECORA. It did not?

Mr. MORGAN. The loss did not result at that time. The loss was taken at that time. But I do not want to discuss this because I have not the books before me and I cannot talk about it. I do not know anything about it. But if you will inquire of Mr. Keyes, and he has all of the records, you can get all of the information about the thing from him. He can give it to you perfectly easily.

Mr. PECORA. Mr. Keyes is an employee of the firm and not a partner, is he not?

Mr. MORGAN. Yes, sir.

Mr. PECORA. And his position is that of general manager?

Mr. MORGAN. Yes.

Mr. PECORA. And as general manager he carries out the decisions and policies of the partners, does he not?

Mr. MORGAN. Yes.

Mr. PECORA. As a partner, did the firm of J. P. Morgan & Co. transact any business on January 1 and January 2, 1931, that you have any knowledge of?

Mr. MORGAN. I want to get the answer to this right: We revalued the securities, didn't we? (Inquiring of some of his own people.)

The CHAIRMAN. Those were not holidays if they did business.

Mr. PECORA. One day was a holiday.

Mr. MORGAN. I cannot say.

Mr. PECORA. Was any decision arrived at in a conference of the partners of J. P. Morgan & Co. which led to the filing of an income-tax return in behalf of that firm for that 2-day period?

Mr. MORGAN. I was probably not present at the time it was not taken. I don't know.

Mr. PECORA. Have you any knowledge at all of any such decision having been reached by the members of the firm?

Mr. MORGAN. I assume it was reached, because it was there.

Mr. PECORA. Have you any knowledge of making such a thing?

Mr. MORGAN. I have not.

Senator GLASS. Mr. Chairman, I respectfully submit that Mr. Morgan has stated over and over again that he has no knowledge of this income-tax business, but that the general manager of the firm, who is here, has complete knowledge of it. I do not see any use in the world, or anything to be gained by badgering Mr. Morgan about his knowledge or lack of knowledge of that particular item.

Mr. PECORA. Mr. Chairman, I certainly have no desire to badger Mr. Morgan or any other witness. I am simply asking him questions as a witness.

Senator GLASS. Yes; but you are repeating the questions over and over again, questions that have already been answered.

Mr. PECORA. I beg pardon, Senator Glass, but—

Senator GLASS (continuing). He has repeatedly answered that question.

Mr. PECORA. I do not recall asking Mr. Morgan any question twice. A succeeding question may have related to the former subject, or to a question previously propounded.

Senator GLASS. They are questions with the same background.

Senator GORE. I should like to know what the background is of the figure \$20,000,000 loss. I should like to have some information about that subject. I do not see how an income-tax return can be made for two days.

Senator BARKLEY. Was an income tax return for those two days made separately because you could not include them in your 1930 report because the law fixes it for the calendar year, and for those two days the firm was the same as it had been in 1930, but you could not include those two days in your 1931 report because it was a different firm after the second of January?

Mr. MORGAN. That is exactly what I understand to be the case.

Senator BARKLEY. And you included those two days because you had to make a separate report for the reason that they were the only two days in 1931 when the firm as it existed in the year 1930 was the same, is that correct?

Mr. MORGAN. That is correct.

Senator COUZENS. But you revalued your securities during that time?

Mr. MORGAN. Yes; we revalued the securities.

Senator COUZENS. And that created a loss. That did not have anything to do with the new partnership?

Mr. MORGAN. We had to revalue the securities at that time because a new partner came in.

Senator COUZENS. Then Mr. Morgan did understand about that. Now he states that he knows something about that.

Mr. MORGAN. I do not understand what the difficulty was.

Senator GLASS. He was asked that question and has answered.

Senator ADAMS. Mr. Chairman, might I ask a question of Mr. Pecora? As I understand, the partnership itself makes reports not for the purpose of paying a tax as a partnership but for the purpose of furnishing information, and the tax is paid by the individual partners?

Mr. PECORA. Yes, sir.

Senator McADOO. On their distributary shares.

Mr. PECORA. Yes, sir. Apparently now, Mr. Chairman, the witness has some knowledge of the revaluation of securities composing the assets of the partnership as of January 2, 1931. Is that correct, Mr. Morgan; have you any such knowledge?

Mr. MORGAN. I have no knowledge that I could go back to and cite to you; no.

Senator BARKLEY. Could Mr. Keyes give full information as to that loss and the revaluation?

Mr. MORGAN. Perfectly.

Mr. PECORA. Do you know at what figure the securities owned by the firm were valued as of the end of the calendar year 1930?

Mr. MORGAN. No.

Mr. PECORA. Were they valued at the market or at cost on that date?

Mr. MORGAN. They were not valued on that date. They were not valued at that date.

Mr. PECORA. Was there a write-off due to depreciation of the value of the securities that J. P. Morgan & Co. owned as assets as of the end of the calendar year 1930?

Mr. MORGAN. I do not know.

Mr. PECORA. Do you know who signed the partnership income-tax return?

Mr. MORGAN. I have no doubt that I did.

Mr. PECORA. For the calendar year 1930?

Mr. MORGAN. Yes. But I have not the slightest recollection of it.

Mr. PECORA. Did you sign it for the 2-day period January 1 and 2, 1931?

Mr. MORGAN. I do not remember.

Mr. PECORA. Sir?

Mr. MORGAN. I do not remember.

Mr. PECORA. Do you know who prepared those returns?

Mr. MORGAN. Yes.

Mr. PECORA. Who?

Mr. MORGAN. Mr. Keyes.

Senator GLASS. Again I should like to ask you, Mr. Morgan: Do not the expert examiners of the Internal Revenue Bureau review all these matters?

Mr. MORGAN. I understand so.

Senator GLASS. In examining your income-tax return?

Mr. MORGAN. Yes. I understand they have done so. I was told the other day that we were clear up to 1931, was it?

Mr. KEYES. 1930.

Mr. MORGAN. 1931 is now being examined.

Senator COUZENS. I might point out that they also examined Mr. Charles Mitchell's income-tax return.

Senator GLASS. Well, that is an implication that I am not participating in.

Senator COUZENS. No, and I am not participating in it either, but I do object to the fact that this examination is to be curtailed any more than the examination of Mr. Charles Mitchell was curtailed. I want the testimony to go through.

Senator GLASS. I won't curtail the examination, but as a member of the subcommittee I claim the right to know something in advance of what would be proven here, and I was not given any information whatsoever.

Senator COUZENS. And I do not wish the examination to be stopped. And I will say that I, too, did not get any information, and I relied upon the chairman of the committee for it.

The CHAIRMAN. I will say that I tried to get the members of the subcommittee together time and again, and could not find them every time by any means.

Mr. PECORA. I wish to say that whenever I received a request from any member of the committee, that information I gladly furnished.

Senator GLASS. And how could a member of the subcommittee ask you for information when he has no conception of what is to be found out?

The CHAIRMAN. Well, let us go on with the examination of the witness.

Senator GLASS. We will go on with the examination, but a member of the subcommittee has a right to interrupt with questions to find out what it is all about, and as long as I am a member of the subcommittee I will do it.

Senator COUZENS. And so will I.

Mr. PECORA. Mr. Morgan, do you know how much time was devoted by any member of the Internal Revenue Department on the income tax returns filed by your concern?

Mr. MORGAN. No; I have no knowledge whatever of what goes on about the income-tax matters, as I told you before. That is all done without my intervention at all.

Senator GLASS. I will say to Mr. Pecora and to the Senator from Michigan (Mr. Couzens) that if they want to do so they can indict me. I do not know anything more about my income tax than the man in the moon. I employ an expert accountant, an accredited and attested accountant, certified by the State of Virginia, to make out my income-tax return, and then I sign on the dotted line.

Senator COUZENS. And I assume that Mr. Mitchell did the same thing.

Senator GLASS. And if you think that is dishonest, then go ahead with it.

Senator COUZENS. I resent the inclusion of that insinuation in that remark, because I have charged nothing wrong to Mr. Lamont or to Mr. Morgan. I have known Mr. Lamont for years. But I resent any one witness being treated differently than any other witness, whether it happens to be Mr. Morgan or anyone else.

Senator GLASS. I do not care anything about Mr. Morgan. I never saw him but once before in my life. My whole contention is as to the matter of procedure.

Senator BARKLEY. Mr. Chairman, I suggest that these personal differences be referred for consideration in an executive session.

Senator COUZENS. So do I.

Senator GLASS. And I am not dissenting.

Mr. DAVIS. Mr. Chairman, I should like to submit that as to all these income-tax questions, the expert who made out the returns, who is the manager of the firm, who knows the business in detail, is here ready to respond; I offer him to the committee.

Mr. PECORA. I submit that we are entitled to find out whether the senior member of the firm knows anything about the negotiations or the business of the firm which resulted in a \$21,000,000 loss plus for two days' business transactions of a banking firm accepting deposits from the public and from public corporations.

Mr. DAVIS. That statement, with great respect to the distinguished counsel, is a pure figment of the imagination. The man who made

the figures is here and knows how it was done, while Mr. Morgan has told you that he does not know.

Mr. PECORA. It is not a figment of my imagination when I refer to the file of the records.

Mr. DAVIS. Oh, all right.

Senator GORE. Let us get the facts in the records, and the background, and then we can reason on it and quarrel on it, too, if you want to.

The CHAIRMAN. Go ahead with the examination.

Mr. PECORA. Mr. Morgan, I want to ask you definitely: Do you know of any business transactions of operations that resulted in a loss of—\$21,071,862.94 to the firm of J. P. Morgan & Co. for the two days of January 1 and January 2, 1931?

Mr. MORGAN. I have already told you, sir, that I do not know.

Mr. PECORA. You do not know?

Mr. MORGAN. No.

Senator GORE. Mr. Pecora, is it a fact that such a loss occurred? I am trying to get into the record the facts and background. I can appreciate the importance and the priority of bringing it out. Are you trying to elicit the facts, or do you have the facts already?

Mr. PECORA. I have the fact only as indicated by the income-tax return filed in behalf of J. P. Morgan & Co. for the 2-day period, January 1 and January 2, 1931, and a comparison of that return with one filed in behalf of that firm for the last 6 months of the preceding calendar year, terminating December 31, 1930.

Senator GORE. And it shows that discrepancy or difference?

Mr. PECORA. Yes, sir.

Senator GORE. Does anybody have that information except Mr. Keyes?

The CHAIRMAN. He is asking Mr. Morgan if he knows about it, and he can say yes or no.

Senator BYRNES. Mr. Chairman, I want to submit that that is perfectly proper. Counsel may ask the witness and if the witness answers "no", then if counsel wants the information from the gentleman who has it, he can let him answer.

Senator GLASS. Now, you can go into executive session if you want to make suggestions of that sort, Senator Byrnes.

The CHAIRMAN. Mr. Pecora has a perfect right to ask Mr. Morgan what he knows about it, and that is all that he has done.

Senator GLASS. And when Mr. Morgan answers over and over again that he does not know anything about it, what is the use of asking him again?

The CHAIRMAN. He asked Mr. Morgan if he knows about it.

Senator GLASS. He asked him over and over again if he did not know about it.

Mr. PECORA. At one time, when Senator Couzens asked Mr. Morgan a question, the answer indicated some knowledge of the general subject, and then I followed that up.

The CHAIRMAN. Go ahead, Mr. Pecora.

Mr. PECORA. Mr. Morgan, do you know that returns made in behalf of the individual members of your firm, income-tax returns, have been accepted without examination on various occasions?

Mr. MORGAN. I do not know anything about it.

Mr. PECORA. Have you ever heard of the making of this statement on the record of the income-tax return filed in behalf of Mrs. Margaret Y. Newbold, care J. P. Morgan & Co., 23 Wall Street, which I will read:

Returned without examination for the reason that the return was prepared in the office of J. P. Morgan & Co., and it has been our experience that any schedule made by that office is correct. The books of the taxpayer are located in Philadelphia, and if necessary Schedule C may be verified in that city. This office, however, recommends that the return be accepted as filed.

C. M. SHEPPARD,
Internal Revenue Agent.

Did you ever know of that?

Mr. MORGAN. No.

Mr. PECORA. Do you know that the records of the Income Tax Department—

Senator COUZENS (interposing). What year was that?

Mr. PECORA. 1928.

Senator GORE. Where does Mr. Sheppard hold out?

Mr. PECORA. I do not know, sir. I am simply reading from a photostatic copy of the record.

Senator GORE. In New York, I suppose, or for that district?

Mr. PECORA. I imagine he is a revenue agent either in New York or Washington.

Senator GORE. And you do not know whether he is still in office or not?

Mr. PECORA. I did not. And this statement bears date August 15, 1930.

Senator GLASS. Have you had any contact with Mr. Sheppard, Mr. Pecora?

Mr. PECORA. No, sir.

Senator GLASS. Have you made any effort to have contact with him?

Mr. PECORA. No, sir.

Senator GLASS. To ascertain the meaning of it?

Mr. PECORA. The meaning seems to me to be plain. The language used by him seems quite plain, and I have not asked him to explain anything about it, because I do not consider it is ambiguous. Furthermore, the return bears the stamp on its face:

No field examination necessary.

Senator BARKLEY. These notations are all made by agents of the Government after the income-tax return has been made out by the taxpayer?

Mr. PECORA. Yes, sir.

Senator BARKLEY. And has left his hands?

Mr. PECORA. Yes, sir. Furthermore, may I state, Senator, that the records of the Income Tax Bureau show that only 1 day was spent on the partnership return of J. P. Morgan & Co. and of Drexel & Co., of Philadelphia, filed for the year 1930.

Mr. DAVIS. Is it unfair to ask distinguished counsel if he is testifying as a witness?

Mr. PECORA. I am giving the results of the examination of official reports and data in the bureau.

Mr. DAVIS. Are you testifying as a witness?

Mr. PECORA. I am putting this statement in the record, and stating where it came from, Mr. Davis.

Senator COUZENS. And the committee will decide that question, not counsel for the house of Morgan.

The CHAIRMAN. Yes. You may proceed, Mr. Pecora.

Mr. PECORA. Mr. Morgan, don't you know as a matter of fact one of the reasons for the filing of this income-tax return in behalf of the firm for the 2-day period of January 1 to January 2, 1931, showing losses of over \$21,000,000, enabled your firm, or would enable your firm under the income-tax law in effect at the time this return was made and filed, to carry forward those losses of over \$21,000,000 against the taxable income for the ensuing two years, that is, for the years 1932 and 1933?

Mr. MORGAN. No; I do not know that of my own knowledge.

Mr. PECORA. Well, I will ask further questions of Mr. Keyes about this subject later. Now, Mr. Morgan, have you prepared a list at the request of counsel for the committee, or has your firm caused such a list to be prepared, showing the names of all corporations maintaining demand deposit accounts with your firm with balances averaging \$1,000,000 or more?

Mr. MORGAN. Yes; we have done that, I believe.

Mr. PECORA. Will you produce the list?

Mr. MORGAN. This is for J. P. Morgan & Co., and this does not involve Drexel & Co., or anything else.

Mr. PECORA. All right.

Mr. MORGAN. It says:

CORPORATIONS ENGAGED IN INTERSTATE COMMERCE HAVING AN AVERAGE DAILY BALANCE OF \$1,000,000 OR OVER DURING ANY YEAR OF THE PERIOD FROM JANUARY 1, 1927, TO DECEMBER 31, 1932, INCLUSIVE

Alaska Development & Mineral Co.
 Alaska Steamship Co.
 Alleghany Corporation.
 American Car & Foundry Co.
 American Telephone & Telegraph Co.
 The Atchison, Topeka & Santa Fe Railway Co.
 Celanese Corporation of America.
 The Chesapeake & Ohio Railway Co.
 Chicago, Burlington & Quincy Railroad Co.
 Chicago & Western Indiana Railroad Co.
 The Cincinnati, New Orleans & Texas Pacific Railway Co.
 The Commonwealth & Southern Corporation.
 Continental Oil Co. of Delaware.
 E. I. du Pont de Nemours & Co., Inc.
 Erie Railroad Co.
 General Electric Co.
 General Mills, Inc.
 General Motors Corporation.
 Humble Oil & Refining Co.
 Ingersoll-Rand Co.
 International Telephone & Telegraph Corporation.
 Johns-Manville Corporation.
 The M. W. Kellogg Co.
 Kennecott Copper Corporation.
 Louisville & Nashville Railroad Co.
 Marland Oil Co.
 Montgomery Ward & Co.
 New York Central Railroad Co.
 Niagara Hudson Power Corporation.
 Northern Pacific Railway Co.

Pere Marquette Railway Co.
 Pullman Car & Manufacturing Corporation.
 Royal Baking Powder Co.
 Southern Railway Co.
 Standard Brands, Inc.
 Standard Oil Co. of New Jersey.
 Texas Gulf Sulphur Co.
 United States Steel Corporation.

And the next page is Drexel & Co.:

Baldwin Locomotive Works.
 Barber Asphalt Co.
 Bethlehem Steel Co.
 General Steel Castings, construction account.
 Kent (Atwater) Manufacturing Co.
 Keystone Watch Case Co.
 Lehigh Valley Coal Co.
 Lehigh Valley Railroad Co.
 The Midvale Co.
 Philadelphia & Reading Coal & Iron Co.
 Reading Co.
 Reading Iron Co.
 Standard Brands, Inc.
 United Gas Improvement Co.

Senator COUZENS. For what period were those average balances? For how long?

Mr. MORGAN. It says an average daily balance of \$1,000,000 or over during any year of the period.

Senator COUZENS. For the whole year?

Mr. MORGAN. Yes, sir.

Mr. PECORA. During any one year, Senator Couzens, of the 5-year period.

Senator COUZENS. I understand now.

Senator GORE. These are mostly concerns on whose boards of directors appear some of the names of your partners, largely?

Mr. MORGAN. Very probably. I might say that they are all companies for which we worked.

Mr. PECORA. These corporations for the most part are corporations that your firm has been financing for in the past, is that right?

Mr. MORGAN. Yes.

Mr. PECORA. Now, have you caused to be prepared a list of all corporations maintaining demand deposit accounts with your firm with a balance of \$100,000 or more?

Mr. MORGAN. I think we have.

Mr. DAVIS. Mr. Pecora, I think we have that, if you will just give me a minute.

Mr. PECORA. All right. That would be in answer to question 34 that we propounded to you.

Mr. DAVIS. We have it now.

Mr. PECORA. You may go ahead and answer the question, Mr. Morgan.

Mr. MORGAN (reading):

"Corporations engaged in interstate commerce having an average yearly balance of \$100,000 or over during any year of the period from January 1, 1927, to December 31, 1931, inclusive:

Acewood Petroleum Corporation—

Senator GORE (interposing). Mr. Chairman, is it necessary to have that read? Could it be inserted?

Mr. PECORA. You mean in order to get it on the record?

Senator GORE. If there is any point as to any particular name, all right. But why not simply put it on the record and save time?

Mr. PECORA. Suppose I offer in evidence the lists of such names as have been furnished to me by the firm of J. P. Morgan & Co.? I will offer in evidence the actual documents which the firm furnished me.

(In order to complete the record the balance of the names on the list of \$100,000 or over is here copied as follows:)

All American Cables, Inc.
 Allied Power & Light Corporation of Delaware.
 The American Brake Shoe & Foundry Co.
 American Car & Foundry Securities Corporation.
 American Tobacco Co.
 Amoskeag Manufacturing Co., D. W. Jarvis, agent.
 Associated Dry Goods Corporation.
 Atlantic Coast Line Railroad Co.
 Atlantic Transport Co.
 The Babcock & Wilcox Co.
 Bendix Aviation Corporation.
 The Borden Co.
 J. I. Case Co.
 Celluloid Corporation.
 Cerro de Pasco Copper Corporation.
 Chile Copper Co.
 Cincinnati Northern Railroad Co.
 The Cleveland, Cincinnati, Chicago & St. Louis Railway Co.
 The Colorado & Southern Railway Co.
 Columbia Phonograph Co., Inc.
 The Commercial Cable Co.
 Congoleum-Nairn, Inc.
 Continental Can Co., Inc.
 Copper River & Northwestern Railway Co.
 The Cream of Wheat Corporation.
 The Cream of Wheat Sales Co.
 Crowell Publishing Co.
 Detroit River Tunnel Co.
 Diamond Power Specialty Corporation.
 Eastman Kodak Co. of New Jersey.
 Federal Steel Co.
 The Firestone Tire & Rubber Co.
 The Fleischmann Co.
 Fort Worth & Denver City Railway Co.
 Samuel Fox's Sons, Inc.
 General Motors Acceptance Corporation.
 General Steel Castings Corporation.
 The B. F. Goodrich Co.
 Graham Bros. Corporation.
 Grover Loening Co., Inc.
 Hartford Fire Insurance Co.
 Hercules Powder Co.
 Hocking Valley Railway Co.
 International Harvester Co.
 International Mercantile Marine Co.
 International Standard Electric Corporation.
 The Koppers Co. of Delaware.
 Long Dock Co.
 MacLeod & Co., Inc.
 Magma Copper Co.
 Maracaibo Oil Exploration Corporation.
 Marsh & McLennan, Inc.
 Merchants Despatch Transportation Co.
 Missouri Pacific Railroad Co.
 Mobile & Ohio Railroad Co.

Mother Lode Coalition Mines Co.
 New England Car Co.
 The New England Steamship Co.
 The New York, New Haven & Hartford Railroad Co.
 Northwestern Improvement Co.
 Peabody Coal Co.
 Penn-Ohio Edison Co.
 Pennsylvania Coal Co.
 Phelps Dodge Corporation.
 The Proctor & Gamble Co.
 Pullman, Inc.
 St. Joseph Lead Co.
 Scovill Manufacturing Co.
 Jacques Seligmann & Co., Inc.
 Simms Petroleum Co., Inc.
 Standard Oil Co. of New York, Inc.
 Standard Steel Car Corporation.
 Stonega Coke & Coal Co.
 Sulphur Export Corporation.
 Terminal Railroad Association of St. Louis.
 The Texas and Pacific Railway Co.
 United Cigar Stores Co. of America.
 United Verde Extension Mining Co.
 West Publishing Co.
 West Virginia Pulp & Paper Co.
 Westmoreland Coal Co.
 The Yale & Towne Manufacturing Co.

Mr. DAVIS. Mr. Morgan might identify it by reading the first and last names on the list.

Senator GORE. I do not object to his reading it, except to save time. That is my point.

Senator BULKLEY. Have those been identified by the witness?

Mr. PECORA. Do you want to look at the last exhibit, Senator Bulkley?

Senator BULKLEY. Yes.

The CHAIRMAN. Mark those exhibits 2 and 3.

(The exhibits had previously been marked as requested.)

Mr. PECORA. Mr. Morgan, when you read off the list of various corporations on the boards of which either you or partners of yourself sat I tallied the number and reached the total of 167 directorships; 167 directorships held by members of your firm. Does that correspond with your knowledge?

Mr. MORGAN. If that corresponds with the list that is right. I do not know the number.

The CHAIRMAN. We had better have an executive session of the committee, and we will take a recess until 2 o'clock. Clear the room.

(Thereupon, at 12:45 p.m. the committee took a recess until 2 o'clock p.m. the same day, Tuesday, May 23, 1933.)

AFTER RECESS

The subcommittee of the Committee on Banking and Currency of the United States Senate reconvened at 2 o'clock p.m., Tuesday, May 23, 1933, at the expiration of the noon recess.

The CHAIRMAN. Let the committee come to order, please. The subcommittee in considering the question of calling for the partnership agreement decided to ask Mr. Morgan, through his counsel, to produce the agreement so that the subcommittee can in executive

session discuss the question and decide on the subject of the admission of this agreement, and determine the question of future use for it. We will ask that that be done, so that we can go into that matter in executive session, when the agreement is produced before the committee.

Mr. DAVIS. That will be done as soon as we can get it.

The CHAIRMAN. That can be done at such time as you can get it.

Mr. DAVIS. That will be done, sir.

The CHAIRMAN. You may proceed, Mr. Pecora.

TESTIMONY OF J. P. MORGAN, A MEMBER OF THE FIRM OF J. P. MORGAN & CO., NEW YORK CITY—Resumed

Mr. PECORA. Mr. Morgan, as the senior partner of the firms of J. P. Morgan & Co. and Drexel & Co. am I justified in assuming that you have a substantial participation in the income and profits of those firms?

Mr. MORGAN. I have, sir.

Mr. PECORA. Now, according to the income-tax returns personally made by you for the calendar year 1930, were you taxed upon any taxable income?

Mr. MORGAN. I do not remember my income-tax return for 1930, sir.

Mr. PECORA. You recall that according to your return you had no net taxable income for that year?

Mr. MORGAN. In that case—that is made up on a mathematical basis out of the figures in the books. I do not know anything about it.

Mr. PECORA. Well, do you know whether or not you paid an income tax for the calendar year 1930?

Mr. MORGAN. I cannot remember, but I can find out.

Mr. PECORA. Can you remember whether or not you paid one for the calendar year 1931?

Mr. MORGAN. I did not, I know, that year.

Mr. PECORA. And do you know whether or not you paid an income tax for the calendar year 1932?

Mr. MORGAN. No.

Senator COUZENS. Does your "No" mean that you did not, or that you do not know whether you did?

Mr. MORGAN. My "No" means that I did not pay any income tax. I might remind you, Mr. Pecora, that if I have a substantial interest in the profits of the concern I also have a substantial interest in the losses. Which might account for some of my troubles.

Mr. PECORA. Is it within your knowledge that the aggregate amount of income taxes paid by the members of the firms of J. P. Morgan & Co. and Drexel & Co. for the calendar year 1930 was about \$47,000 or \$48,000?

Mr. MORGAN. Not within my knowledge. I do not know about the other men's returns.

Mr. PECORA. Is it within your knowledge that the aggregate amount of income taxes paid for the calendar year 1931 by the members of the firms of J. P. Morgan & Co. and Drexel & Co. was zero?

Mr. MORGAN. I believe it to be true, but I do not know. I don't see their income-tax returns.

Mr. PECORA. Now, according to an analysis of your testimony this morning with respect to the number of directorates held by the members of your firm; that number was 167?

Mr. MORGAN. So you told me.

Mr. PECORA. You individually are a director in seven corporations which you enumerated?

Mr. MORGAN. Whatever the ones I enumerated. I do not remember how many.

Mr. PECORA. One of those is known as the First Security Co. of the city of New York?

Mr. MORGAN. Yes, sir.

Mr. PECORA. That company is a security affiliate of the First National Bank in the city of New York, is it not?

Mr. MORGAN. Yes.

Mr. PECORA. Do you know whether or not the members of your firm who sit on these boards, who hold 167 directorates attend with regularity the meetings of the various boards of directors of which they are members?

Mr. MORGAN. I presume they attend with as much regularity as they can; yes.

Mr. PECORA. And the corporations upon which they sit as directors are diversified in character, are they not? That is, they include railroad companies, insurance companies, chartered banks, industrial corporations, and so forth?

Mr. MORGAN. Yes.

Mr. PECORA. Now I take it that the business operations and transactions of your firm are of very considerable magnitude, are they not?

Mr. MORGAN. Frequently; yes.

Mr. PECORA. Do you feel that in view of the volume and variety of business transacted by your firm that its individual partners can do full justice to their duties as directors in these 167 places that they hold as directors for the various corporations on which they sit?

Mr. MORGAN. I presume they do or they would be asked to go off the boards.

Mr. PECORA. Do you, speaking for yourself, attend regularly the meetings of the boards of directors of the various corporations on which you sit?

Mr. MORGAN. Whenever I am in New York I always go to them, if I possibly can.

Mr. PECORA. Are your absences from the city of New York of considerable duration or extent in the course of the year?

Mr. MORGAN. Yes; they are apt to be about 4 months in the year.

Mr. PECORA. Do you know whether that is true of others of your partners who sit as directors on many of these boards of these companies?

Mr. MORGAN. Which is true? That they are absent a great deal or that they go to the board?

Mr. PECORA. What is that?

Mr. MORGAN. That they are absent a great deal or that they go to the board?

Mr. PECORA. Yes; that they are absent a great deal?

Mr. MORGAN. They are not absent as much as I am, as a rule, except in such cases of sickness; something of that sort.

Mr. PECORA. At various meetings and conferences and discussions of the members of the firm of J. P. Morgan & Co. are matters brought up for discussion relating to the business affairs of the various banks and corporations upon which your partners sit?

Mr. MORGAN. At times. When the company has a critical question up, a question of policy, they are very apt to ask the director of the company, or he himself will come and do it naturally, to get the general opinion of the firm as he represents the firm on the board, so to speak.

Mr. PECORA. You recognize, of course, that a director of a corporation, particularly if it is a corporation actively engaged in business, occupies a position of trusteeship to that corporation, do you not?

Mr. MORGAN. Well, within limits, in my opinion.

Mr. PECORA. And would you define those limits?

Mr. MORGAN. Well, I think you will have to go, to define it—what are the affirmative duties of a director?

Mr. PECORA. I prefer to take your answer on that in view of your experience as a director, Mr. Morgan.

Mr. MORGAN. Well, my idea of the duties of a director is to watch the company, to pay strict attention to the general policies of the company, but the most important duty of the director is to get an executive power, a president and the executive officers of the company, and then see that they go on and do their duties. It can be no director's duty to run the company. It must be the duty of the executives. The duty of the board is not to run the company and mess into the little details of running it.

Mr. PECORA. The directors have the power to define and determine the policies of the company, have they not?

Mr. MORGAN. Yes; they do as a rule.

Mr. PECORA. And that power and that policy is carried out by the executive officers in accordance with the wishes of the board of directors, as a rule, is it not?

Mr. MORGAN. As a rule; yes. But as a rule the policies are generally brought up for discussion by the executive so that the directors and the executive are not in opposition to each other.

Mr. PECORA. But the decisions as to policies are made by the directors?

Mr. MORGAN. By the directors, with the executive, too. As a rule, the president is a director also.

Mr. PECORA. Do you recognize that there is any limitation whatsoever upon the duties of trusteeship which a director owes his company to discharge his duties in the manner best calculated to promote the interests of the company?

Mr. MORGAN. If his duties are such as I have laid down, yes; I think you are quite right.

Senator COUZENS. May I ask Mr. Morgan at that point: In discussing these matters with your partners, what sort of policies are discussed? Mainly financial?

Mr. MORGAN. Well, I should think, for instance, in these last times the question might come up in this way with such and such a company: Should we go on paying the dividend or should we cut

it down? What is the best policy? Now, we are not quite certain. And—

Senator COUZENS. I say, it is a financial policy?

Mr. MORGAN. That is a financial policy. Well, most of the questions that come to the directors that are my partners are financial questions, obviously.

Senator COUZENS. Are there any cases where the policy of the company might conflict with the policy of the Morgan house who had a director on the company?

Mr. MORGAN. Oh, I think they might very well.

Mr. PECORA. Well, in such instances, Mr. Morgan, is there not an anomaly in the situation of a partner of your firm discussing a matter of policy in behalf of the firm or for the interest of the firm which may be in conflict with the policy or interest of a corporation upon which that member may sit as a director?

Mr. MORGAN. No. There is no impropriety. He knows what he has to do.

Mr. PECORA. No; I did not ask about impropriety. But conflict of interest?

Senator ADAMS. Mr. Morgan, may I ask you one question? Pardon me for interrupting. The list of directorships held by the members of your firm covers a large proportion of the big industrial interests of the country. Now, are they distributed purely accidentally because of their individual stock holdings in these companies, or is it a method or manner of assignment so that your organization is really represented on these different boards?

Mr. MORGAN. It substantially is a representation of the firm, but it is generally done by the man who knows the most about the company.

Senator ADAMS. They are the representatives of the firm on these boards?

Mr. MORGAN. They are rather the representatives of the firm, because a mercantile company or a manufacturing company—the directors are not necessarily financial people. And it is an advantage to them to have somebody they can consult in whom they have confidence, and they can consult us that way.

Mr. PECORA. Well, Mr. Morgan, your partners as members of the firm owe a duty to the firm to conserve its interests, do they not?

Mr. MORGAN. Yes, a duty to themselves, so to speak.

Mr. PECORA. Yes.

Mr. MORGAN. Yes.

Mr. PECORA. And they have a selfish interest in the discharge of that duty to the best of their ability as participants in the firm's profits or income?

Mr. MORGAN. Yes.

Mr. PECORA. Is that right?

Mr. MORGAN. That may be so.

Mr. PECORA. Yes. Now, as directors of any corporation they owe a corresponding duty at least to the corporation, do they not?

Mr. MORGAN. Yes.

Mr. PECORA. You said this morning, if I correctly recall your testimony, in substance that most of the corporations upon the boards of which your partners sit are corporations with which your firm has had or still has business transactions or dealings?

Mr. MORGAN. Quite often.

Mr. PECORA. And generally speaking is it fair to say that the nature of those business transactions or dealings is the financing of those corporations or the promotion of any of its issues?

Mr. MORGAN. It might be. It might not. It might be a simple deposit interest.

Mr. PECORA. But it also might be what I have indicated?

Mr. MORGAN. It might be, certainly.

Mr. PECORA. Now, in those instances where your firm has done the financing for the corporation upon the board of directors of which may sit any of the members of your firm, does not that member of your firm have to take a position on a question of financing which is done for the corporation by your firm with respect to the terms of that financing?

Mr. MORGAN. I did not get that quite.

Mr. DAVIS. Will you read that?

Mr. PECORA. Well, let us take the case of a corporation on the board of directors of which sits a member of your firm.

Mr. MORGAN. Yes.

Mr. PECORA. Let us assume that that corporation is negotiating for financing in its behalf with your firm.

Mr. MORGAN. Yes.

Mr. PECORA. The question of the terms upon which the financing is to be done becomes an important one both to the firm and to the corporation, does it not?

Mr. MORGAN. Yes.

Mr. PECORA. And that member of your firm who may also be a director of that particular corporation must take a position as director for the best interests of the company—

Mr. MORGAN. Yes.

Mr. PECORA (continuing). And as a partner of your firm for the best interests of your firm, must he not?

Mr. MORGAN. They need not necessarily conflict, need they?

Mr. PECORA. But they may very easily conflict, may they not?

Mr. MORGAN. I do not see it.

Mr. PECORA. Is it not conceivable that your firm may insist upon financing terms that may not be advantageous to the corporation?

Mr. MORGAN. Why, no. Their interest is to have the corporation financed to the best advantage of the corporation.

Mr. PECORA. And upon the lowest possible terms to the corporation?

Mr. MORGAN. Yes.

Mr. PECORA. But the interests of your firm would be best served by doing the financing in the safest possible way and for the greatest amount of profit or commission, would it not?

Mr. MORGAN. No; it should not. Certainly not. You seem to think that we do not want to go on doing business. We do want to go on doing business.

Mr. PECORA. You want to go on doing business profitable to yourselves?

Mr. MORGAN. Not only profitable to ourselves, but you cannot go on with any good business that only one side makes any money on.

Mr. PECORA. Is not the matter of the terms upon which the financing of a corporation may proceed a question that resolves itself frequently into differences of opinion or conflicts between the interests of the corporation and the banker?

Mr. MORGAN. I have not seen it.

Mr. PECORA. Well, whether or not you have seen it, is it conceivable to you that such a situation could easily arise in any given case?

Mr. MORGAN. Then the corporation need not finance with us if it does not want to. We cannot make it.

Mr. PECORA. But where a corporation desires to negotiate with you for its financing, that is, with your firm, does it not put the member of your firm, who is also a director of the corporation, in the position of having to take sides?

Mr. MORGAN. No; I do not think that you get my meaning about this thing. Or I do not see eye to eye with you in your statement about it. When you are dealing with a client for securities you both of you have the same object, that is, that the securities shall be put out at the highest possible price to be creditable, that is may be creditable so the corporation is satisfied, and second, you must be paid a sufficient amount, not too much, for taking the responsibility of putting it out. Those two things. And your minds always meet with the corporate fellows. Isn't that so, George? (Turning to a man sitting behind him.)

Senator COUZENS. May I ask at that point: Is there any instance that you know of where there is a director of Kuhn, Loeb or Dillon, Read & Co. sitting on the same board with your partners?

Mr. MORGAN. I do not know whether they do or not.

Senator COUZENS. It would hardly be likely, would it?

Mr. MORGAN. I do not know. It might be.

Senator COUZENS. You do not know of any case?

Mr. MORGAN. I do not know whether there is or not.

The CHAIRMAN. Would it be true, Mr. Morgan, if one of these corporations on which your partner is a director undertakes to finance a certain scheme or plan and is unable to do it through your house, that they would be able to do it through another house?

Mr. MORGAN. Why not? If they wanted to.

The CHAIRMAN. Simply because the other house would not take it because Morgan & Co. would not take it.

Mr. MORGAN. Well, I cannot help that. It is a great compliment to us. I am very much obliged to you, sir. But the difficulty that Mr. Pecora has got in his mind—

Mr. PECORA. No; I have no difficulty in my mind.

Mr. MORGAN. I see. But what you wanted to imply was that there could be a difficulty between our firm and the company of which the partner was a director.

Mr. PECORA. I do not recede from that opinion either.

Mr. MORGAN. No; I understand you do not. When the Steel Co. was formed 30 years ago or more, my father, who was instrumental in putting it together, said, "Look here, we are going to have a very strong board of directors. Those directors are all of them engaged in large business. They include bankers and steel men and all sorts of business. Now", he says, "it is infallible that as the company goes on, which has an enormous capital and big business—it

is infallible that they will have to do financing or purchasing of materials from some of their directors, and therefore we are going to put it into the bylaws that they are permitted to do so, if a majority of the finance committee or the board of directors—the interested party not voting—wish it done.” And that was put into those bylaws, and it has been there ever since.

Mr. PECORA. Well, Mr. Morgan, if a corporation seeks to have some financing done for it by a private banker, it would naturally desire to have the financing done on the lowest possible terms to itself, would it not?

Mr. MORGAN. I have seen it so and I have seen it not so. What they want to do is to put it out so it will stay out and be creditable to them.

Mr. PECORA. But they want it to be put out safely and profitably, but on the lowest possible terms to themselves, that is natural, is it not?

Mr. MORGAN. Yes; that is right.

Mr. PECORA. And is it not equally natural that the banker who is negotiating to do the financing for such a corporation would seek to do that financing upon the best possible terms to himself?

Mr. MORGAN. Well, it would depend on your definition of “best possible terms to himself.”

Mr. PECORA. Well, the most profitable.

Mr. MORGAN. Do you mean the lowest price, and he will screw 2 or 3 more percent on it? Why, no; I don't believe so.

Mr. PECORA. I mean on the most profitable terms to the banker——

Mr. MORGAN. No.

Mr. PECORA (continuing). Consistent with safety and good business principles?

Mr. MORGAN. It might be you will find that those points are very near together with both the company and the banker.

Mr. PECORA. Well, the margin may be a slight one. The margin of differences might be slight.

Mr. MORGAN. Yes.

Mr. PECORA. But is it not conceivable to you that there is a margin?

Mr. MORGAN. Well, it is possible that there would be. In that case they would settle it between themselves, the company and the bankers.

Mr. PECORA. Exactly. That is, those representing the company conducting the negotiations with those representing the prospective banker would settle it between themselves?

Mr. MORGAN. Yes.

Mr. PECORA. And in an instance where a member of your firm was also a member of the board of directors of a corporation seeking to do its financing through your firm, he would have to help settle it for the interests of the corporation on the one side and the interests of your firm on the other, would he not?

Mr. MORGAN. Yes. He probably would sin on the side of the corporation, I should think, from what I know of him.

Senator BARKLEY. May I ask a question there? Do you recognize any difference between a direct loan by your company to any corporation upon which there is a member of the board of directors who

is also in your firm, and the selling of securities issued by the corporation through your firm as an agency?

Mr. MORGAN. Oh, yes; there is a great difference.

Senator BARKLEY. So that the likelihood of a member of your firm leaning toward your firm in a direct loan to the corporation would be greater than where you are simply negotiating for the sale of securities?

Mr. MORGAN. I do not think it would be greater. A loan is a thing that has a reasonable and very closely measurable value or rate.

Senator BARKLEY. When you loan money directly to a corporation on whose board there is a member of your firm do you loan at the same terms as to any other corporation?

Mr. MORGAN. Yes.

Senator BARKLEY. You give them no advantage because of that fact?

Mr. MORGAN. It would not make any difference to them.

Senator BULKLEY. Do all those corporations on whose boards you are represented do their financing exclusively through your firm?

Mr. MORGAN. No, sir. Nobody does their financing exclusively through our firm.

Senator BULKLEY. No one?

Mr. MORGAN. No. We have no agreement with any one to do that.

Senator BULKLEY. Well, as a practical matter they do it, do they not?

Mr. MORGAN. Well, I should fancy—I do not know. Yes; I think they probably would.

Senator BULKLEY. Can you think of some important instance where they finance through some other firm?

Mr. MORGAN. Yes; I can give the New York Central Railroad, for instance. I have frequently seen them go elsewhere.

Senator BULKLEY. They have?

Mr. MORGAN. Yes.

Senator COUZENS. Have you had a member on their board?

Mr. MORGAN. We did for many, many years.

Senator COUZENS. At the time that they financed elsewhere?

Mr. MORGAN. Yes. At the time that the firm financed the New York Central.

Senator COUZENS. Well, but I mean is when they went elsewhere?

Mr. MORGAN. When they went elsewhere; yes.

Senator COUZENS. You still had a member on their board?

Mr. MORGAN. Oh, yes.

Senator GORE. Did your partnership, Mr. Morgan, have a representative on the board of directors of the Marland Oil Co.?

Mr. MORGAN. Yes, sir. I think we had on one of those boards.

Senator GORE. Did you have a member on that board of directors in 1923?

Mr. MORGAN. I do not know, sir. I have not got the data here.

Senator GORE. You made a loan to that concern, did you not, of about \$30,000,000 in the summer of 1923?

Mr. MORGAN. I am sorry, Senator Gore, but I do not know that part of the business. We have the records, I suppose.

Senator GORE. Well, I see. I was just laying the predicate to ask you this, Mr. Morgan. Have the data prepared and place in the

record a complete history of that transaction. It was a loan of \$30,000,000, I think, to the Marland Oil Co. I think it was made in the summer of 1923, and I wish you would show in your statement—

Mr. MORGAN. Senator Gore, Mr. Whitney is right here, and he knows all the details of that and will be glad to answer you if you wish.

Senator GORE. No; I won't take the time. If that is true I will wait. But I want to get in the record a complete history of that transaction showing how much was ever advanced on that loan at any one time; how much interest was charged and received on the loan; how much money the Marland Co. ever got on that loan.

Mr. MORGAN. All right, sir; that can be done anyhow. We will have that ready for you.

Senator GORE. Yes, sir.

Mr. PECORA. Mr. Morgan, take the case of a corporation that has as a director a member of your firm and to which your firm has made a loan. When the question arises as to the repayment or renewal or collateralization of that loan isn't that director frequently called upon as a director to take a position inconsistent with the interests of the firm and vice versa?

Mr. MORGAN. I do not think so. I do not see that the relations between a company and its directors, no matter what their associations are, is one of antagonism and strife. I have worked with a lot of corporations, and I have always found that we have always worked together rather comfortably, and that we always came to accord very easily. I do not recall a case when there were any serious differences.

Mr. PECORA. I assume that the firm or its individual members have interests or ownership of stock in these corporations upon which your members sit as directors.

Mr. MORGAN. Sometimes, and sometimes they have very little, the remains of some old transaction and their directorship stays on.

Mr. PECORA. Sometimes a stock interest is a very substantial one?

Mr. MORGAN. Not often. We are not an investment trust, you know.

Mr. PECORA. No.

Mr. MORGAN. At times, of course, the firm owns considerable or large amounts of stocks.

Mr. PECORA. Mr. Morgan, have you caused to be prepared, in response to a request which I made of your firm, in the last few weeks a list showing the names of all depositors, whether individual or corporation, who maintained demand deposit balances of \$100,000 or more with your firm?

Mr. MORGAN. That is not the one that we had, is it? [Inquiring of some of his own people.]

Mr. DAVIS. Mr. Chairman, might I answer that question, because I think probably Mr. Morgan does not know about those preparations? I think that is now in preparation, Mr. Pecora.

Mr. PECORA. When will it be ready?

Mr. DAVIS. It will be down tomorrow, I think.

Mr. PECORA. I thank you.

Mr. MORGAN. You mean by that question, like these other things we have given you, that it shall be the average balance for the year of \$100,000, or at any moment, do you mean?

Mr. PECORA. At any time during the year, maintained that balance.

Mr. MORGAN. Oh, that will take a little time.

Mr. PECORA. I think we agreed upon the average, didn't we, Mr. Davis?

Mr. DAVIS. Yes. If it is not here tomorrow, it will be here soon.

Mr. PECORA. Originally I asked for the other information, and Mr. Davis and I agreed on this.

Mr. DAVIS. It will be here tomorrow or at any rate before the end of the week, and when it is here I will have something to say about it.

Mr. PECORA. All right. Now, hasn't the situation arisen on occasion, Mr. Morgan, where a corporation like a railroad company, upon the board of directors of which sits a member of your firm, is in the market for a very substantial amount of equipment, supplies, and so forth, like rails, and there are other members of your firm who sit on the boards of directors of steel-producing and manufacturing companies? That is so, isn't it?

Mr. MORGAN. I presume so.

Mr. PECORA. Now, your firm, in addition to accepting demand deposits from individuals and corporations or other entities, also makes loans to individuals, does it not?

Mr. MORGAN. At times; yes.

Mr. PECORA. Has your firm in the last 5 or 6 years made any personal loans to individuals who at the time were executive officers or directors of any chartered banks?

Mr. MORGAN. Yes.

Mr. PECORA. Has a list been prepared of the individuals to whom such loans have been made?

Mr. MORGAN. Yes.

Mr. PECORA. I show you a typewritten document that I understand was prepared by your firm in response to my request for the names of all officers and directors of any banks or trust companies to whom either the firm of J. P. Morgan & Co. or the firm of Drexel & Co. have made any personal loans or advances? Will you kindly look at it, Mr. Morgan, and see if you can identify it as a list so prepared by your firm.

Mr. MORGAN. It is all right, sir, I am told.

Mr. PECORA. Mr. Chairman, I now offer that list in evidence.

Mr. DAVIS. Mr. Chairman, may I say just a word about that?

The CHAIRMAN. Yes.

Mr. DAVIS. At Mr. Pecora's request and recognizing it as coming in the name of this committee, we gave him a list of borrowers, depositors, purchasers, and so on. We told him, of course, that we did that because he was speaking in the name of the committee and had the power of subpoena. We also stated, however, that of course that information was not entirely our own; that the borrower, lender, or depositor had rights in it himself and that we did not wish to be put in the attitude of voluntarily breaching the confidence, which I take it every banker holds to his customers.

That is our attitude now. We have no objection, there is none on our part, to its disclosure, but we should like the committee to consider whether or not the gentlemen whose names are on this and other lists should or should not, in the opinion of the committee, be made public. So far as we are concerned, I repeat, it is wholly immaterial to us. But I am concerned that we should be in the attitude of discharging what we believe to be the ethics of the business of banking, and of not varying from them, except by the mandate of this committee.

Senator BULKLEY. What information are you referring to now?

Mr. DAVIS. These loans.

Senator BULKLEY. Is that all?

Mr. DAVIS. That is all now. But we have others of the same character.

Senator BULKLEY. I move, Mr. Chairman, that that matter be deferred until the committee in executive session can consider it.

Senator GLASS. I second the motion. I do not believe that a congressional committee has the right to ask my bank what loans I have, and whether I have paid them off or not.

Mr. PECORA. Senator, may I say in response to that observation that these names are names of officers of chartered banks, commercial banks, in the city of New York and elsewhere, banks whose business to a certain extent brings them in competition with the banking business of this private banking firm? I think the committee in its inquiry into the conduct and operations of banking, whether conducted by commercial or chartered banks or by a private banking firm, should ascertain whether or not there is that peculiar kind of relationship which would flow from the extension by a private bank or banker of individual credits to executive officers of competing commercial banks.

Senator GLASS. I do not agree with you.

Senator BULKLEY. I should like to avoid arguing over that, and I move that it be referred to the committee for action in executive session, or rather that it be deferred by the committee to be considered in executive session.

The CHAIRMAN. All in favor of that motion will make it known by saying "aye." (A number of ayes.) Those opposed will say "no." (One or two noes.) It is carried, and so ordered.

Senator COUZENS. Was there any reason why the amounts were left out, only names being given, or was that not requested?

Mr. DAVIS. The amounts were not requested.

Mr. PECORA. No; the amounts were not requested. We merely asked for the names.

The CHAIRMAN. Mr. Morgan, I understand that your house does not regard it as unethical or improper or questionable anyway to make loans to officers of national and other banks.

Mr. MORGAN. Certainly not. We do not regard it as improper at all. And why should we?

The CHAIRMAN. Well, I wanted to know your view.

Mr. MORGAN. That is my feeling about it.

The CHAIRMAN. Well, it is a question whether officers of banks that cannot borrow from their own banks should have any right to go to other banks and be accommodated, and the other banks get favors from them.

Senator GLASS. They are frequently not permitted to borrow from their own bank.

The CHAIRMAN. Yes.

Senator GLASS. Then, why shouldn't they borrow from J. P. Morgan & Co., or from John Townsend sitting there, or from Senator Couzens, or anybody else who runs a bank?

The CHAIRMAN. Well, that is the question.

Mr. PECORA. Well, I submit that it may be a question of policy for Congress to consider, whether or not that right should be continued.

The CHAIRMAN. All right. Mr. Morgan says that he makes these loans.

Mr. MORGAN. We do make these loans, and we make them because we believe the people should have the money; that we should loan money if these gentlemen want it. They are friends of ours, and we know that they are good, sound, straight fellows.

Senator GLASS. Whether friends of yours or not, if you want to make a loan and charge the discount and make money out of it, why not?

Mr. MORGAN. I quite agree with you, Senator Glass, and I am much obliged to you for making that clearer.

The CHAIRMAN. You may proceed, Mr. Pecora.

Mr. PECORA. Mr. Morgan, are any of these loans that are now open and which your firm has made to any individual who is an executive officer or director of a commercial bank, overdue and unpaid?

Mr. MORGAN. Yes.

Mr. PECORA. Are any of them undercollateralized?

Mr. MORGAN. Yes.

Senator BARKLEY. Were they when the loan was made?

Mr. MORGAN. No.

Senator BYRNES. Have you called for additional collateral?

Mr. MORGAN. There is not much use speaking for it or calling for it sometimes.

Mr. PECORA. Has that call always been responded to, Mr. Morgan?

Mr. MORGAN. No. At times it is impossible.

Senator GLASS. It may be unsafe, but is it regarded as unethical for a bank to make loans without collateral security?

Mr. MORGAN. No; I do not think it is.

Senator GLASS. I note here that these loans cover a period of 5 years.

Mr. MORGAN. That was what the question to us was.

Senator GLASS. An aggregate of 60. In other words, about 12 loans a year.

Mr. PECORA. That does not necessarily follow, Senator Glass, because I do not know how many of these gentlemen have more than one loan.

Senator GLASS. I am talking about individuals. If 5 into 60 does not go 12 times, then I do not know my arithmetic.

Mr. PECORA. I thought your comment referred to the number of loans.

Senator GLASS. No. It referred to the number of individuals to whom loans had been made. It seems a rather peculiar situation to me, who have been accused, cussed out by bankers for trying to control them, that I should be here insisting upon fair play.

Mr. MORGAN. Well, may I say for one that you have done a splendid work, in the interest of justice, and I am much obliged to you.

Mr. PECORA. Mr. Chairman, in view of the order of proof which I have fixed for this session, might I suggest that the committee hold its executive session and pass upon this question before I proceed further with the examination.

Senator STEIWER. Might I interrupt at this point to ask counsel a question?

The CHAIRMAN. Certainly.

Senator STEIWER. May I ask counsel if there are other like questions that will be presented as we proceed? That is, is there other information desired by counsel concerning which counsel for Mr. Morgan may suggest that the information ought not to be divulged?

Mr. PECORA. I believe there is. Mr. Davis, isn't that true?

Mr. DAVIS. Yes.

Senator STEIWER. Cannot we develop all of that and pass upon all of that at one time rather than to pass upon these matters piecemeal, Mr. Chairman?

The CHAIRMAN. Perhaps it might be a good idea.

Senator BULKLEY. Would it be convenient now to say what they are, so that we can decide them all at once?

Mr. PECORA. I do not know what objections counsel for the firm of J. P. Morgan & Co. are going to advance.

Mr. DAVIS. I will state them now, Mr. Pecora, if it is desired. I think we understand each other perfectly.

Mr. PECORA. Well, I do not know your present mind and should like for you to state it.

Mr. DAVIS. My present mind is this, Mr. Chairman and gentlemen of the committee: Mr. Pecora has asked us for a list of individual depositors—well, he asked first for the corporate depositors, and we gave him that information. We thought that perhaps a corporation is not particularly sensitive of its private affairs in these days of regulation—

Mr. PECORA (interposing). May I qualify that statement?

Mr. DAVIS. Yes.

Mr. PECORA. Individual and corporate depositors with average balances of \$100,000 or more.

Mr. DAVIS. Quite right. Then Mr. Pecora followed with other requests of individuals or firms who are depositors for certain stated amounts. He asked for loans made to officers of banks. In each instance we furnished the list as requested. He asked us for the names of purchasers of certain securities, individuals who had purchased certain securities. We gave him that. So that you have before you, or will have—is it as much as half a dozen, possibly, Mr. Pecora, lists of transactions with individuals as purchasers or as depositors or as borrowers.

Now, in each case, of course, our position is that that individual was dealing with his banker, and that he has some rights as to whether or not his personal transaction shall be made a matter of public record. I repeat that so far as J. P. Morgan & Co. are concerned we have no objection to all of them being stated, but we do feel that as bankers occupying this confidential relationship with these individuals whose rights are not ours to dispose of at our pleas-

ure, we must submit to the committee the question whether or not they wish information of these individual persons spread upon your records. And we earnestly hope that the committee will consider that question with serious regard for the rights of privacy which every individual as a birthright is entitled to enjoy—unless, indeed, he is an individual who has put himself outside the law and the law is calling upon him to face some charge involving some ulterior purpose or arrangement. That is our position. It is our position on this list and will be on the other lists.

Senator STEIWER. What are the lists to which you specifically urge that objection? Now, you have named already the individual depositor list.

Mr. DAVIS. Yes, sir.

Senator STEIWER. What other list or lists do you refer to?

Mr. DAVIS. You have before you now the individual borrowing list. You have not yet before you the list of individual depositors. There is a list of individual purchasers of some four or five or six securities in different corporations.

Senator STEIWER. Has that been furnished?

Mr. DAVIS. That has all been placed in Mr. Pecora's hands.

Senator STEIWER. I am not arguing about the things that are furnished, but the things that you consider it would be objectionable for you voluntarily to furnish. So far, as I understand you, you name the list of individual depositors as one of the lists you would rather not produce. What other lists are there that you would rather not produce, and which have been asked for by Mr. Pecora?

Mr. DAVIS. We have given to Mr. Pecora every list that he has requested with the single exception of one which, as I mentioned just now, is in course of preparation. In other words, these individual depositors having balances of more than \$100,000, which will be here in the course of a day or two. We have responded to every request that Mr. Pecora has made for information, and given him all of these lists. He has them. I stated to him at the time that I could not put my client in the position of voluntarily, of their own motion, divulging individual secrets of individual men.

Senator STEIWER. Let me interrupt right there: I think you have made that perfectly clear, but I am not so clear as to what the identity of the lists may be.

Mr. DAVIS. Well, I have tried to describe them by classes.

Senator BYRNES. He has offered them, but he objects to their being made public.

Senator STEIWER. Are you objecting to their reception in evidence, I mean of all these lists?

Mr. DAVIS. Oh, no. I am afraid I have not yet made myself clear.

Senator STEIWER. Perhaps you have, but I am not catching it or something.

Mr. DAVIS. I am objecting to lists where there is a 2-party transaction, between ourselves on the one hand and an individual citizen on the other, and where we do not have that individual's consent to publish his private business. We bring these lists here, and we put upon the committee, with your permission, the responsibility of saying whether the transactions of those individuals shall be made a matter of public record. It is not our responsibility, gentlemen of the committee. It is yours.

Senator ADAMS. Mr. Davis, on this question of the lists. On that list there is a list of names and that might lead into some appropriate field of investigation. That is something that is properly before the committee, and would lead to some legislative activity. You would not object to that, as I understand, but you object to the list as a whole.

Mr. DAVIS. My attitude is not one of objection, but one of refusing to take the responsibility of consenting, and I respectfully——

Senator GORE (interposing). Mr. Pecora has those lists now?

Mr. DAVIS. Yes, sir.

Senator GORE. Your point is that you do not want them placed on record?

Mr. DAVIS. My point is that I am not going to put my clients in the position as bankers of voluntarily, of their own mere motion, or their own mere convenience, of filing with the committee——

Senator GORE (interposing). You want the committee to take that responsibility.

Mr. DAVIS. It is the committee's responsibility. That is my point. Unless there is something among these names that does lead to some investigation, I think these individual gentlemen are entitled to their right of privacy.

Senator GLASS. If I may ask, what more point is there in furnishing you with a \$100,000 depositor than in furnishing you with a \$50,000 depositor or a \$10,000 depositor? Why should the private business of my neighbor be exposed because he is fortunate enough to negotiate a loan of \$100,000 and my private business be preserved inviolate because I am unfortunate enough not to get a loan of more than \$50,000 or of \$10,000, as the case would more likely be, if at all?

Mr. DAVIS. Senator Glass is looking at me, and if he addresses that inquiry to me, I will say there is no difference whatever.

Senator GORE. I can see why a depositor might not want it to be made public unless he can get ahead of the sheriff, or something of that kind.

Mr. DAVIS. And sometimes the borrower is against it.

Senator GLASS. I did not hear Senator Gore's remark, but I would say it was pretty good.

Senator STEIWER. Am I right in my understanding that this is a general ethical objection which you have interposed, and which you have now explained very clearly, goes to all the lists that you have furnished privately to Mr. Pecora?

Mr. DAVIS. Oh, my, no.

Senator STEIWER. Is my understanding correct that it goes to all lists that are bilateral in character and which involve business on the part of your firm and one of its customers on the other?

Mr. DAVIS. Yes, sir.

Mr. MORGAN. Yes; individual customers.

The CHAIRMAN. I suggest that Mr. Pecora propose each one of these lists, and then they can be referred to the executive session as we get to them. Let him describe each list that he has asked for and to which reference has been made by Mr. Davis.

Senator BULKLEY. With the understanding that the committee, in executive session, will decide whether they are to be made public or not.

The CHAIRMAN. Yes, sir; as to all of them.

Mr. PECORA. In view of the fact that Mr. Davis has made a statement on the public record at this hearing, may I make a statement of the reasons why I called for this information, and why I think it should be tendered and spread on the record of the committee?

The CHAIRMAN. You may.

Mr. PECORA. You will observe that with regard to the last list I did not call upon J. P. Morgan & Co. to produce a list of all individuals regardless of their position or station in life to whom that firm had made loans. I called simply in that question for the names of all individuals to whom they had made loans who were executive officers or directors of commercial banks which from the nature of the banking business avowedly conducted by this firm, competed with this firm in the banking field. The other lists to which Mr. Davis has made reference are lists of individuals to whom J. P. Morgan & Co. has given the privilege of subscribing to the capital shares of corporations, which were launched or sponsored or floated by J. P. Morgan & Co. or in which they had a participation interest. This committee has heard frequently, and has read frequently, the charge and the statement or the allegation that a tremendous power is exercised, not only in the field of banking and of finance but over the industrial field in this country by private banking firms. That charge has been made upon the floor of both Houses of this Congress. The information I have asked for, and which unless the committee prevents me I will have spread upon the record of these hearings, is information which in my humble opinion tends to disclose the existence of such power and the channels through which the power is exercised, and the reasons for it.

Senator GLASS. Right on that point I might say that the banking bill now pending in both houses of Congress, or that pending in the Senate, prohibits—listen to me, Mr. Pecora.

Mr. PECORA. I am listening to you.

Senator GLASS. With your back to me.

Mr. PECORA. I am sorry.

Senator GLASS. Prohibits any official of a commercial bank a member of the Federal Reserve system from borrowing money from his own bank. And if he may not, as you seem to object, borrow money from any competing bank, where is he to get a loan for his business?

Mr. PECORA. It may be when the facts are shown that the legal restrictions upon borrowing from his own bank might be removed.

Senator GLASS. It does not yet apply, but we will try to have it apply, to prohibit executive officers from borrowing money from their own banks.

Mr. PECORA. Very well. Let us get all the information on the subject that we can.

Senator GLASS. And if they cannot borrow from their own bank, and if all other banks in the community are competing banks, where will they get a loan?

Mr. PECORA. They can get it from other commercial banks subject to the approval of their own board.

Senator GLASS. They are competing banks. Why borrow from commercial banks and not borrow from private banks?

Mr. PECORA. I respectfully submit that this committee should get all the information that can be gathered, or that may be presented, from which it may formulate a conclusion whether or not a private bank or a private banking firm should be permitted without restrictions of any kind to make loans to individuals who are officers of commercial banks. It is not difficult to argue from the fact that such individual accommodation is extended, that a peculiar relationship, intimacy of dealings will result, and that that may bring about an intimacy of friendliness of opinion which may assist in—

Senator GLASS (interposing). It is not difficult to suspect that; no. But you have not yet answered my question: If the law shall prohibit, as we propose to prohibit, officers of commercial banks, members of the Federal Reserve System, from borrowing or seeking loans from their own banks, where are they to borrow?

Mr. PECORA. Well, I will say that—

Senator ADAMS (interposing). Is not it a matter of principle, Mr. Pecora, regardless of the individuals? That is, if the policy is wrong to permit a private bank to loan to executive officers of a competing bank, that continues to be wrong regardless of the individuals. And do we need a host of individual instances in order to demonstrate the principle?

Mr. PECORA. Why, certainly it is so. It may emphasize the value of the principle, to know the identity of bank officers that may or may not come under the influence of a private banking firm, because those officers have received individual accommodation from the making of those loans.

Senator BARKLEY. Mr. Chairman, I suggest that all of these arguments be made in executive session.

Senator ADAMS. I have no objection at all, but I wanted to get that point clear.

The CHAIRMAN. That is what we propose to do; to thresh it out in executive session. But I can see where this might furnish testimony to support the Glass bill or other banking legislation. But we will consider all that in executive session. What I suggest is that Mr. Pecora offer these different lists, which will be referred for action to the executive session.

Mr. PECORA. Mr. Chairman, may I suggest, in view of the fact that I have other questions to ask this witness regarding other lists, which, from the statement of Mr. Davis, will draw forth his objection to the introduction of those lists in evidence, that we settle this question now in executive session before I will be expected to proceed further with an examination of the witness here.

The CHAIRMAN. I am trying to get all the information that we need to act upon in the executive session.

Mr. PECORA. Mr. Chairman, it is now a quarter past 3, and I think the balance of the time during the afternoon might particularly well be spent in executive session.

Senator COUZENS. I move that we now go into executive session to consider these matters.

The CHAIRMAN. All in favor of that motion will say "aye"—

Senator BARKLEY (interposing). Mr. Chairman, in view of the crowd that we have here in this room, and the difficulty of getting

them out and back again, is there any other inquiry that could take up the balance of the afternoon, and then let us have the executive session after we finish that, or tomorrow morning?

Senator COUZENS. It will take until 4 o'clock, and I think that is long enough to work. I renew my motion to go into executive session.

The CHAIRMAN. All in favor of that motion will make it known by saying "aye." (A number of "ayes.") Those opposed will say "no." (A number of "noes.") The "noes" seem to have it.

Senator BARKLEY. Is it proposed to take up the rest of the day in executive session?

Senator COUZENS. Yes.

Senator BARKLEY. Then I have no objection to going into executive session.

Mr. PECORA. I think it will take the rest of the day, in view of what I, at least, concede to be the importance of the questions raised.

Senator COUZENS. And you cannot examine the witness without using those lists.

Mr. PECORA. No, sir. It would seriously interfere with our examination of this witness.

The CHAIRMAN. I will put the question again. All in favor of now going into executive session will raise the right hand.

Senator BYRNES. Senator Barkley, I thought you made a proposal not to go into executive session at this time?

Senator BARKLEY. Well, they say it will take the rest of the day for consideration in executive session. If that is the case, I have no objection.

Senator GORE. Does Mr. Pecora feel that he cannot proceed without these lists?

The CHAIRMAN. He wants this matter settled first. All opposed to going into executive session at this time will raise the right hand. (Several Senators raised their right hand.) The committee has decided to go into executive session to consider these matters.

Mr. MORGAN. Mr. Chairman, may I make one request at this time?

The CHAIRMAN. Yes.

Mr. MORGAN. As the matter was left this morning, as to my ignorance of the accounts—

Senator BYRNES (interposing.) Mr. Chairman, let us have order.

The CHAIRMAN. We will have order in the room.

Mr. MORGAN. In my ignorance of the accounts which I am not personally responsible for, Mr. Pecora left or produced the effect—

The CHAIRMAN (interposing). Let us have order in the room.

Mr. MORGAN. Counsel for the committee produced the effect of a hiding or concealing or misappropriation or misapplication of certain loans or funds in connection with income-tax matters. I said that Mr. Keyes was here, but that matter was left with no explanation. I said that Mr. Keyes was here and had a full explanation, and I would like now to ask that the committee decide that that question, in fairness to us, must be answered, and that Mr. Keyes be asked to testify on that matter as soon as it is convenient to the committee and Mr. Pecora.

The CHAIRMAN. That will be done.

Mr. PECORA. And I have already indicated that I proposed to follow up the question of that income tax return with Mr. Keyes.

Mr. MORGAN. Well, I could not so understand, or at least I did not understand that you left it that way this morning.

Mr. PECORA. That is what I said this morning.

Senator BARKLEY. In view of the fact that at the morning session there was an implication possibly carried through the newspapers of the country and which will be published tomorrow without any explanation, it seems to me in fairness Mr. Keyes ought to be allowed to make that explanation now, so that the two stories can go out together.

The CHAIRMAN. It would take some little time to go through an examination of Mr. Keyes, but if you want to confine him to that particular matter, you might do it.

Senator GORE. You might hear him on that.

Mr. PECORA. All right. I will agree to the suggestion, and I will ask that the present witness, Mr. Morgan, be excused for the time being and that Mr. Keyes take the stand.

TESTIMONY OF L. A. KEYES, MANAGER J. P. MORGAN & CO., NEW YORK CITY

The CHAIRMAN. Mr. Keyes, you will be sworn. Please stand, hold up your right hand, and be sworn. You solemnly swear that you will tell the truth, the whole truth, and nothing but the truth regarding the matters now under consideration by the committee. So help you God.

Mr. KEYES. I do.

Mr. PECORA. Mr. Keyes, are you associated with the firm of J. P. Morgan & Co.?

Mr. KEYES. Yes, sir.

Mr. PECORA. In what capacity?

Mr. KEYES. Manager.

Mr. PECORA. How long have you been the manager of the firm?

Mr. KEYES. About 16 years.

Mr. PECORA. What are your general duties as manager?

Mr. KEYES. Supervision of the office, supervisor of all the books and accounts and records, and charge of the personnel.

Mr. PECORA. Among your duties did it fall to your lot to prepare the income-tax returns that have been filed in behalf of the firm?

Mr. KEYES. Yes, sir.

Mr. PECORA. And did you prepare all the returns that have been filed in the past 16 years in behalf of the firm?

Mr. KEYES. All those relating to the partnership and the individual partners.

Mr. PECORA. You also prepared the returns for the individual partners, did you?

Mr. KEYES. Yes, sir.

Mr. PECORA. Now, in view of that let me ask you if it is not the fact that for the year 1930 the returns in behalf of the individual partners—

Mr. KEYES. Will you repeat the question, Mr. Pecora?

Mr. PECORA. I thought Mr. Davis was interrupting you.

Mr. KEYES. He asked me to speak louder.

Mr. DAVIS. The gentleman back here asked him to raise his voice and I relayed that message.

Mr. PECORA. Well, I have difficulty in hearing him, too. Now, where were we?

The SHORTHAND REPORTER (reading):

In view of that, let me ask you if it is not the fact that for the year 1930 the returns in behalf of the individual partners—

That is as far as it went.

Mr. PECORA. Required them to pay income taxes aggregating not more than \$48,000?

Mr. KEYES. That is approximately right. I have not the figures before me, but that is substantially correct.

Mr. PECORA. And is it the fact that the income-tax returns, which you prepared or caused to be prepared for all of the individual partners for the calendar year 1931, required them to pay no amount of income tax in excess of \$1,600?

Mr. KEYES. 1931?

Mr. PECORA. Let me modify that question: Is it a fact that according to the income-tax returns that were prepared or caused to be prepared by you in behalf of the individual members of the partnership for the calendar year 1931 no income taxes whatsoever were paid by any of the individual partners?

Mr. KEYES. That is right.

Mr. PECORA. And is that true likewise with respect to the calendar year 1932?

Mr. KEYES. Yes, sir.

Senator ADAMS. What was the answer? I cannot quite hear.

Mr. KEYES. Yes, sir.

Mr. PECORA. For the calendar year 1930 did the firm file or cause to be filed more than one return for the firm?

Mr. KEYES. Yes, sir. We had a double closing that year.

Mr. PECORA. What were the respective dates of those two closings?

Mr. KEYES. January 1 to June 30; July 1 to December 31.

Senator COUZENS. Why was that?

Mr. KEYES. The reason for that was that Mr. Thomas S. Gates had retired on June 30, 1930, and that constituted a dissolution of the partners as it existed at the date of a new one that commenced business on July 1, 1930.

Senator GORE. Was that prearranged for any particular purpose or just happened in the regular course?

Mr. KEYES. No, sir; that happened in the regular course.

Mr. PECORA. Well, have you a copy of the return for the latter period of that calendar year?

Mr. KEYES. No, sir; I have not with me. I have not, with me.

Mr. PECORA. In the return for the period terminating on December 31, 1930, do you recall whether there was shown an item referring to losses amounting to \$817,558.89 which the firm had incurred?

Mr. KEYES. For what period is that?

Mr. PECORA. From July 1, 1930, to December 31, 1930?

Mr. KEYES. I do not recall the exact figure, but if it is in that return I assume it is right.

Mr. PECORA. Well, does that figure suggest the approximate figure?

Mr. KEYES. Yes; that is approximately right.

Mr. PECORA. Now, when that loss was ascertained and stated to be around \$817,000 for that half-year period were those assets of the firm consisting of securities valued at the then market?

Mr. KEYES. On December 31 they were not valued.

Mr. PECORA. They were not valued?

Mr. KEYES. No, sir.

Mr. PECORA. Why not.

Mr. KEYES. Because the revenue act would not allow them to re-value. There was no change in partnership on December 31, 1930. There was a change in partnership on June 30, 1930. Then there was another change in partnership on January 2, 1931, by the admission of Mr. S. Parker Gilbert, at which time the assets were revalued. There was another change in partnership on January 2, 1932.

Mr. PECORA. Please do not go so fast. Let us get through with the 1931 period first. What was the basis of value in the prior years for the securities that were among the capital assets?

Mr. KEYES. The basis was always the same as in the year you are talking about.

Mr. PECORA. What was it, market value?

Mr. KEYES. Market value, coupled with the change of partnership.

Mr. PECORA. Well, the change in partnership did not change the market value, did it?

Mr. KEYES. Oh, no, it does not change the market value, but the market value has a great bearing on the change of partnership.

Senator BYRNES. What do you mean by that?

Mr. KEYES. When the whole firm dissolved there had to be a valuation so that you determine the rights of the retiring partners and the relative rights of the incoming partners.

Senator ADAMS. There is no relationship, though, between the change of partnership and market value; it is simply between the fixing of market value on your books?

Mr. KEYES. That is right, and as between the partners on that day.

Senator GORE. That has no bearing on the income-tax return.

Mr. KEYES. Well, it constituted a closed transaction under our history with the Department of Internal Revenue.

Senator CAREY. It would be the same as a sale, wouldn't it?

Mr. KEYES. Pardon me?

Senator CAREY. It was the same as a sale?

Mr. KEYES. It was substantially the same as a sale; yes, sir.

Senator GORE. Did you take your losses as of that date?

Mr. KEYES. Yes. Yes; and paid the profit.

Mr. PECORA. How were those securities under capital assets of the firm valued for the purpose of making out the income-tax return filed by the firm for the calendar year 1927?

Mr. KEYES. At the end of 1927 there was again a change of partnership. In fact, there was a double closing again or two accounting periods.

Mr. PECORA. No; I asked you how they were valued.

Mr. KEYES. Market.

Mr. PECORA. At market?

Mr. KEYES. Yes, sir.

Mr. PECORA. And how were they valued in making out the income-tax return for the period for the calendar year 1928?

Mr. KEYES. At market.

Mr. PECORA. At the end of the year?

Mr. KEYES. At the end of the year, also coupled with a change of partnership.

Mr. PECORA. And how were they valued in making out the return for the calendar year 1929 for the firm?

Mr. KEYES. Again coupled with a change of partnership they were valued at market.

Mr. PECORA. Now, when you reached the end of the calendar year 1930 did you depart from that method of valuation?

Mr. KEYES. No; we had no change of partnership.

Mr. PECORA. Did you have a change of partnership that became effective 2 days later?

Mr. KEYES. Yes, sir; because—

Mr. PECORA (interposing). Then on what basis were the securities valued as of the end of the calendar year 1930?

Mr. KEYES. They were not valued at the end of the calendar year 1930.

Mr. PECORA. Not valued at all?

Mr. KEYES. Yes, sir.

Senator ADAMS. You carried the value that you had on your books at that time without change?

Mr. KEYES. That is right. That is correct, Senator.

Mr. PECORA. That is, they were valued as of the value shown on the books for some preceding date?

Mr. KEYES. Just carried forward as they are without change.

Mr. PECORA. Without change?

Mr. KEYES. Certainly.

Mr. PECORA. Would that method correctly reflect the income of the firm for that period?

Mr. KEYES. Yes, sir; it would.

Senator BARKLEY. May I ask you this, regardless of fluctuation in market prices of securities, you make no revaluation except when there is a change in the firm?

Mr. KEYES. That has been our history, Senator, right through; yes, sir.

Senator COUZENS. When that happens the Internal Revenue Bureau does not raise any objection to your revaluation, is that it?

Mr. KEYES. They have gone over it very thoroughly, Senator, and have gone into the question on three or four occasions.

Senator ADAMS. You are compelled to make a revaluation, are you not, when you close one partnership and start another? It is not optional on your part; isn't it compulsory that you make a revaluation?

Mr. KEYES. There is some doubt in the law. Different methods were adopted by the Bureau of Internal Revenue, but once the method was adopted you cannot depart from the method.

Senator ADAMS. But did you understand it would have been optional on your part to have adopted one method or another?

Mr. KEYES. No, sir. I think not.

Mr. PECORA. Now, you have just said, Mr. Keyes, that once a method is adopted by a firm, it cannot depart from that method?

Mr. KEYES. Right.

Mr. PECORA. Didn't you in substance depart from that method in filing the return for the latter half of the calendar year 1930?

Mr. KEYES. No, sir.

Mr. PECORA. When you did not value the securities at the then market?

Mr. KEYES. No, sir; we did not depart from it.

Mr. PECORA. Did you value them at market when you ascertained or reported this loss of \$817,000 plus?

Mr. KEYES. That loss is not a revaluation, Mr. Pecora.

Mr. PECORA. What is it?

Mr. KEYES. That is an ascertained, realized loss upon closed transactions for assets sold.

Mr. PECORA. Then there was no revaluation at all made of the capital assets consisting of securities as of December 31, 1930?

Mr. KEYES. That is correct.

Senator BARKLEY. May I ask there: Had the value depreciated or declined during that 6 months?

Mr. KEYES. It had declined.

Mr. PECORA. Very substantially?

Mr. KEYES. Yes, sir; very.

Senator BYRNES. Yes; but that was an ascertained loss by reason of a closed transaction?

Mr. KEYES. On certain business; yes, sir.

Senator BARKLEY. You made no revaluation so as to take a loss on your income-tax report in that period?

Mr. KEYES. No; it would be coupled with an admission of a partner.

Senator GORE. Let me get this: These revaluations seem to happen with a good deal of rhythm as to time, and this revaluation, did that reduce your income taxes, compared with what they would otherwise have been but for the revaluation?

Mr. KEYES. No, Senator; it would not have made any difference in the final analysis.

Senator GORE. It made no difference in the amount of income tax paid by the firm, or rather the members of the firm?

Mr. KEYES. No, sir.

Senator GORE. Then it was not prearranged to bring about the reduction in taxes?

Mr. KEYES. It so happened that a loss under the revenue act you were permitted to carry forward, and that loss was sustained from the trade of business.

Senator GORE. You mean where you bought stocks and sold them for less than you bought them, of course you could take that loss; is that what you mean?

Mr. KEYES. Yes, sir.

Senator GORE. This revaluation when your firm changes, I do not get the reaction of that on your income-tax set-up, if any. Did it have any? Take this on January 2, 1931, instead of December 31. Did that make any difference in your income-tax returns?

Mr. KEYES. No; I think not.

Senator GORE. Filed back in 1929 when the firm revalued?

Mr. KEYES. On December 31, coupled with the partnership change, they paid a very substantial tax on increase of values.

Senator GORE. And you notice these changes occur—I guess that is not unreasonable—about the middle of the year, in the fiscal year, and in the calendar year. That was not prearranged in any instance with a view to cutting down income taxes?

Mr. KEYES. No; I would say not.

Senator BARKLEY. Let me get this: Regardless of the date of any change in the firm for income-tax purposes, the old firm went out of business?

Mr. KEYES. Yes, sir.

Senator BARKLEY. Just as completely as if it did not continue under a new name or with a new personnel?

Mr. KEYES. Yes, sir.

Senator BARKLEY. So that the new firm could not take credit either for profits or for losses that occurred to the old firm prior to the reorganization?

Mr. KEYES. That is right.

Senator BARKLEY. So that the 2d day of January or the 30th day of June just happened to be the date on which these changes occurred, but it might have happened any other date?

Mr. KEYES. Yes, sir.

Senator GLASS. Mr. Keyes, the impression, as indicated by Mr. Morgan, has been made that in some mysterious way between the 31st day of December 1930 and the 2d day of January 1931, a loss in excess of \$21,000,000 had occurred. That income statement was in strict accord with the revenue laws and requirements?

Mr. KEYES. Yes, sir.

Senator GLASS. Did the Internal Revenue Bureau examiners take note of that and make inquiry about it?

Mr. KEYES. They are making inquiry now, Senator. The 1931 in the normal course of events would have been made along late in the summer or in the fall, but they started making their examination about a month ago. Prior to 1931, the year 1930 was very thoroughly checked up and gone over very carefully, and that double closing or double accounting period, as we call it in the bureau, has been passed and approved. We again had a double accounting period and a double closing in 1926 on account of the death of Mr. Porter.

Senator BYRNES. Will you talk louder? I know these gentlemen over here cannot hear you.

Mr. KEYES. We had a double closing or a double accounting period in 1926, when the period included the income that accrued up to November 30, the day that Mr. Porter died. We had a double accounting period or a double closing in 1925, when Mr. Stettinius died. We had a double accounting period the year before that, when Mr. Baker died. In fact, the present articles began on March 11, 1916, when the first one came up about a double accounting period, and that period and that method has been very consistently adhered to ever since.

Senator GORE. And that double accounting had no effect on the income-tax payment in the long run by the members of the firm?

Mr. KEYES. No, sir; none at all, sir.

Senator GLASS. Have the examiners of the Internal Revenue Bureau raised any objection to that procedure?

Mr. KEYES. They are questioning us as to whether we had any right, so to speak, to even include things by way of revaluation now when the partnership changes, but they say positively that the loss could not be deducted on December 31, 1930, by way of revaluation between the two partners.

Senator GORE. Have you had any information from the Internal Revenue Bureau that it suspects your concern of having manipulated its figures so as to show a loss in excess of \$21,000,000.

Mr. KEYES. No, sir; none at all, and the very purpose of filing two returns as we have—we keep a separate accounting period—is to lay the full facts before the Bureau of Internal Revenue.

Mr. PECORA. Now, Mr. Keyes, if the securities composed of the capital assets of the firm had been valued as of the 31st day of December 1930 at market value, would not the loss have been some \$21,000,000 greater than the loss of \$817,000 that was reported in the return for the period of July 1, 1930, to December 31, 1930?

Mr. KEYES. We had no right to revalue it.

Mr. PECORA. I did not ask you that; I asked you if the loss would not have been reported as some \$21,000,000 in excess of this figure of \$817,000 plus.

Mr. KEYES. It would not have been reported, but I will grant you that the loss is there on the books on December 31, 1930.

Mr. PECORA. Now, the reason why that loss was not reported on a basis of a revaluation of the securities at the market price of December 31, 1930, if I correctly understood your previous testimony, was because of the change of partnership that took effect on January 2, 1931?

Mr. KEYES. Plus the fact that there is nothing in regulation 72 that would justify putting that loss in in December 1930.

Mr. PECORA. All right; but that factor of the change of personnel of the partnership played a part in it, didn't it?

Mr. KEYES. No; I don't agree with you.

Mr. PECORA. No?

Mr. KEYES. No.

Mr. PECORA. Well, you said in answer to my previous question that that was the fact, plus regulation 72?

Mr. KEYES. That is right.

Mr. PECORA. What change actually took place in the personnel of the firm on January 2, 1931?

Mr. KEYES. The admission—on January 2, 1931, there was a new partner admitted.

Mr. PECORA. Who was it?

Mr. KEYES. Mr. Charles D. Dickey—I beg your pardon, Mr. S. Parker Gilbert.

Mr. PECORA. And have you any knowledge as to when the decision was reached to admit him into the partnership?

Mr. KEYES. No, sir; I have not.

Mr. PECORA. Had you heard as manager of the firm at any time prior to the second day of July, 1931, that Mr. Gilbert was coming into the firm on that date?

Mr. KEYES. Yes; I heard that.

Mr. DAVIS. July or January?

Mr. PECORA. Yes; I meant January, not July. How long before January 2, 1931, had you heard that?

Mr. KEYES. I don't remember.

Mr. PECORA. Was it prior to December 31, 1930, that you heard it?

Mr. KEYES. Yes.

Mr. PECORA. Is that the only change in the personnel of the firm that took place at that time?

Mr. KEYES. That is all.

Mr. PECORA. Now, January 1, 1931, was a legal holiday in the State of New York, as you know, isn't it?

Mr. KEYES. Yes; that is right?

Mr. PECORA. New Year's?

Mr. KEYES. Yes.

Mr. PECORA. Did the firm of J. P. Morgan & Co. and of Drexel & Co. transact any business on that holiday?

Mr. KEYES. No, sir; none of them.

Mr. PECORA. Well now, on January 2, 1931, the change in the personnel of the firm that has already been referred to by you took effect?

Mr. KEYES. At the close of business.

Mr. PECORA. At the close of business. Now, what business was transacted on the 2d day of January 1931, by the firm of J. P. Morgan & Co. prior to the admission of Mr. Gilbert as a partner at the close of business on that day?

Mr. KEYES. I could not tell you, Mr. Pecora, what was done that day.

Mr. PECORA. Well, you prepared the income tax return for the firm?

Mr. KEYES. Yes, sir.

Mr. PECORA. That was filed for the period of time represented by January 1 and 2, 1931—didn't you?

Mr. KEYES. Yes, sir.

Mr. PECORA. And in that return you include in the income an item of profits, commissions, brokerage, et cetera, of \$2,249,632.97?

Mr. KEYES. Yes.

Senator GORE. What is that? What does that represent?

Mr. PECORA. Profits, commissions, brokerage, et cetera, of the firm for January 1 and 2, 1931.

Now, in view of the fact that January 1, 1931, was a legal holiday on which, as you said, the firm transacted no business, are you still unable to tell us what business was transacted by the firm on the 2d day of January 1931 that enabled it to receive an income consisting of profits, commissions, brokerage, et cetera, of nearly \$2,250,000?

Mr. KEYES. On January 2, 1931, without referring to the books, I would say that they transacted the normal routine banking business. January 2, 1931, is a very large interest and coupon payment date. Some of those amounts represent commissions that were entered into. The bulk of that represents increase in revaluation, coupled with the change in partnership.

Senator BARKLEY. Do you mean to say that on the 2d of January you had both a decline and an increase in the value of your assets?

Mr. KEYES. Yes, sir; undoubtedly. There were no doubt some assets that had shown an increase and those were included and shown on the income side.

Senator BARKLEY. I know, but the same assets that had come over from the previous day from the old firm to the new one?

Mr. KEYES. No; the previous firm, Senator, was June 1930, on the revaluation.

Senator BARKLEY. Then as I understand, you took those that had declined and charged that loss of \$21,000,000?

Mr. KEYES. Yes, sir.

Senator BARKLEY. Against the old firm, and those that had gone up you credited that to the new firm?

Mr. KEYES. No, sir. No, Senator. The old firm. Both ways.

Senator BARKLEY. Was the \$21,000,000 the net loss after considering increases since the previous June?

Mr. KEYES. I have not my figures here, but I am not sure whether that was net or not. I think Mr. Pecora has our return.

Mr. PECORA. Well, these profits, commissions, brokerage, et cetera, amounted to nearly two and a quarter million dollars estimated and reported on a payment basis or on an accrual basis on this income tax return for January 1 and 2, 1931?

Mr. KEYES. On a payment basis, but there was very little that would be included by way of accrual on commissions.

Mr. PECORA. Now, what transaction or operation that took place on January 2, 1931, resulted in the loss of \$21,071,862.95 that I understand was reported by the firm in the income-tax return which is filed for those 2 days?

Mr. KEYES. That again represents the decline in assets from the prior closing period of June 30, 1930, when Mr. Gates was admitted, and the assets were revalued—when Mr. Gates retired from the firm, on January 2, 1931, when Mr. Gilbert was admitted to the firm.

Mr. PECORA. Had Mr. Gilbert been admitted into the firm on the 31st of December 1930, this revaluation at market would have likewise shown a loss of some \$21,000,000, would it not?

Mr. KEYES. Yes.

Mr. PECORA. And had the admission of Mr. Gilbert to the firm taken place 2 days prior to January 2, 1931, this resultant loss by the revaluation at market of the securities of over \$21,000,000 would have had to be included in the income-tax return for the firm for the latter part of the calendar year 1930, would it not?

Mr. KEYES. Would have been any day prior to 1931, the closing as of that day.

Mr. PECORA. Yes. And under the income-tax law as existed at that time, namely, December 31, 1930, the firm would only have been allowed the right to carry forward these losses of \$21,000,000 plus for the succeeding two calendar years?

Mr. KEYES. Yes, sir.

Mr. PECORA. That is, the year 1931 and 1932?

Mr. KEYES. That is right.

Mr. PECORA. And consequently because Mr. Gilbert's admission into the firm took place on January 2, 1931, instead of December 31, 1930, your firm, by the filing of this return, was in the position of having the right to carry forward against possible taxable in-

come for the years 1932 and 1933 this loss of over \$21,000,000; is not that right?

Mr. KEYES. Mr. Gilbert being admitted January 2, that is the date that you would take for the establishment of that loss.

Mr. PECORA. Exactly. If the admission had been on December 31 instead of 2 days later, the firm would not have the right to offset against possible taxable income for the year 1933 any part of this loss of \$21,000,000 or more?

Mr. KEYES. That would have been true if Mr. Gilbert had been admitted any day prior to December 31. But they had the right to carry it forward 2 years.

Senator BARKLEY. In other words, you got 1 year's extension in the period of which it might be carried forward by this January the 2d transaction instead of December 31?

Mr. KEYES. Yes; by his admission January 2.

Senator BARKLEY. Yes.

The CHAIRMAN. You made a deduction on account of loss in your income tax of this \$21,000,000?

Mr. KEYES. Yes, sir.

The CHAIRMAN. When?

Mr. KEYES. In 1931.

The CHAIRMAN. What time in 1931?

Mr. KEYES. We filed two returns for the partnership, one at the close of business January 2, 1931, and the second covering the period of January 3 to December 31, and both of those returns followed through into the individual partnership returns, as required under the revenue act.

Senator GLASS. As far as you know and have been advised up to date, you filed your return in strict accordance with the revenue act?

Mr. KEYES. Yes, sir; and we have taken the best advice, I am sure. We have been advised that our return is in strict accordance with the revenue act and proper and correct.

Senator GLASS. And up to this time there has been no criticism of the transaction by the Internal Revenue Bureau?

Mr. KEYES. No, sir; none at all, Senator.

Senator COUZENS. I thought you testified a while ago that they did question your method of changing the values.

Mr. KEYES. No. They questioned, Senator Couzens, whether under the new revenue act as it was passed after January 6, 1932—whether under the new revenue act we could continue to make any deduction for a revaluation based upon a change of partnership.

Senator BARKLEY. But that would not affect the law in 1931?

Mr. KEYES. No, sir.

Senator GLASS. Do you know any large taxpayer, or small taxpayer, either, who does not avail himself of any permissibility of the law which enables him to reduce his income tax?

Mr. KEYES. In my tax practice I do not, Senator. The taxpayer is always ready to take good advice as to any proper and lawful methods that he may take to reduce taxes.

Senator GLASS. Did you ever know the Government to collect a dollar that it did not take the citizen \$2 to get it back from it if it was not right?

Mr. KEYES. That I have not quite checked up yet.

Senator COUZENS. I can state that that is not a fact.

Mr. PECORA. I understood you to say before in answer to a question that the Income Tax Bureau is now engaged in some kind of inquiry into these returns that have been the subject of this examination. Is that so, Mr. Keyes, or did I misunderstand you?

Mr. KEYES. They are engaged in the same kind of an inquiry that they have made every year. We have had an income-tax inspector come into our office annually ever since 1916.

Mr. PECORA. Well, are they now engaged in making an inquiry, so far as you know, into the income-tax return filed in behalf of the firm for the calendar year 1930 and for these two days of January 1 and 2 of the year 1931?

Mr. KEYES. The internal-revenue agent was in our office checking up the partnership returns and the individual returns, the same as they had done in prior years. I know nothing of any special inquiry.

Mr. PECORA. Didn't you say in the course of your earlier testimony that within the past month some such inquiry had been instituted?

Mr. KEYES. Yes; it is bound to be. Our partnership return is the subject of inspection.

Mr. PECORA. Was an investigation made or examination made by any of the field agents of this return prior to this year?

Mr. KEYES. No, sir. And normally the examination would not be made prior to this year.

Mr. PECORA. You mean the period of 2 years as a rule elapsed—

Mr. KEYES (interposing). Yes, sir; I mean exactly—

Mr. PECORA (continuing). Before the making of an examination by a field agent?

Mr. KEYES. It is not 2 years; it is only—it is a year and a half, and that has been the period right through from the start.

Mr. PECORA. Is it a year and a half?

Mr. KEYES. Yes, sir.

Mr. PECORA. January 1931 to April or May 1933 is a year and a half?

Mr. KEYES. The return is to be filed in March. The return for 1931 is filed in March 1932, and the 2-year period in the act that you probably have in mind commences to operate on March 15, 1932.

Senator BYRNES. Well, one minute; let me get that right. This return in question was January 2, 1931?

Mr. KEYES. Yes, sir.

Senator BYRNES. And because of this provision in the law, any loss then ascertained could be deducted from any profit for the next calendar year, 1932 or 1933?

Mr. KEYES. Yes; by the carry-forward provision of the act.

Senator BYRNES. By the carry-forward?

Mr. KEYES. Yes, sir.

Senator BYRNES. Now, if the question has not been asked, what income tax, if any, did you pay in 1932?

Mr. KEYES. There were not any taxes paid in 1932.

Senator BYRNES. Then if no taxes were paid, the carrying forward of the loss of 21 million to the calendar year 1932 did not affect you because you had no profit?

Mr. KEYES. That is right.

Senator BYRNES. And the question as to whether by that procedure you profited will depend upon whether you have profits under the income-tax law for the calendar year 1933?

Mr. KEYES. Yes, sir.

Senator BYRNES. If you had profits and you could deduct 21 million from those profits, it would affect your income tax for the calendar year 1933?

Mr. KEYES. Yes, sir.

Senator BYRNES. That is the situation.

Senator ADAMS. Was part of this \$21,000,000 deducted in 1932? Did you make up a part of that?

Mr. KEYES. No, sir.

Senator ADAMS. You did not need that?

Mr. KEYES. No, sir.

Senator ADAMS. You had loss enough?

Mr. KEYES. Yes.

Senator BARKLEY. You mean you had no profits at all after deducting nothing?

Mr. KEYES. No, sir; after deducting nothing, and there was none of that carried forward.

Senator GORE. You were lucky.

Mr. PECORA. You did not need this loss as an offset to taxable income in the year 1930, did you, in order to avoid a liability for payment of income taxes?

Mr. KEYES. No, sir.

Senator BARKLEY. You mean 1930?

Mr. PECORA. 1930. Didn't need it that year. The losses were there—that is right, isn't it, Mr. Keyes?

Mr. KEYES. Beg pardon? Well, we paid, some of the partners did pay, a tax in 1930.

Mr. PECORA. Yes; but they paid those not on account of income of the firm, firm transactions, isn't that so?

Mr. KEYES. Well, a partner's return covers all of his income, including the firm. It is all combined under one individual return.

Senator BYRNES. May I interrupt you one moment? Whether or not you profited by this revaluation as a partner went out of the firm and there was a dissolution would depend upon whether or not upon that date of the dissolution of the partnership there was an increase in the value of the capital assets; is that right?

Mr. KEYES. Yes, sir.

Senator BYRNES. Now, in these very changes in 1927, for instance, when, by reason of the dissolution June the 30th, you filed an income-tax return, did it affect you so as to cause you to pay less or more taxes?

Mr. KEYES. No, sir; it affected us very adversely and caused us to pay very much more taxes by being required to mark up the securities.

Senator BYRNES. Well, how about the next time, 1928? I would like to know whether by reason of these dissolutions and these returns being filed on each occasion you profited or lost.

Mr. KEYES. The same in 1928, Senator. The increase in market value was greater.

Senator BYRNES. Was greater?

Mr. KEYES. Yes, sir.

Senator BYRNES. In 1928?

Mr. KEYES. In 1928, and also in 1929.

Senator BYRNES. Then the next time, was that June the 30th? Did you have—

Mr. KEYES. June the 30th—

Senator BYRNES. In 1930.

Mr. KEYES. June the 30th was about even over the values as it had existed on December 31, 1929.

Senator BYRNES. Then we have referred to the 1931 without it.

Mr. KEYES. Yes, sir.

Senator BYRNES. January the 2d.

Mr. KEYES. May I also add to that that there was taxable income that was realized on that second period in 1931 going from January 3d to December 31, which was quite a substantial set-off to that 21 million?

Senator BYRNES. I did not get that. How is that?

Mr. KEYES. The period of January 3—

Senator BYRNES. Yes.

Mr. KEYES. To December 31, 1931—

Senator BYRNES. Yes.

Mr. KEYES. Showed an increase in income that was quite a set-off to the 21 million.

Senator GORE. That is, the 21 million absorbed the profits?

Senator BYRNES. What you mean is that the 21 billion absorbed some of the profits, as Senator Gore said, for that year?

Mr. KEYES. For the later period of the year; yes, sir.

Senator BARKLEY. It is just the other way around, isn't it, that you had a profit but it was not sufficient to absorb the \$21,000,000 loss?

Mr. KEYES. That is it.

Senator BARKLEY. And the question whether you actually gained anything by this 2-day period will depend a good deal on whether you have enough income in 1933 from which you can deduct this \$21,000,000?

Mr. KEYES. Yes, sir.

Senator BYRNES. That is the whole question on that.

Senator GORE. Do you know how much of the \$21,000,000 was absorbed by your profits in 1931?

Mr. KEYES. I did not get that.

Senator GORE. Do you know how much of the \$21,000,000 losses taken on January 2, 1931, were absorbed by your profits during the remainder of that year till December 31, 1931?

Mr. KEYES. I do not recall the exact figure, but I think it some three or four million dollars.

Senator BYRNES. Which would leave it about \$18,000,000 to carry forward to 1933 there?

Mr. KEYES. Before it is carried forward it has to go through a distribution into the partners' individual returns. It is a very complicated picture to compute as to the amount that could be carried forward.

Senator GLASS. Mr. Keyes, Mr. Parker Gilbert is a man of some reputation, isn't he?

Mr. KEYES. Yes, sir.

Senator GLASS. He was formerly an Under Secretary of the Treasury, was he not?

Mr. KEYES. Yes, sir.

Senator GLASS. And he afterward was put in charge of this foreign financing of the Young plan, was he not, and he is still a member of the firm?

Mr. KEYES. Yes, sir.

Senator GLASS. He was not a dummy member of the firm then?

Mr. KEYES. No, sir; quite the contrary.

Senator GLASS. Not put in for the purpose of affecting the income account?

Mr. KEYES. No, sir.

Senator BARKLEY. Still in the firm, is he?

Mr. KEYES. Yes, sir; still in the firm.

Mr. PECORA. Mr. Keyes, are you familiar with the report made by Revenue Agent Newell C. Shields under date of October 15, 1932, in which he makes the following comment or statement with respect to the income-tax returns that have been the subject of your testimony this afternoon:

Since the inception of the income tax law taxpayer—

By taxpayer is meant J. P. Morgan & Co.—

has terminated the partnership on December 31st of each year, and each year the old partnership has sold all of its assets to the new partnership at the market values of December 31. Following this theory the tax returns have reflected the profits based on the market valuation placed on the assets at the end of each year. This procedure has had the effect of inventorying at market, although taxpayer contends that they are on a strictly cost basis.

The year 1930 produced the first deviation from this procedure, as the partnership in existence January 1, 1930 was dissolved on June 30, 1930, and a new partnership found on July 1, 1930. This new partnership was not dissolved until January 2, 1931. The tax returns for the first six months' partnership includes the losses and gains sustained through the sale of all of the assets at market values of June 30 to the new partnership. On the other hand, the return of the partnership in existence from July 1, 1930, to January 2, 1931, has carried its assets at cost (since no sale was made to a new firm on December 31, 1930), such cost being the values of July first at which assets were taken over from the old firm with subsequent purchases at cost.

The importance to taxpayer of the correctness of their basis of reporting lies in the fact that there was a tremendous shrinkage in the value of their assets on December 31, 1930. If a new firm had been organized at that time the loss for 1930 would have been so large that it would have been improbable that the statutory could have been absorbed by the income of the two succeeding years. By forming a new firm on January 2, 1931, and recording the losses based on the sale of the assets to the new firm, the loss became a 1931 loss, which, under the then existing law could have been carried forward to apply against 1933 income.

Do you agree with the statements embodied in that portion of this report?

Mr. KEYES. Mr. Pecora, I never saw that report, and I would like to know to whom that report is made.

Mr. PECORA. By Mr. Newell C. Shields.

Mr. KEYES. To whom?

Mr. PECORA. Apparently to his bureau.

Mr. KEYES. Well, we never saw the report.

Mr. PECORA. Well, do you agree with the statements and comments and conclusions that are set forth—

Mr. KEYES. I do not agree with them.

Mr. PECORA (continuing). In this report, as I have read them to you?

Mr. KEYES. Taking them item by item I do not agree with the statement that he makes about our having established an accounting method for December 31 without mentioning in there that that is coupled with a change of copartnership. That is not mentioned in there. Mr. Shields has not examined our returns rightly.

Mr. PECORA. There was nothing to prevent your firm from making a return for the 6 months' period terminating on December 31, 1930, which would have included a revaluation of the securities among its assets on that date, was there?

Mr. KEYES. Without the admission of a partner?

Mr. PECORA. Without the admission of a partner.

Mr. KEYES. There certainly was. Regulations 72.

Mr. PECORA. Have you got that Regulation 72 with you?

Mr. KEYES. No; I have not. No.

Senator COUZENS. That in effect prevents the taking of a loss until it occurs, does it not?

Mr. KEYES. Exactly. And no individual who might have some bonds and stock in his pocket has any right to say that he is going to mark them down in his tax return. And they have not qualified as dealers in securities so that they can inventory the cost or market, which ever was lower.

Mr. PECORA. What?

Mr. KEYES. We have not qualified under the tax laws as a dealer in securities who can inventory the cost or market, whichever is the lower.

Mr. PECORA. Are you not dealers in securities?

Mr. KEYES. No; not within the meaning of the tax law. We have never qualified as such. That is a very narrow and limited definition, that "dealer in securities", and we could not qualify if we wanted to, because that is limited primarily to securities sold to customers.

Mr. PECORA. Do you know whether any of the individual partners have qualified as dealers in securities within the meaning and intent of the provisions of the tax law?

Mr. KEYES. I know they have not.

Senator BYRNES. In other words, the only way you can get a loss is that the loss must be ascertained by the actual sale, unless there is a dissolution of the partnership?

Mr. KEYES. Yes, sir.

Senator BYRNES. When you can file a statement based upon the valuation of your assets, is that right?

Mr. KEYES. Exactly, Senator. That is correct.

Senator COUZENS. Well, is not the inference there, as I understood the reading by Mr. Pecora, that they changed corporations every few years regardless of whether there were new partners taken in? Is that true?

Mr. KEYES. That they changed corporations?

Senator COUZENS. That is, that they sold out to a new partnership?

Mr. KEYES. To a partnership; yes, sir. That the valuation of the partnership interest as it existed before the change constituted a closed transaction.

Senator COUZENS. Yes. But what I am trying to get at——

Mr. KEYES. But not every December 31, sir.

Senator COUZENS. No; I am not speaking of any date. If I remember correctly what Mr. Pecora read, the inference was that a new partnership was created every year or so, regardless of whether there were any new partners taken in, so as to create a new status for income tax.

Mr. KEYES. No, sir. I understood the inference merely to be that we had revalued on December 31, whether a new partner was taken in or not, or whether there was any change in partnership.

Senator BYRNES. No; I agree with Senator Couzens. The question is, Whether the change of partnership occurring every year was done with the intent on June 30 or on December 31 of permitting this revaluation and thereby taking a loss?

Senator COUZENS. Well, it is perfectly practicable and perfectly easily done to create a new partnership every year when it is advantageous to do so, and sell out to the new partnership if it creates a loss in the interest of the partners. I am not charging that is done, but that is a very simple procedure.

Senator BYRNES. We are just asking for the facts.

Senator COUZENS. Yes.

Mr. PECORA. So, whether or not it was done with any such intent, as was indicated by Senator Byrnes' question, the actual result was that it enabled the firm to carry forward through the calendar years of 1932 and 1933 these losses of \$21,000,000?

Mr. KEYES. We did not carry them forward, Mr. Pecora.

Mr. PECORA. What is that?

Mr. KEYES. We did not carry them forward. Our income-tax returns——

Mr. PECORA. You did not have to, but you could have if the income of the firm during the calendar years of 1932 and 1933 were to yield profits or income in excess of \$21,000,000.

Mr. KEYES. Or, perhaps, that remaining period in 1931.

Mr. PECORA. Yes.

Mr. KEYES. Which happened to an extent.

Senator GLASS. Well, if that could have been done, and should it have been done, and the law permitted it to be done, the fault, if any, is in the law and not in any intent on the part of your firm to cheat the Government; is that not so?

Mr. KEYES. Well, Senator Glass, I think that the selection of partners is covered by partnership law, and electus personarum goes as to time as well as to persons. So that the partnership would have the right to admit the partners on the dates that they select. And, following your question through, that if, on the change of copartnership, we would have to have a revaluation, then the fault would be in the law if on the following December 31 the law did not compel us to have another revaluation whether you had a change in the partnership or not.

Mr. PECORA. Mr. Keyes, let me ask you this. Do you know of any time prior to the year 1931 when the firm of J. P. Morgan & Co. took in a new partner——

Mr. KEYES. Yes, sir.

Mr. PECORA (continuing).—On the 2d of January of any year?

Mr. KEYES. Not on the 2d of January. It was on March 31, 1916. The present articles are dated that date. It is not tradition entirely that it is done on December 31.

Senator BYRNES. Let me ask you this: Several times during this period you say one of the partners died?

Mr. KEYES. Yes, sir.

Senator BYRNES. On each of those occasions a return was filed as the result of the dissolution resulting from the death, is that right?

Mr. KEYES. Yes, sir; that is right.

Senator GLASS. He did not die on purpose?

Senator BYRNES. How many times was there a reorganization by reason of death?

Mr. KEYES. There were two separate accounting periods in 1926 by the death of Mr. Porter; in 1925 by the death of Mr. Stettinius; in 1924 by the death of Mr. Bacon; in 1922 by the death of Mr. Davison; in 1920 by the death of Mr. Newbold. We had a change in 1927 by the retirement of the late Mr. Dwight W. Morrow, which occurred in September 1927. And that return was a substantial write-up and an increase in value which had to be included because of the dissolution of the partnership.

Senator COUZENS. What tax did you have to pay that year?

Mr. KEYES. Well, we would have to figure it out, Senator, because the tax is commuted right into the final return, but the total was quite a substantial sum. Some six or seven millions dollars, the total.

Mr. PECORA. Mr. Keyes, I understand that no deceased partner died purposely on any particular date. But the date of January 2, 1931, was advisedly fixed as the date of the admission of Mr. Gilbert into the firm, was it not?

Mr. KEYES. I think it is the partners' privilege to fix the date of the admission into the firm.

Mr. PECORA. I say it was fixed for that date, was it not? That was not a mere accident; it was the result of deliberation and decision, was it not?

Mr. KEYES. Yes, sir.

Senator COUZENS. Is that all?

Mr. PECORA. That is all on this subject with this witness; yes, sir.

Senator COUZENS. Let us go into executive session, Mr. Chairman.

Senator GLASS (presiding). The chairman, Senator Fletcher, is detained on the floor of the Senate with legislative matters.

Senator COUZENS. He wants us to go into executive session and deal with this subject while he is away.

Senator GLASS. Very well. If there be no dissent we will go into executive session. Those witnesses under subpoena who have not yet submitted themselves to examination will return at 10 o'clock tomorrow morning.

(Thereupon, at 4:25 p.m., an adjournment was taken until 10 o'clock a.m. the next day, Wednesday, May 24, 1933.)

STOCK EXCHANGE PRACTICES

WEDNESDAY, MAY 24, 1933

UNITED STATES SENATE,
SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to adjournment on yesterday, at 10 a.m., in room 301, Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Glass, Barkley, Costigan, Townsend, and Couzens.

Present also: Senators Bulkley, Gore, Reynolds, Byrnes, Bankhead, McAdoo, Adams, Goldsborough, Kean, and Steiwer.

Present also: Ferdinand Pecora, counsel to the committee, Julius Silver, David Saperstein, and James B. McDonough, Jr., associate counsel to the committee. John W. Davis, counsel for J. P. Morgan & Co., Randall J. LeBoeuf, Jr., and Earle J. Machold, counsel for the United Corporation and for George H. Howard, president of the United Corporation.

The CHAIRMAN. The committee will please come to order. Everybody will be seated. Let there be quiet in the room. Mr. Pecora, call your next witness.

Mr. PECORA. Will Mr. Morgan resume the stand, please?

TESTIMONY OF J. P. MORGAN—Resumed

Mr. PECORA. Mr. Morgan, in the course of your examination on yesterday you were asked certain questions as to whether or not your firm had made any loans to individuals who were officers or directors of commercial banks. And a list was shown you containing the names, or said to contain the names of such individuals. It was then suggested that the matter of receiving this list in evidence and spreading it upon the record of the committee be referred to an executive session of the committee, which was held, and the committee decided to receive the list. Will you kindly look at that list and see if you can identify it as a true and complete list of all names of individuals who were officers or directors of banks, and who received loans from J. P. Morgan & Co., or Drexel & Co., during the 5-year period from January 1, 1927, to December 31, 1931.

Mr. MORGAN. I identify the list.

Mr. PECORA. I beg pardon?

Mr. MORGAN. I identify the list. Do you wish me to read it?

Mr. PECORA. Well; I will take the list. Is that a complete list of such loans?

Mr. MORGAN. So I am informed.

Mr. PECORA. Do you know who prepared it?

Mr. MORGAN. No.

Mr. PECORA. It was prepared by someone in the office of the firm of J. P. Morgan & Co., was it not?

Mr. MORGAN. Yes; it was prepared in the office of the firm. We submitted it as a whole list.

Mr. PECORA. Now, as I read the names on this list will you be kind enough to tell us the bank with respect to which each individual was identified or connected as either an officer or director?

Mr. MORGAN. I am not sure I can do it, but I will refer to some of my associates here for information.

Mr. PECORA. You may acquire the information in the course of your answers from any of your associates. I shall be happy to have you do it.

Mr. MORGAN. All right. I thank you.

Mr. PECORA. E. F. Carry.

Mr. MORGAN. With the Continental Bank of Chicago. And he is dead.

Mr. PECORA. W. P. Conway.

Mr. MORGAN. With the Guaranty Trust Co. of New York.

Mr. PECORA. John W. Davis.

Mr. MORGAN. Guaranty Trust Co. of New York.

Mr. PECORA. Norman H. Davis.

Mr. MORGAN. The Bank of New York and Trust Co.

Mr. PECORA. Charles G. Dawes.

Mr. MORGAN. With the Central Trust Co. of Chicago, I believe.

Mr. PECORA. That is the Central Trust Co. of Illinois, isn't it?

Mr. MORGAN. Yes; I believe so.

Mr. PECORA. F. C. Dumaine.

Mr. MORGAN. The First National Bank of Boston. He is a director. In all these cases, except Conway and Dawes, they are the only ones who are officers of banks. The others are directors.

Mr. PECORA. Artemus L. Gates, Harvy D. Gibson, Mortimer N. Buckner, joint account.

Mr. MORGAN. New York Trust Co.

Mr. PECORA. Mr. Gates is connected with the New York Trust Co. and Mr. Gibson with the Manufacturers Trust Co., isn't that so?

Mr. MORGAN. Yes; he is now. Yes; he is now with the New York Trust Co., I believe.

Mr. PECORA. And Mortimer N. Buckner?

Mr. MORGAN. Also with the New York Trust Co.

Mr. PECORA. Is he president of the Clearing House Association of Banks at the present time?

Mr. MORGAN. This year I believe he is.

Mr. PECORA. Philip G. Gossler.

Mr. MORGAN. Guaranty Trust Co. A director.

Mr. PECORA. Albert H. Harris.

Mr. MORGAN. With the Guaranty Trust Co. Also a director. And he is dead.

Mr. PECORA. Clifford M. Leonard.

Mr. MORGAN. I confess that I do not know who he is. I shall have to find out.

Mr. WHITNEY. None of us knows what bank he was with.

Mr. PECORA. H. E. Manville.

Mr. MORGAN. Who is he with?

Mr. WHITNEY. Well, he is with a bank up at Pleasantville, N.Y. The Pleasantville National Bank, I believe. A director.

Mr. PECORA. Edgar L. Marston.

Mr. WHITNEY. With the Guaranty Trust Co.

Mr. MORGAN. He was when the loan was made, with the Guaranty Trust Co., a director.

Mr. PECORA. Theodore F. Merseles.

Mr. MORGAN. He is dead.

Mr. WHITNEY. When this loan was made he was with the Seaboard National Bank.

Mr. PECORA. And that was merged with the Chase National Bank, I believe?

Mr. WHITNEY. It was merged originally with the Euitable Trust Co., and subsequently that Trust Co. went with the Chase National Bank.

Mr. PECORA. Albert G. Milbank.

Mr. MORGAN. When that loan was made he was a director of the Seaboard National Bank, wasn't he?

Mr. WHITNEY. Yes; I believe so.

Mr. MORGAN. He was a director at that time of the Seaboard National Bank, and afterwards became a director of the Equitable Trust Co., and afterwards a director of the Chase National Bank. That loan has been paid off.

Mr. PECORA. Charles E. Mitchell.

Mr. MORGAN. He is the head of the City Bank.

Mr. PECORA. You mean he was.

Mr. MORGAN. He was the head of the City Bank; yes.

Mr. PECORA. Of the National City Bank.

Mr. MORGAN. Yes; of the National City Bank.

Mr. PECORA. F. K. Morrow, what bank was he with?

Mr. MORGAN. Do you know, Mr. Whitney?

Mr. WHITNEY. I do not know.

Mr. MORGAN. We will have to find out for you.

Mr. PECORA. All right. Now, G. M. P. Murphy.

Mr. MORGAN. With the Guaranty Trust Co. and the New York Trust Co.

Mr. PECORA. Seward Prosser.

Mr. MORGAN. How about William C. Prosser?

Mr. PECORA. Oh, William C. Prosser.

Mr. MORGAN. He is the head of the Guaranty Trust Co. of New York.

Mr. PECORA. Seward Prosser.

Mr. MORGAN. He is the head or is the chairman of the board, isn't he, of the Bankers Trust Co.?

Mr. WHITNEY. I believe so.

Mr. PECORA. Lansing P. Reed.

Mr. MORGAN. He is a director of the Guaranty Trust Co.

Mr. PECORA. What was that?

Mr. MORGAN. I will say that Mr. Reed is a director of the Guaranty Trust Co.

Mr. PECORA. Samuel W. Rayburn.

Mr. MORGAN. I was just asking about him. I do not know what bank he is in. He was in the Guaranty Trust Co. in 1929 as a director.

Mr. PECORA. H. C. Stevens.

Mr. MORGAN. He was with the Guaranty Trust Co., I believe, an officer of the Guaranty Trust Co.

Mr. PECORA. Myron C. Taylor.

Mr. MORGAN. He is a director of the First National Bank in New York.

Mr. PECORA. Is he also occupying an executive position in the United States Steel Corporation?

Mr. MORGAN. He is chairman of the board and chairman of the finance committee.

Mr. PECORA. A. A. Tilney.

Mr. MORGAN. A. A. Tilney is with the Bankers' Trust Co.

Mr. PECORA. He is vice-president, isn't he?

Mr. MORGAN. How about that, Mr. Whitney?

Mr. WHITNEY. I think he is vice-chairman of the board.

Mr. MORGAN. I do not know.

Mr. PECORA. Richard Whitney.

Mr. MORGAN. With the Corn Exchange National Bank.

Mr. PECORA. In that the gentleman who is also the president of the New York Stock Exchange?

Mr. MORGAN. Yes.

Mr. DAVIS. Mr. Pecora, wouldn't it be worth while for the sake of the record to make known how many of the loans are now outstanding?

Mr. PECORA. I will do that. Very few in number, I believe.

Senator COUZENS. Why not determine that as you go along?

Mr. PECORA. Well, I have a classification here in that respect, Senator Couzens. I want to get the whole list in first, and I believe only a few are not paid off.

Senator COUZENS. All right.

Mr. PECORA. Now, Mr. Morgan, according to the information that was furnished to me by your office with regard to these loans, they have all been paid off with the exception of one made to Norman H. Davis, one to F. C. Dumaine, a loan made jointly to Artemus L. Gates, Harvy D. Gibson, and Mortimer N. Buckner, one made to Charles E. Mitchell, one made to Seward Prosser, one made to Lansing P. Reed, one made to H. C. Stevens, and one made to Richard Whitney. Does that conform to your knowledge?

Mr. MORGAN. That conforms to my list. But I have no knowledge except as I get it from the list. I am going by the list.

Mr. PECORA. Your knowledge is based upon a list which has been prepared by your office and a copy of which as been furnished to me?

Mr. MORGAN. Yes, sir.

Mr. PECORA. When was the Norman H. Davis loan made?

Mr. MORGAN. This list does not show.

Mr. PECORA. Could you answer that question, Mr. Whitney?

Mr. WHITNEY. I think not.

Mr. DAVIS. These are dates of payments.

Mr. PECORA. I know that.

Mr. WHITNEY. I could not give you the dates. The dates that would assist you might be as to the qualifying shares for directors of these banks. As to that information, I can probably find it.

Mr. PECORA. Have you the data here?

Mr. WHITNEY. I can get it. This is a very small loan.

Mr. PECORA. Could we have it?

Mr. WHITNEY. The date that the loan was made?

Mr. PECORA. Yes.

Mr. WHITNEY. I can get it for you, probably, after lunch.

Mr. MORGAN. It is only the outstanding loans?

Mr. PECORA. I am confining myself now to the outstanding loans.

Mr. MORGAN. We have the dates of the outstanding loans, as I understand. We can get that.

Mr. PECORA. Mr. Morgan, have you any personal knowledge or information concerning the loan made to F. C. Dumaine, which is still outstanding?

Mr. MORGAN. Oh, I have no personal knowledge of it at all.

Mr. PECORA. Have you any information about it?

Mr. MORGAN. No.

Mr. WHITNEY. Do you want it now?

Mr. PECORA. Can you get it and give it to Mr. Morgan?

Mr. WHITNEY. It is a long story.

Mr. PECORA. Then I will wait until you take the stand.

Mr. DAVIS. Instead of relaying the information through Mr. Morgan I think we would make better progress if you were to take it first-hand.

Mr. PECORA. All right. Mr. Morgan, have you any personal knowledge or information concerning the particulars of a loan made to Charles E. Mitchell, which is still outstanding in whole or in part?

Mr. MORGAN. I have no accurate knowledge, no. I again make the same suggestion that Mr. Davis made before.

Mr. PECORA. I ask you the same question with respect to the loan made to Seward Prosser, which is still outstanding.

Mr. MORGAN. I will have to make the same answer to all these questions, Mr. Pecora.

Mr. PECORA. To all of them?

Mr. MORGAN. Yes, sir; Mr. Pecora.

Mr. PECORA. Mr. Whitney, will you get this information by this afternoon?

Mr. WHITNEY. Do you mean that you want the dates when the loans were made?

Mr. PECORA. And how collateralized.

Mr. WHITNEY. I am not sure I can get you that information by this afternoon. But I can get you the dates. I will do the best I can, Mr. Pecora.

Mr. PECORA. All right.

Mr. WHITNEY. I do not know whether I can get the collateral.

Mr. PECORA. You can get the dates as to all of these loans, can you not?

Mr. WHITNEY. Yes; very substantially, I should say.

Senator KEAN. Mr. Chairman, we cannot hear counsel down here.

Mr. PECORA. I was merely suggesting to Mr. Whitney that he get certain data from the files of his office in New York.

Senator KEAN. Yes; but we would like to hear what you are asking.

Mr. PECORA. So that he may be in position to testify, perhaps this afternoon.

The CHAIRMAN. You may proceed, Mr. Pecora.

Mr. PECORA. Mr. Morgan, with respect to chartered or commercial banks, you are familiar with the legal provisions which limit the amount of a loan which a bank may make to an individual or single borrower, are you not?

Mr. MORGAN. Well, I am roughly familiar with them, yes, but I have never worked with an incorporated bank, so that I never had to very closely post myself on that matter.

Mr. PECORA. Do you approve the principles of those provisions?

Mr. MORGAN. Well, I do not know that I should—I do not know them well enough to pass upon them. Besides, they are matters of legislation, and things which a bank must conform to.

Mr. PECORA. Of course, but I am not asking you the question, whether or not banks must conform to the laws; I am asking for your opinion, if you will give it, of the reasonableness of such laws.

Mr. MORGAN. I have no opinion on that matter.

Mr. PECORA. You have no opinion on that?

Mr. MORGAN. On the reasonableness of any law, no.

Mr. PECORA. Have you any opinion on the reasonableness of the law which limits a commercial bank to a definite percentage of its capital and surplus?

Mr. MORGAN. No.

Mr. PECORA. In making a loan to a single borrower?

Mr. MORGAN. No. I have no opinion on that.

Mr. PECORA. You are unable to tell this committee whether or not the principle of such enactments in your opinion is sound?

Mr. MORGAN. Well, it is a matter of opinion. I cannot testify on oath on matters of opinion that might be changed at any minute.

Mr. PECORA. You can, if you are asked to give it as a matter of opinion; and I think your counsel will agree to that.

Mr. DAVIS. I think that is entirely at the option of the witness. No man can be made to express an opinion.

Mr. PECORA. If he has an opinion I would be glad to have the benefit of it.

Mr. MORGAN. I have no opinion on it.

Senator GLASS. What difference would it make whether Mr. Morgan had an opinion on the subject or not? It has been the judgment of the Congress for the last 40 years that there should be a limitation of 10 percent.

Mr. MORGAN. Well, Senator Glass—

Senator GLASS (continuing). And I do not think that any opinion which Mr. Morgan might express on the subject here would alter the judgment of the Congress.

Mr. MORGAN. I quite agree with you, Senator Glass.

Mr. PECORA. I do not know whether or not Congress would be influenced by an opinion of anybody whose experience might have been such as to qualify him to render a pretty sound opinion.

Senator GLASS. Congress enacts its legislation after making its own inquiry, and with the experience developed in the banking business.

Mr. PECORA. The witness was permitted to put on the record on yesterday a long statement, which is made up principally of his opinions upon the matters set forth.

Senator GLASS. To which I was the only member of the committee who disagreed.

Mr. PECORA. Well, the witness says he has no opinion on that subject, and that disposes of that matter.

The CHAIRMAN. Proceed.

Mr. PECORA. Mr. Morgan, have you any opinion as to the wisdom or reasonableness of applying such a principle by legislation to the conduct of private banks, the business of private banks or bankers?

Mr. MORGAN. My opinion is that it would not be necessary, probably. It is merely an opinion.

Mr. PECORA. Why wouldn't it be necessary? Why do you think it would not be necessary?

Mr. MORGAN. Because of the fact that there is a great deal of property back of the private banker, involved in his business, although not actually on his books, all of his entire fortune and living is at the disposal of the firm if it goes wrong.

Mr. PECORA. Where is there any public record of that property worth?

Mr. MORGAN. There is no public record of it.

Mr. PECORA. You know that even under the laws of the State of New York some private bankers are subject to examination by the State Superintendent of Banks, do you not?

Mr. MORGAN. Yes; I do.

Mr. PECORA. You do know that it has been proposed in the Legislature of the State of New York at various times to make all private bankers subject to that power of visitation and examination at the hands of the State Superintendent of Banks, do you not?

Mr. MORGAN. I understand that it has been frequently suggested.

Mr. PECORA. Has your firm opposed the enactment of such legislation.

Mr. MORGAN. We have no power to oppose any legislation, sir.

Mr. PECORA. You have the right to present your views to legislative committees that are considering matters of legislation. You know that, don't you, Mr. Morgan?

Mr. MORGAN. Well, we have the right to do so, but we do not always do it.

Mr. PECORA. Well, has your firm done it with respect to measures of the kind I have just referred to?

Mr. MORGAN. I do not think we have. I do not know of it of my own knowledge.

Mr. PECORA. The business of your firm is that of banking, among other things?

Mr. MORGAN. Among other things.

Mr. PECORA. It does not advertise itself as conducting a banking business or as being bankers, does it?

Mr. MORGAN. No. We may not do that.

Mr. PECORA. It may do that, but if it does do that it becomes subject to examination by the State Superintendent of Banks of New York State?

Mr. MORGAN. Quite so.

Mr. PECORA. Is that the reason it does not do that—in order to avoid being subject to such examination?

Mr. MORGAN. I think probably—I do not know the reason why we do not do it, but it would be a natural conclusion that that would be the case; yes.

Mr. PECORA. To your mind is it not a certainty rather than a natural conclusion that that is the case?

Mr. MORGAN. That what?

Mr. PECORA. Isn't that a certainty rather than a conclusion?

Mr. MORGAN. We wish to keep within the provisions of the law which frees us from that thing; yes. That is undoubtedly so.

Mr. PECORA. Why do you object to that sort of examination that all commercial banks chartered by the State of New York are subjected to under the laws of that State?

Mr. MORGAN. I object to it because of the breach of confidence which—the lack of the—I object to it because of the fact that our relations with our clients are much more confidential, in my opinion, than the relations with an incorporated bank can be. And—

Mr. PECORA. For what reasons are they more confidential than those existing between a commercial bank and its depositors and customers?

Senator STEIWER. Mr. Chairman, may I interrupt just a minute? Had the witness finished his answer to the last question before the one just now propounded?

Mr. MORGAN. Do you mean the question as to whether we did follow the law to avoid being examined? Is that it?

Senator STEIWER. I understood you to state one reason, and then I thought I heard you say the word "and", and I thought you were going to state another reason.

Mr. PECORA. If I interrupted you I am sorry.

Mr. MORGAN. No. I will stand on that.

Senator STEIWER. That is what I wanted to know.

Mr. PECORA. Suppose we go back to the record. Read the question and the answer.

(Thereupon the reporter read the question and answer as above recorded, as follows:

Mr. PECORA. Why do you object to that sort of examination that all commercial banks chartered by the State of New York are subjected to under the laws of that State?

Mr. MORGAN. I object to it because of the breach of confidence which—the lack of the—I object to it because of the fact that our relations with our clients are much more confidential, in my opinion, than the relations with an incorporated bank can be. And—

Mr. PECORA. Did you intend to say anything else in answer to that question, Mr. Morgan?

Mr. MORGAN. No. I should like if the stuttering part were cut out in my answer to that question. I am not used to this form of examination, Mr. Pecora, and I do not get my words quite straight always.

Mr. PECORA. I will adapt it to any form that you are used to, Mr. Morgan, to facilitate it.

Senator KEAN. Your bank, Mr. Morgan, is not a commercial bank in the sense that you are discounting paper daily for commercial purposes?

Mr. MORGAN. No.

Senator KEAN. That makes the difference between the two kinds of banks.

Senator GLASS. Mr. Morgan, let me ask you a simple question that requires only a simple answer. If the State authorities of New York should regard the conduct of your bank as endangering the public interest, in contrast with the conduct of commercial banks, is it not perfectly competent for the State authorities of New York, through their general assembly, with the approval of the Governor, to alter the law accordingly?

Mr. MORGAN. I presume so, sir.

Senator GLASS. It looks to me like we have the State Legislature of New York under inquisition here.

Mr. PECORA. Did the Senator overlook the testimony given by the witness a few moments ago to the effect that such legislation has been opposed.

Mr. DAVIS. The witness gave no such testimony. The witness said he does not know.

Senator GLASS. Well, if there be such testimony; suppose it has been opposed—it has not been enacted, has it?

Mr. PECORA. Congress might deem it wise to enact such legislation with regard to bankers whose business is interstate.

Senator GLASS. I do not think Congress has any constitutional right or jurisdiction to do anything of the kind.

Mr. PECORA. Well, that is a question of law.

The CHAIRMAN. Well, we are proceeding on that theory, that they are doing interstate business and using the mails. I do not think there is any question that Congress has the jurisdiction to pass such legislation.

Senator GLASS. Well, has there been any proposal in the two years and a half that we have had banking legislation under consideration to preclude them from the use of the mails or from interstate commerce?

The CHAIRMAN. No—

Senator GLASS. If there has been I do not know it.

The CHAIRMAN. There has been a special subcommittee on banking that has been supposed to get out banking legislation that has been two years on it and it has not done it yet.

Senator GLASS. Yes; we have proposed banking legislation that the Congress has not enacted. And there has not been an idle hour since we were charged with it—not an idle hour.

The CHAIRMAN. That is the reason we are holding the hearings to get the foundation for legislation. That is the object. Otherwise we might as well quit. The whole purpose of this thing is to get the proper foundation for banking legislation.

Senator GLASS. Yes; I concede that to be the purpose, but I do not concede that to be the result.

Senator BYRNES. Mr. Chairman, what was the question?

The CHAIRMAN. Go ahead, Mr. Pecora.

Senator BYRNES. I did not hear the question of counsel.

The CHAIRMAN. Let us go on with the questions.

Mr. PECORA. Read the question. I think I recall it. Mr. Morgan, what features are connected with the relations between your private banking firm and its clients which make the relations between them of a more confidential nature than those recognized to exist between commercial or chartered banks and their clients?

Mr. MORGAN. Chiefly the fact that we have no board of directors. We have no officers that are hired to look out for the business of the shareholders. We have no shareholders. Consequently we can do things immediately without anybody but the partners and the people who make records in the office knowing anything about it. And a great many people do not like their private affairs shown to directors, although I think as a rule they are not really shown to them in these big banks. I do not know anything about that.

Senator COUZENS. I think that is true.

Mr. PECORA. Do you think the laws which enable the State authority or Federal authority to examine a commercial bank are based primarily on the fact that those banks have boards of directors and have stockholders, or do you think that they are based in part at least upon the fact that those banks handle the deposits of people generally?

Mr. MORGAN. The banks are incorporated, and under the incorporation they have certain rights. Also certain obligations which are the price that they pay, so to speak, for those rights. I have had a little table made up to show the two things. I will have a copy of that furnished to you if you like, sir.

Mr. PECORA. A copy of what, sir?

Mr. MORGAN. A copy of a statement that I had made up to show what the relative rights and obligations are. Let me have that. [A paper was handed the witness.] This shows the restrictions and disabilities of private banks; the limitations that are imposed on incorporated banks and the advantages they get from it.

Mr. DAVIS. Comparative.

Mr. MORGAN. A comparative statement.

Mr. PECORA. The one great function of banks, whether public or private, is that of accepting deposits and making loans?

Mr. MORGAN. Quite so.

Mr. PECORA. Now, your private banking firm exercises both of those functions?

Mr. MORGAN. Yes.

Mr. PECORA. They are the principal functions exercised by commercial banks, are they not?

Mr. MORGAN. I suppose so. I do not know.

Mr. PECORA. Do you think that there is anything in the manner in which your private banking firm exercises those functions that makes the relations of your private banking firm with its clients more confidential with respect to the exercise of those functions than are the relations between a commercial bank and its clients?

Mr. MORGAN. I do think so; yes.

Mr. PECORA. For what reason, Mr. Morgan? What makes them more confidential in the case of your private banking firm?

Mr. MORGAN. Well, it has always been held for the last—ever since I have known anything about the business and many years before that that our relations with our clients were peculiarly personal and confidential, and I have always believed that that was so and kept it so as far as possible.

Mr. PECORA. Now, Mr. Morgan—

Mr. DAVIS. Mr. Pecora, may I interrupt a moment?

The CHAIRMAN. Do you care to have that statement go in the record?

Senator GOLDSBOROUGH. Mr. Chairman, Mr. Morgan has referred to a statement showing comparison between private banks and corporate banks. I would suggest that the statement be put in the record.

Mr. PECORA. That is all right.

The CHAIRMAN. Has Mr. Morgan offered it?

Mr. MORGAN. I have no objection.

The CHAIRMAN. All right.

Mr. PECORA. May I have a copy of it?

Mr. MORGAN. I do not think you want it read. It is a tabulated thing.

The CHAIRMAN. No. Just put it in the record; that is all.

(The statement referred to is here printed in the record in full, as follows:)

COMPARISON OF POWERS OF AND RESTRICTIONS ON NATIONAL BANKS, NEW YORK
STATE BANKS, AND LARGER NEW YORK PRIVATE BANKERS

"State bank" means any bank incorporated under laws of State of New York. What is true of it is generally true of a New York trust company.

"Private banker", as used here, means only larger unincorporated New York City banking institutions which do not come within section 150 of New York Banking Law. Section 150 is the heart of the New York restrictions on such private bankers. If a private banker falls within it he becomes subject to State supervision and requirements, including examinations, quarterly reports, the reserve requirements applying to banks, etc.

Section 150 applies to every unincorporated banker who either—

1. Uses the word "bank", "banker", etc. on any sign, stationery, circular, or advertising matter or who solicits deposits by signs or advertising; or

2. Pays interest on any deposit of less than \$7,500 (not applying, however, if aggregate of deposits of less than \$7,500 receiving interest do not exceed 2 percent of banker's total deposits); or

3. Receives money in such sums that the average of all separate deposits from all depositors during 12 months is less than \$1,000; or

4. Receives money for transmission in amounts of less than \$500—unless \$100,000 Government securities are deposited as security therefor.

(In general, private bankers, not being incorporated, do not depend upon the State for their grant of powers and consequently have in general as broad powers as those of individuals, except where expressly restricted by law. No attempt has been made to enumerate such inherent general powers or various less important differences between private bankers and incorporated institutions not deemed material here.)

Restrictions and disabilities	National banks	New York State banks	Private bankers (as defined above)
Liability	Limited to capital (with further individual liability of stockholders for par value of their stock—unworkable as practical matter).	Limited to capital (with further individual liability of stockholders for par value of their stock—unworkable as practical matter).	Unlimited personal liability.
Examinations and reports ..	2 examinations required each year. Must make at least 3 reports each year and further special reports as required by Comptroller, all in form prescribed by him. Reports to be published in local newspaper. Must report all dividends declared and amounts of net earnings in excess thereof, and report annually list of shareholders.	2 examinations required each year; also 4 quarterly reports which must be published in local newspaper. Superintendent may require any further reports all in prescribed form and may subpoena witnesses and require production of relevant papers. Unless surplus equals 20 percent of capital must report all dividends with net earnings. Must keep books and records in conformity with orders promulgated by Superintendent.	No State or Federal examination or supervision, except for State to determine whether banker is within scope of sec. 150. No publication of financial statement—such publication would involve possible violation of advertising restriction of sec. 150.
Reserves	7 to 13 percent of demand deposits (13 percent in New York City) and 3 percent of time deposits required.	12 to 18 percent (18 percent in New York City) of demand deposits required (in case of trust companies 10 to 15 percent—15 percent in New York City).	No particular reserve required.
Receiving deposits	No restrictions	No restrictions	Cannot, without becoming subject to State supervision and requirements, receive deposits if average of all deposits from all depositors within 12 months is less than \$1,000.
Paying interest on deposits ..	do	do	Cannot, without becoming subject to supervision and requirements, pay interest on deposits of less than \$7,500—with a “saving margin provision” providing for exemption of deposits of less than \$7,500 if total of such deposits on which interest paid does not exceed 2 percent of total deposits.
Soliciting business by advertising as bank ..	do	do	Cannot, without becoming subject to State supervision and requirements, solicit deposits by means of signs or advertising or use word “bank,” “banker,” etc., on any sign, stationery, circular, or advertising matter.
Receiving money for transmission ..	do	do	Cannot, without becoming subject to State supervision and requirements, receive for transmission an amount less than \$500—unless \$100,000 Government securities deposited as security therefor.
Powers (in addition to four last mentioned):			
Loaning money	Cannot loan more than one tenth of its capital stock and surplus to one borrower. Also subject to restrictions as to loans on real estate, etc. Required to members of Federal Reserve System, and consequently have privilege of rediscount and clearing.	Cannot loan more than one tenth of its capital stock and surplus to one borrower. Also subject to restrictions as to loans on real estate, etc. May become members of Federal Reserve System and possess its privileges.	No restrictions.
Federal Reserve membership and privileges ..			Cannot be members of Federal Reserve System and have rights consequent thereon.
Issuance of currency	Have authority to obtain and issue circulating notes,	No authority	No authority to issue currency.

Trust powers-----	Have (when authorized by Federal Reserve Board) general fiduciary powers—to act as trustee, executor, administrator, guardian, receiver, etc.	Have same trust powers (where authorized by superintendent of banks). State trust companies have such powers without such authorization.	No trust powers in real sense—but can act as transfer agent, registrar or fiscal agent (as can also national and State banks).
Depository of public funds.	May be designated as such by Secretary of Treasury.	May be designated as depository of State funds by State officers.	Cannot act as such depository.
Owning stock of other corporations.	In general cannot do so except to protect self on bad debt, etc.	In general cannot do so except to protect self on bad debt, etc. State trust company may own stock, provided investment does not exceed 10 percent of its capital and surplus.	No restriction on ownership of stock.
Owning real estate-----	In general cannot own real estate except for own office building and except where purchased to protect bad debt.	In general cannot own real estate except for own office building and except where purchased to protect bad debt.	No restrictions.

Mr. PECORA. Who prepared this printed statement that is now being spread upon the record, Mr. Morgan?

Mr. MORGAN. One of our counsel, sir. It being a matter of the law we got some counsel to do it for us.

Senator COUZENS. Mr. Morgan, is not this the practical situation, that if a man or a corporation wants to deposit \$100,000 he puts it in your bank entirely on faith?

Mr. MORGAN. Yes.

Senator COUZENS. And if he puts it in a commercial bank he has published statements to guide him?

Mr. MORGAN. Yes.

Senator COUZENS. That is one concrete difference, is it not?

Mr. MORGAN. That is one concrete difference.

Senator COUZENS. So I gather from you that your conclusions are that so long as you are a private bank that the depositor takes full chances on the stability of the Morgan bank when he makes the deposit without any records?

Mr. MORGAN. Yes.

Mr. PECORA. In the course of the testimony you gave yesterday you recall that you stated that a number of corporations engaged in interstate business maintained deposit accounts with your firm which at one time or other in the 5 years from 1927 to 1931, both inclusive, had balances of a million dollars or more?

Mr. MORGAN. Yes.

Mr. PECORA. Those deposits are made in your bank without the officers of those corporations who were responsible for the making of those deposits having any knowledge of the actual financial worth of your banking firm or of its constituent members?

Mr. MORGAN. They are. They are. But they would be perfectly—anybody would have the right to do it—could have a statement of ours if he wanted it, if he asked for it. We would not have the slightest objection to giving it to him.

Mr. PECORA. Have you ever given any such statement before?

Mr. MORGAN. They have never asked for it.

Mr. PECORA. Has any announcement ever been made before this moment by any representative or partner of your banking firm to that effect?

Mr. MORGAN. Well, if you will look back at the Pujo investigation when my father was on the stand he made the same statement.

Mr. PECORA. That investigation was the one held about 20 years ago?

Mr. MORGAN. Yes.

Mr. PECORA. Is that the only publication of that policy, so far as you know?

Mr. MORGAN. That is the only public statement we have ever made about anything.

Mr. PECORA. Do you recall, Mr. Morgan, that within the past 2 months I asked your firm as counsel for this committee to let me have a balance sheet of the firm?

Mr. MORGAN. I do recall it very well; yes, sir.

Mr. PECORA. And at the outset the position that was taken by your firm, or its counsel, was that we were not entitled to it?

Mr. DAVIS. I suggest that you strike out the word "firm" and leave in the word "counsel."

Mr. PECORA. Well, the position was taken by the firm.

Mr. DAVIS. The counsel took that position.

Mr. PECORA. Well then, the position was taken on behalf of the firm by the firm's counsel.

Mr. DAVIS. That is absolutely correct.

Mr. MORGAN. I recall that.

Senator BARKLEY. I would like to ask you, Mr. Morgan, if it does not interrupt, what happens when a new member comes into your firm? For instance, Mr. Parker Gilbert, who came in on the 2d of January 1931. Did he put in a certain amount of money that would entitle him to a certain proportion of the profits of the firm?

Mr. MORGAN. No.

Senator BARKLEY. What happened about that? What does happen ordinarily?

Mr. MORGAN. When he came in, and when each partner comes in he signs the articles and he is assigned a certain proportion.

Senator BARKLEY. Of what?

Mr. MORGAN. Of the profits and losses.

Senator BARKLEY. Doesn't he put in any money?

Mr. MORGAN. Not necessarily.

Senator BARKLEY. Does he not invest anything?

Mr. MORGAN. Not necessarily.

Senator BARKLEY. He just comes in and is enrolled as a partner?

Mr. MORGAN. As a partner.

Senator BARKLEY. And without any investment on his part, and shares in some proportion which is agreed to in the articles?

Mr. MORGAN. Which is agreed upon at the time; yes.

Senator BARKLEY. In the profits?

Mr. MORGAN. Yes.

Senator BARKLEY. And is obligated for the losses?

Mr. MORGAN. Yes.

Senator BARKLEY. In the same proportion?

Mr. MORGAN. In the same proportion.

Senator BARKLEY. Of course his obligation is unlimited so far as the debts of the firm are concerned?

Mr. MORGAN. Absolutely.

Senator BARKLEY. Regardless of whether he puts in any money or not?

Mr. MORGAN. Yes.

Senator BARKLEY. So there is nothing in your firm that is analogous in any way to capital?

Mr. MORGAN. No; there is nothing of that kind. Well, I would say—yes; there is the amount standing to the different partners' credits.

Senator BARKLEY. Yes; but there is nothing standing to his credit so far as investment is concerned?

Mr. MORGAN. No; not before some earnings have come in.

Senator BARKLEY. What happens to those earnings when they come in? Does he get them?

Mr. MORGAN. They are credited to his account.

Senator BARKLEY. Do they remain there in the firm or does he take them out?

Mr. MORGAN. He generally leaves them in the firm, as much as he can. He has to live.

Senator BARKLEY. Yes.

The CHAIRMAN. He agrees to perform certain service, I suppose?

Mr. MORGAN. He performs the general service of any general partner.

Senator COUZENS. When he comes in, Mr. Morgan, do you get any financial statement as to his financial responsibility?

Mr. MORGAN. No.

Senator COUZENS. So he can share in the losses?

Mr. MORGAN. No. We know him pretty well before we get him in, Senator.

Senator COUZENS. You have analyzed their worth before that?

Mr. MORGAN. We hope so. We think so.

Senator GLASS. The house of Morgan thought itself very fortunate in getting such a man as Parker Gilbert, did it not?

Mr. MORGAN. Very fortunate.

Senator GLASS. In other words, he brought to the house an experience here and abroad that perhaps was not possessed by any other member of the concern?

Mr. MORGAN. I think that is true. That is the main reason why I wanted him.

Senator BARKLEY. Have you got any vacancies? [Laughter.]

Mr. MORGAN. Well, Senator, I am afraid there are plenty of us these bad years, and there certainly is not any vacancy.

Senator COUZENS. Well, it is quite probable—it is quite possible, at least, that a partner can come in because of the qualifications of Mr. Parker Gilbert without having any net worth?

Mr. MORGAN. Oh, yes; quite.

Senator COUZENS. So he would not be able to share very extensively in any loss, would he?

Mr. MORGAN. Well, they would be charged to him and he would earn them back.

Senator BULKLEY. In a general way, Mr. Morgan, your firm performs every banking function, does it not?

Mr. MORGAN. Not in a general way. Only to the special people, you see. We are not allowed to advertise ourselves as banking—as receiving deposits. We do not apply for deposits.

Senator BULKLEY. And you do not designate yourselves as being in any particular business at all, do you?

Mr. MORGAN. No.

Senator BULKLEY. As I recall it, at your place of business you do not have any sign of any kind?

Mr. MORGAN. We have no sign that we are a bank. We have our name on the door, that is all.

Senator BULKLEY. And nothing but the name?

Mr. MORGAN. Nothing but the name.

Senator BULKLEY. And on your letterheads that you ordinarily use?

Mr. MORGAN. The same thing.

Senator BULKLEY. No business stated thereon?

Mr. MORGAN. No.

Senator COUZENS. Are you listed among the banks? Is your name listed among the banks?

Mr. MORGAN. We hope not. We have taken every precaution to prevent it.

Mr. PECORA. Mr. Morgan, is the name of the firm on any outer door of the firm's office?

Mr. MORGAN. It is not on the outer door. It is on the inner door.

Mr. PECORA. Not visible from the street to any passer-by?

Mr. MORGAN. No. Most of them know the address.

Mr. PECORA. You do not think the firm suffers any lack of prestige in the banking world because it does not advertise itself to be bankers, do you?

Mr. MORGAN. It does not seem to.

The CHAIRMAN. Mr. Morgan, may I get your idea about this: You have spoken about the importance of preserving a private banking system in connection with the other system, the public system, the Federal system. May I ask, do you think it would be advisable to provide a law, Federal or State or otherwise, in the way of supervision or regulation of private banks or private investment institutions owned by private individuals? Do you think that there ought to be any regulation or supervision provided by law as to these institutions?

Mr. MORGAN. I should not think so. I personally have not found that the Government supervision has made such a great improvement in the banking world that I should feel that we need its help. The banks are examined every 4 years, but I hear of banks that are not quite right, and I hear of banks that are near the edge, and all that sort of thing. And the investigations into them, the examinations of them, do not seem to make any difference.

The CHAIRMAN. We had about 10,000 failures in the last 10 years. I do not recall any private bankers that have failed.

Mr. MORGAN. There have been very few.

Mr. PECORA. There have been a few in the city of New York. Clark Brothers back in 1929.

Mr. MORGAN. Yes.

The CHAIRMAN. I suppose you are doing a public banking business, and the public depositing money with you, and all that sort of thing?

Mr. MORGAN. Oh, no; we are not going into the public banking business.

The CHAIRMAN. But you are serving the public?

Mr. MORGAN. Yes; but we are serving only our own clients who are our clients by their own choice.

The CHAIRMAN. But you do not turn a man down; you do not select your clients; you do not give them tickets and pass on them?

Mr. MORGAN. Yes; we do.

The CHAIRMAN. You do?

Mr. MORGAN. Yes, indeed; we do.

The CHAIRMAN. I suppose if I went there, even though I had never seen any member of the firm, and had \$10,000 I wanted to leave with the bank, you would take it in, wouldn't you?

Mr. MORGAN. No; we should not do it.

The CHAIRMAN. You would not?

Mr. MORGAN. No.

The CHAIRMAN. I am quite sure then you would not—

Mr. MORGAN. Not unless you came in with some introduction,

Senator

Senator McADOO. Unless he were the chairman of the Banking and Currency Committee.

Mr. MORGAN. That has been the rule for many, many years.

The CHAIRMAN. Then I am quite sure I could not borrow any \$10,000.

Mr. MORGAN. Not without an introduction.

The CHAIRMAN. Well, all that, however, does not dispense with the actual functions of your bank. You are making loans otherwise. Do you make any loans on real estate?

Mr. MORGAN. We never have.

The CHAIRMAN. You do not make any?

Mr. MORGAN. No.

Senator BARKLEY. Unless a man had some other business with your firm besides depositing money why he cannot do business with you; is that the situation?

Mr. MORGAN. Well, if it is a man we know, a friend, a man who knows one of the partners, or some reason or other comes in, and he has the proper introduction, and we should take his money and deal with him he might bring us business eventually.

Senator BARKLEY. Which is the largest proportion of your business, the banking business strictly in which you accept deposits and make loans, or the security business in which you engage in the sale and distribution and the underwriting of securities?

Mr. MORGAN. I think that the larger part of our business is the banking business, the straight banking business. And with the usual letter of credit, in making loans abroad, and that sort of thing.

Senator COUZENS. Your underwritings are a minor part of your business?

Mr. MORGAN. I would say the least profitable part. And in volume I should say the least; yes.

Senator COUZENS. The lesser part?

Mr. MORGAN. Yes.

Senator KEAN. Mr. Morgan, is it not true that a large part of your business is exchange too?

Mr. MORGAN. We do not do a very large business in exchange, but we do a certain amount for our clients.

Senator KEAN. Yes.

Senator STEIWER. Does your institution make a commercial loan on an unsecured note to a business house?

Mr. MORGAN. We have done it, but seldom. We have bought commercial paper in the old days.

Senator STEIWER. It is not your usual procedure?

Mr. MORGAN. It is not our usual procedure?

Senator BULKLEY. It is not customary to make any real-estate loans, Mr. Morgan?

Mr. MORGAN. No.

Senator BULKLEY. The mortgage on Mr. Mitchell's home, was that just additional security?

Mr. MORGAN. Additional collateral.

Senator BULKLEY. How did that happen to come in?

Mr. MORGAN. It came in because Mr. Mitchell said "I cannot—I have got so much now."

Senator BULKLEY. Well, that was called for later after the loan had existed for some time, was it?

Mr. MORGAN. After the loan had existed for some time.

Senator COUZENS. Who introduced you to Mr. Mitchell, or Mr. Mitchell to you, rather?

Mr. MORGAN. Well, I can't remember that. It was a long time ago, sir.

Senator COUZENS. I knew he had to have an introduction to get in.

Mr. MORGAN. Well, I knew Mr. Mitchell as the head of his bank and intimately connected with us in many, many things.

Senator BARKLEY. It only requires one introduction?

Mr. MORGAN. How?

Senator BARKLEY. It only requires one introduction, and that in his case occurred years ago?

Mr. MORGAN. Years ago.

Senator COUZENS. May I ask you another question, Mr. Morgan. You dwelt at some length on the question of examination of these banks and indicated I think with some force that the mere examination of a bank did not necessarily qualify it to accept public deposits, is that correct?

Mr. MORGAN. Well, I meant to say—what I tried to say was that the examination of the public bank, like everything human that is done, is the carrying out of a law by a human being who may not be quite successful.

Senator GLASS. Let me answer that question for you.

Senator COUZENS. But may I conclude with Mr. Morgan first? I would like to ask: In view of the fact that this famous Federal Reserve System had been examining the member banks over a great many years, that has not insured the depositors in the member banks of safety, has it?

Mr. MORGAN. I do not know that it—it has not insured it, certainly.

Senator COUZENS. No. In other words, there is just as much maladministration apparently in the member banks of the Federal Reserve System as there has been in some of the State banks?

Mr. MORGAN. I do not think there is a great deal of maladministration, but the examinations have not prevented it.

Senator COUZENS. No.

Senator GLASS. I was going to proceed to answer the question for you more explicitly than you answered it yourself.

Mr. MORGAN. I am very glad to have you, sir.

Senator GLASS. I conjecture that you do not think much of the examination of commercial banks, particularly national banks, when the Comptroller of the Currency comes before the Banking and Currency Committee of the United States Senate and tells us that should he enforce the law that he is sworn to enforce he would close half of the national banks of the country?

Mr. MORGAN. Well, I—

Senator GLASS. That would indicate that the examinations are not very effective, would it not?

Mr. MORGAN. It would seem so to me, sir. But, of course, I am not here for the purpose of criticizing him, that I know of.

Senator GLASS. That answers the question, you concede, do you not?

Senator COUZENS. It does not answer my question.

The CHAIRMAN. As I understand you, Mr. Morgan, it is that there is no need, no requirement, no good reason, for any legislation looking to providing for supervision or regulation of private banks or investment banks controlled privately; is that your view?

Mr. MORGAN. I did not catch the drift of the latter question or the last part of the question.

The CHAIRMAN. Do you think there is any need or any call for any legislation with respect to private banks and investment banks owned by individuals? Investment companies?

Mr. MORGAN. I do not know what you mean by investment banks.

The CHAIRMAN. Investment companies owned by individuals that are doing a security business.

Mr. MORGAN. No. My answer is I do not think there is any need for investigation—

The CHAIRMAN. For legislation?

Mr. MORGAN. For legislation.

The CHAIRMAN. As to either investment bankers or private commercial banks?

Mr. MORGAN. No, sir.

The CHAIRMAN. All right.

Senator BARKLEY. How many private banks are there in New York?

Mr. MORGAN. I do not know.

Senator BARKLEY. You know some of them, do you not?

Mr. MORGAN. I know some of them. There is Kuhn, Loeb & Co., and Dillon, Read & Co. that I believe are coming along here. And Brown Brothers, Harriman & Co. Brown Brothers have been a firm for longer than we have. Lehman Bros. I do not remember the whole long list. There are eight or nine private banking firms in New York.

Senator COUZENS. And they all accept deposits?

Mr. MORGAN. I believe all accept deposits. Do they not? [Addressing Mr. Whitney.]

Mr. WHITNEY. No.

Mr. MORGAN. I thought they did.

Mr. WHITNEY. No.

Mr. MORGAN. Well, I do not know about that, Senator.

Senator COUZENS. Maybe Mr. Whitney can tell us. Can you tell us whether they all accept deposits?

Mr. WHITNEY. Of course I really do not know, Senator, but my impression is that some of them do not.

The CHAIRMAN. They could do it if they wanted to?

Mr. WHITNEY. Yes, certainly, if they wanted to. I am not sure.

The CHAIRMAN. And you could loan on real estate if you wanted to, could you not? You have the right and the power to loan on real estate?

Mr. WHITNEY. Yes.

Senator BARKLEY. Just the same as anything else. You are not regulated and controlled by law. You can loan or borrow on everything.

Mr. MORGAN. Your common-law rights begin to exist.

Senator BARKLEY. I mean, though, there is nothing to prevent you from making loans on anything?

Mr. MORGAN. No; nothing.

Mr. PECORA. May I ask, Mr. Morgan, if the articles of copartnership of your firm have been produced?

Mr. MORGAN. They have not been produced yet, but——

Mr. DAVIS. Beg your pardon?

Mr. PECORA. The articles of copartnership.

Mr. DAVIS. The messenger is on his way and we will have them late in the afternoon, I think. I doubt whether we will get them in time for the adjournment, though. But we will have them by tomorrow morning.

Mr. PECORA. Are they not readily available at the New York office?

Mr. DAVIS. Oh, yes.

Mr. PECORA. Why couldn't we have them today?

Mr. DAVIS. I say a messenger is on his way with them. I suppose he left there this morning. I don't know.

Mr. PECORA. He might be here this afternoon?

Mr. DAVIS. They have to be taken, of course, from the vaults on a time lock.

Mr. PECORA. Now, Mr. Morgan, according to the consolidated statement of condition or balance sheet submitted by your firm in behalf of itself and Drexel & Co. on December 31, 1932, among its assets were time loans of the aggregate value of \$34,836,442.07 and demand notes in an aggregate amount of \$47,869,164.93. Do you know whether or not all those loans are fully collateralized?

Mr. MORGAN. No; but I understand that those that are not fully collateralized are taken at the value of the collateral.

Mr. WHITNEY. There is a net figure of the full reserves that have been made against value. There is no question whatever about the value of certain unsecured loans. They might be definitely set and perfectly good, but they are the loans that require collateral, and that is the net figure of full reserve, bringing it down to actual coverage value. In answer to that, those loans, that net figure, are not under collateral except——

Mr. PECORA (interposing). Now, is the loan to Charles E. Mitchell undercollateralized?

Mr. MORGAN. Well, it is not, is it [addressing an associate]? I do not know. We have held a reserve against him.

Mr. PECORA. But is the loan itself undercollateralized?

Mr. MORGAN. The loan itself has less collateral than the original loan would call for.

Mr. PECORA. Is the amount due and unpaid on account of the principal of the loan greater than the market value of whatever collateral your firm holds against the loan?

Mr. MORGAN. It is.

Mr. PECORA. By what figure, approximately?

Mr. MORGAN. I don't know.

Mr. WHITNEY. May I answer the question?

Mr. MORGAN. Mr. Whitney is the authority on this thing.

Mr. PECORA. Mr. Whitney has heretofore been sworn.

TESTIMONY OF GEORGE WHITNEY—Resumed

Mr. WHITNEY. Mr. Pecora, you have asked two questions in this connection: You have asked about this figure——

Senator McADOO. Mr. Whitney, will you speak a little louder?

Mr. WHITNEY. Mr. Pecora has asked two questions on it: He referred to these figures of time and demand loans and asked if those loans were under collateral. Then he asked about Mr. Mitchell's loans. Mr. Mitchell's loans——

Mr. PECORA (interposing). One moment, Mr. Whitney. I asked about Mr. Mitchell's loan in my last question.

Mr. WHITNEY. In your last question. This is the answer to Mr. Mitchell's loan—it is under collateral. As reflected, however, in these figures, there was a reserve set up against it, so that it is not under collateral as affecting those figures. Does that answer your question?

The CHAIRMAN. You have your reserve to support your collateral?

Mr. WHITNEY. Certainly.

Senator BARKLEY. Out of what reserve was that reserve set up?

Mr. WHITNEY. Our own capital; net worth.

Senator BARKLEY. Your own capital?

Mr. WHITNEY. Our own capital, certainly.

Mr. PECORA. How much was set up for such reserve?

Mr. WHITNEY. About three and a half million dollars.

Mr. PECORA. On that one loan?

Mr. WHITNEY. On that one loan.

Mr. PECORA. And what is due and unpaid on it?

Mr. WHITNEY. About five million eight.

Mr. PECORA. What was the——

Mr. WHITNEY (interposing). I am speaking not exactly.

Mr. PECORA. But approximately?

Mr. WHITNEY. Yes.

Mr. PECORA. What was the highest amount of the loan?

Mr. WHITNEY. Oh, just over \$6,000,000 to \$250,000 above that. I haven't got it exactly in mind, but it is approximately that, just over \$6,000,000. Since—you mean ever?

Mr. PECORA. Yes.

Mr. WHITNEY. Although the original loan is for something over \$10,000,000, and then there was \$4,000,000 of it paid which reduced it in almost a week to about \$6,000,000, and it is now about five million eight. The original collateral is something over twice the face of the loan.

Mr. PECORA. When you set up reserve out of your net worth you are virtually setting it up out of capital, aren't you, out of what constitutes the capital of the firm?

Mr. WHITNEY. Certainly. Reserves set up against these different loans obviously reduce the figure of net worth.

Mr. PECORA. How much in the aggregate, according to the balance sheet as of December 31, 1932, has been set up as reserve from net worth and deducted from net worth against loan accounts?

Mr. WHITNEY. Approximately \$18,000,000.

Mr. PECORA. Eighteen million dollars. While you are testifying, Mr. Whitney——

Mr. WHITNEY (interposing). That is with the understanding, of course, Mr. Pecora, that the 53 is after setting up the 18 million.

Mr. PECORA. Yes, I understood that.

Senator ADAMS. Mr. Whitney, just a matter of policy, many banks when they have a loan which they think is less in value or there is less amount to be collected simply charge the loan down. You pursue the other policy of carrying the loan at its face value and charging it against your net worth?

Mr. WHITNEY. Until it is realized; yes, sir; because the obligation running towards us has not been changed, but we want to keep our books accurately, so we set up a reserve to reflect the true condition of the loan on our own books.

Mr. PECORA. Mr. Whitney, you were present yesterday at the hearing at which testimony was given concerning a revaluation of securities composing assets of the firm on the 2d day of January 1931?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Which revaluation resulted in a loss of over 21 million dollars. Do you recall that testimony?

Mr. WHITNEY. I heard the testimony.

Mr. PECORA. You are familiar with it?

Mr. WHITNEY. With the testimony?

Mr. PECORA. Yes, sir.

Mr. WHITNEY. I heard the testimony; yes, sir.

Senator GLASS. Before you proceed with that, Mr. Pecora, I would like to ask the witness a question on the other line. If I may inquire into the private business of Morgan, why did you make that loan to Mr. Mitchell?

Senator BULKLEY. We cannot hear you.

Senator McADOO. What is the question?

Senator GLASS. I asked, why did you make that loan to Mr. Mitchell.

Mr. WHITNEY. Senator, that loan was made in the fall of 1929. You remember—all of us I think remember—the 24th day of October 1929, the New York Stock Exchange had a very serious break in prices. At that time, that day and the subsequent day, there was a so-called stabilizing group formed by certain of the large New York City banks, including ourselves, to try to make some order out of the chaos that existed on the New York Stock Exchange, with not the slightest desire to hold prices at any level, but just to create a market so that business could go on and prevent a very serious disaster.

You also remember at that time there was an undertaking between the Corn Exchange Bank and the National City Bank which was still subject to ratification by the stockholders looking to a merger of those two banks. During those first days of the panic of 1929 the National City Bank stock sold below the equivalent of the contract price of its exchange at the Corn Exchange Bank, which was \$450 a share.

On I think it was Monday the 28th of October 1929 Mr. Mitchell expressed concern in the way that his stock of the National City Bank was acting. The next day he inquired of us whether we would be willing to lend him money in order that he could help support the National City Bank stock, in the belief that when the panic was over things would improve—as a temporary loan. We agreed to do

that in the interest of the situation, believing that Mr. Mitchell was trying to help to carry through an undertaking which existed between his bank and the Corn Exchange Bank, and we agreed at that time to lend him 12 million of dollars, which would be collateraled with the National City Bank stock at 200. It was selling at about 400 at the time. He drew something over 10 million dollars against that credit, and within a week I think something over four million and a half of that was paid off, reducing it to the figure I mentioned before of something over 6 million dollars.

Senator GLASS. Mr. Mitchell at that time was the dominating figure in the National City Bank, was he not?

Mr. WHITNEY. Yes, sir.

Senator GLASS. And the National City Bank at that time was regarded, with a single exception, as the largest and strongest commercial bank in the United States, was it not?

Mr. WHITNEY. Yes, sir; one of the largest and strongest.

Senator GLASS. What I am trying to develop is whether or not you made that loan to this executive officer of this particular commercial bank with the idea that the House of Morgan might thereafter control the activities, operations, of National City Bank.

Mr. WHITNEY. We did not, sir. That was not in our mind at all. We did it solely to assist in a very difficult situation, to assist him in an effort we believed he was doing in the interest of the situation, and we believed it was very important, if possible, at that time.

Mr. PECORA. What was that effort of Mr. Mitchell that you thought was important and on which you agreed to assist him?

Mr. WHITNEY. That he thought was important, and we thought was a constructive effort—was to maintain the parity if he could of his National City Bank stock against the contract with the Corn Exchange Bank—not his contract, but the contract of his bank.

Mr. PECORA. You mean the contract of his bank. How was that of interest to anyone but the stockholders of the two banks?

Mr. WHITNEY. I don't think it was.

Mr. PECORA. And Mr. Mitchell was a heavy stockholder of his bank at that time, wasn't he?

Mr. WHITNEY. Yes.

Mr. PECORA. You know that when that plan for a consolidation or merger of those two banks came up for action by the stockholders of those institutions respectively the merger or consolidation was not approved?

Mr. WHITNEY. It was approved, but I believe I am correct in saying it was approved by the Corn Exchange Bank and not by the stockholders of the City Bank.

Mr. PECORA. Isn't it just the other way around, Mr. Whitney?

Mr. WHITNEY. I am pretty sure I am right, Mr. Pecora. You may have looked it up. I have not for 4 years.

Mr. PECORA. Do you recall any action taken at a meeting of the stockholders of the Corn Exchange Bank at which they ratified the proposal to consolidate their bank with the National City Bank?

Mr. WHITNEY. Do I remember any meeting? I am not a stockholder of the Corn Exchange.

Mr. PECORA. Have you any knowledge in any capacity as a stockholder or as one interested in finance?

Mr. WHITNEY. In the answer to your previous question I said my recollection was the stockholders of the Corn Exchange Bank approved the merger. That is all I know about it.

Senator BARKLEY. Did this loan that you made to Mr. Mitchell, both as to time and circumstance, have any relation to his announcement in the press that he or his bank were putting \$25,000,000 into the Stock Exchange to stabilize it?

Mr. WHITNEY. No. That was an entirely different time.

Senator GLASS. That was the year before?

Mr. WHITNEY. That was the year before. No relation whatever.

Senator GLASS. That was when I wanted to put Mr. Mitchell out, and I did not receive any great assistance from some of the Senators now who think he ought to be in jail.

Mr. WHITNEY. You might be interested, and the committee, Mr. Pecora, if I just stated that we had no interest in any way in the National City Bank at the time we made this loan.

Mr. PECORA. As a matter of fact, do you know how many shares of the Corn Exchange Bank at that time had been acquired by Mr. Mitchell in anticipation of this merger?

Mr. WHITNEY. No, sir.

Mr. PECORA. And of his getting whatever benefits might accrue from an exchange of stock?

Mr. WHITNEY. By Mitchell personally, you mean?

Mr. PECORA. Yes.

Mr. WHITNEY. I had no knowledge.

Mr. PECORA. This loan to Mitchell was made upon his personal request, wasn't it?

Mr. WHITNEY. Certainly.

Mr. PECORA. And because of his personal interest as a stockholder of the National City Bank in effecting the merger?

Mr. WHITNEY. It is difficult to try to describe another man's motives, but he made it quite clear to us that he was more interested at the time in his bank than he was his own personal holdings.

Mr. PECORA. And you and your partners considered it a piece of great, constructive work to bring about or help bring about the merger of those two banks?

Mr. WHITNEY. That was not in the situation at all, Mr. Pecora, As I said before—I said—

Mr. PECORA (interposing). You said something about the plan being of constructive value.

Mr. WHITNEY. No, no; I said that we thought Mr. Mitchell's effort was a constructive one.

Mr. PECORA. For whose benefit?

Mr. WHITNEY. For the benefit of the general situation.

Mr. PECORA. I don't quite understand what you mean by the "general situation." It is a bit too vague for me. What general situation do you refer to?

Mr. WHITNEY. May I recall to your memory that in October 1929 there was a very serious stock market panic in New York?

Mr. PECORA. I have heard of it.

Mr. WHITNEY. This happened to be the fourth day of that panic. Any very uncertain situation, such as the obligations of one of the big banks of New York selling below their contract price, was ob-

viously an upsetting factor, and it was that situation that we understood Mr. Mitchell tried to cure.

Senator BULKLEY. Wasn't it in connection with that same stock market crash that Mr. Mitchell made his announcement that 25 million dollars would be available?

Mr. PECORA. That was the preceding March.

Mr. WHITNEY. No; that was 8 months before.

Senator GLASS. That was the year before.

Mr. PECORA. The preceding March.

Senator GLASS. It was right after the 1928 debacle.

The CHAIRMAN. When Mr. Mitchell paid the four million he withdrew a certain portion of his collateral of the National City Bank stock?

Mr. WHITNEY. Yes. We delivered to the National City Co. under his instruction.

Mr. PECORA. At that time what proportion of the net worth or capital of the firm did that loan of \$12,000,000 represent?

Mr. WHITNEY. Well, it was never \$12,000,000. \$10,000,000 on December 31 of that year was something under 10 percent, and it was actually only \$6,000,000 at that time. So 11—about 6 percent. And you will remember I said before it was at that time very substantial equity in margin.

Mr. PECORA. The equity consisted of the shares of the capital stock of The National City Bank principally, didn't it?

Mr. WHITNEY. Yes.

Mr. PECORA. Any other kind of collateral?

Mr. WHITNEY. At that time I think not; no.

Mr. PECORA. And within 2 months after that loan was made the value of that collateral had depreciated to about one half of its value at the time of the making of the loan?

Mr. WHITNEY. If you have checked it. I have not checked it. If you say so I will agree with you.

Senator BARKLEY. When did the stock decline to such an extent that it was under collateral?

Mr. WHITNEY. Some time during the latter part of—the middle part of 1930. Then of course Mr. Mitchell offered us additional collateral, so that it was fully covered margin through the majority of the year 1930.

Senator GLASS. Is it contemplated by legislation to prohibit a bank from making a bad loan?

Mr. WHITNEY. I have not read that clause; no, sir.

The CHAIRMAN. I want to get this clear. You said something about National City Co. stock.

Mr. WHITNEY. I said we delivered the stock at Mr. Mitchell's instructions to the National City Co.

The CHAIRMAN. That was National City Bank stock?

Mr. WHITNEY. Yes, sir.

Senator BYRNES. Mr. Whitney, what did you do with the stock that was pledged as collateral? You stated on this Mitchell loan—

Mr. WHITNEY (interposing). What did we do with it?

Senator BYRNES. What did you do with it? Do you still hold it?

Mr. WHITNEY. We held it as collateral against the loan.

Senator BYRNES. Do you still hold it?

Mr. WHITNEY. Yes, sir.

Senator BYRNES. None of it has been sold?

Mr. WHITNEY. I don't know. We still hold it, all the collateral we have.

Senator GORE. Is that National City stock for the most part?

Mr. WHITNEY. I could not hear, sir.

Senator GORE. Was that National City stock?

Mr. WHITNEY. National City Bank stock; yes, sir.

Mr. PECORA. Mr. Whitney, you said before that in the fiscal year 1932 some \$18,000,000 was set up as a reserve against uncollateralized loans.

Mr. WHITNEY. Well, reserve against loans; yes, sir.

Mr. PECORA. Against loans; and at the end of that fiscal year the net worth of your firm was a little over \$53,000,000?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. In view of the fact that your firm as a firm of private bankers found it necessary to apply the sum of \$18,000,000 as a reserve against uncollateralized loans, don't you think it would be a good provision, a wise provision, to apply some restriction upon the making of loans by private bankers to an extent that might impair their capital?

Mr. WHITNEY. I don't see that that would have any particular relation to the matter at all, Mr. Pecora. These reserves that we have had to set up have been reserves against losses or depreciation of collateral which have been brought about in almost every case by the general condition of this country during the last three years. Reserves have also, as you must know, been set up by all the incorporated banks, some to a greater, some to a lesser extent than we have. I don't see that the mere fact of examination is going to stop values depreciating in the country, and that is what caused our setting up reserves, and would have been equally true if these assets had been held by the incorporated banks. That fact would not have held them up.

Mr. PECORA. You don't mean to have the inference drawn from your statement that you do not think examinations of any bank serve any useful public purpose?

Mr. WHITNEY. Oh, I certainly do, and we would have no objection—or I would have no objection—to an examination being made of us; but I don't think it would have prevented the necessity of our setting up reserves.

Senator COUZENS. How long have you been a partner of Morgan?

Mr. WHITNEY. Since December 31, 1919.

Senator GLASS. Mr. Chairman, right on that point may I interject this remark: I stated awhile ago to Mr. Morgan and have stated several times on the floor of the Senate that the Comptroller of the Currency came before the Banking and Currency Committee of the Senate and textually stated to us that should he undertake to enforce the law that he was sworn to enforce it would result in closing up half of the national banks in the country. Perhaps I ought to clarify that statement by saying that it was made 15 months ago, and I imagine would not apply to those national banks that are now in operation under the extraordinary power being used by the Secretary of the Treasury of licensing banks to open.

The inference is that banks which have been licensed to open are in a sound condition.

Senator McADOO. Mr. Whitney, as I understood it, you said that your capital was about 53 million dollars.

Mr. WHITNEY. Yes, sir; that is, on December 31, 1932—net worth.

Senator McADOO. Yes, net worth. Now, you had set up \$18,000,000 by reserve, as I understand it?

Mr. WHITNEY. Yes, sir; approximately.

Senator McADOO. Which is practically a 33⅓ percent reserve—I mean 33⅓ percent of your capital?

Mr. WHITNEY. Why, no, sir; because that—

Senator McADOO (interposing). Eighteen millions, I mean, against these loans.

Mr. WHITNEY. No, sir; because the 53 figure is after having set up the reserves. This is a net figure.

Senator McADOO. Oh, that is the net?

Mr. WHITNEY. Yes.

Senator McADOO. I see. Let us call it 71, then. Your reserve, then, in that case was about 25 percent, was it not?

Mr. WHITNEY. Yes, sir. Put it that way, yes.

Senator McADOO. Now, that is a very much larger reserve than is required by chartered banks in the Federal Reserve System. The reserve required of a member bank is something like 10 percent.

Senator ADAMS. This reserve is a different kind of reserve.

Senator McADOO. I know it is, a different kind of reserve, reserve against deposits, and this is a reserve against loans.

Mr. WHITNEY. Against possible losses, potential losses.

Senator McADOO. It struck me as I heard you testify that it was a very liberal provision for reserve against losses on these loans.

Mr. WHITNEY. That is something, Senator, we have no control over. We have set up our reserves to meet each individual loan to make that loan a sound loan. So it is not a question—it fluctuates with the soundness of the loan.

Senator McADOO. I understand that. What I was trying to get at is this, whether it was not a matter of sound practice that you were going even further than the ordinary chartered bank in the proportions that you set up.

Senator ADAMS. If they set up 53 millions of reserves then that would be—every time they increase those reserves they are that much worse off, rather than better off.

Senator McADOO. I understand that, but I am talking about looking at the other side of it. But the principal point is that with you it is an unlimited liability of the partnership.

Mr. WHITNEY. Yes, sir.

Senator McADOO. For all that the partners are collectively worth?

Mr. WHITNEY. Yes, sir.

Senator McADOO. Which, of course, stand back of every obligation of the private banking house. With the incorporated bank you have a definite capital and surplus, and then you have a double liability of the stockholders.

Mr. WHITNEY. Yes, sir.

Senator McADOO. Beyond that the liability ceases. Now with you I say it is unlimited, and therefore the same necessity for a legal

reserve required by an incorporated bank probably would not exist with a strong private bank.

Mr. WHITNEY. Senator, may I—I think I agree——

Senator McADOO. I am only trying to get at the soundness of the practice. That is all. Maybe I stated it the wrong way.

Mr. WHITNEY. We always keep in mind two things in connection with our banking business, and one of the motives obviously for that is the fact that it is an unlimited bank. One of them is not to fool ourselves about the goodness of our assets. We believe that our own examination is the strictest that at that time could be made of ourselves of our own condition, because the man that has got his money and reputation at stake obviously wants to know where he stands.

The second thing is our liquidity, and you will notice on December 31 we were, approximately, going on the clearing-house basis of liquidity, about 80 percent liquid.

Senator BARKLEY. Mr. Whitney, you do not mean to leave the impression on the committee, do you, that the combined private fortunes of all these 20 partners which are liable for their unlimited liability of each of them and all of them amounted to only 53 million dollars?

Mr. WHITNEY. I did not infer that; no, sir. Did not mean to. This is merely the amount each partner has on the books of the firm, outside investments——

Senator BARKLEY (interposing). It has nothing to do with the background of their capacity to pay?

Mr. WHITNEY. Nothing whatever, sir. That is only the amount on the books of the firm.

Mr. PECORA. Are there any records among the firm's records that would indicate the financial responsibility——

Mr. WHITNEY (interposing). Among the firm's records?

Mr. PECORA. Yes; that——

Mr. WHITNEY (interposing). I have not seen——

Mr. PECORA (continuing). Of the members of the firm?

Mr. WHITNEY. I have never seen anything to do with the firm's records. We obviously know a good deal about each other.

Mr. PECORA. Well, in view of that, let me ask you this: Are any members of the firm indebted to the firm?

Mr. WHITNEY. Well, I have to check.

Mr. PECORA. Well, now, wouldn't you be likely to know that without having to check?

Mr. WHITNEY. I would rather check, Mr. Pecora.

Mr. PECORA. Check against what?

Mr. WHITNEY. Against the books.

Mr. PECORA. Don't you know without checking?

Mr. WHITNEY. I do not keep the books.

Mr. PECORA. Don't you know, without checking, whether or not any of your partners owe the firm?

Mr. WHITNEY. I know it, but——

Mr. PECORA. Which?

Mr. WHITNEY. I would rather not trust to my recollection.

Mr. PECORA. I have not asked you for the amount of the loan, but for the fact as to whether any of your partners are indebted

to the firm. You said you knew whether or not that was the fact. Tell us what the fact is in that respect.

Mr. WHITNEY. The answer is, yes.

Mr. PECORA. How many?

Mr. WHITNEY. That I do not know.

Senator McADOO. Mr. Whitney, can you say what the collective responsibility of the combined partnership is?

Mr. WHITNEY. I have no idea, Senator.

Senator McADOO. You have no idea?

Mr. WHITNEY. I mean, not an idea that I would care to make a guess.

Senator McADOO. Would you give a guess?

Mr. WHITNEY. No; I would rather not. I do not like guessing under oath.

Senator BYRNES. May I ask you this with reference to the question asked by counsel. A partner may be indebted to the firm by reason of withdrawal, I assume, from the amount to his credit with the firm?

Mr. WHITNEY. If he withdrew from the firm?

Senator BYRNES. If he overdrew the amount which had been credited upon the books. That would not necessarily mean that you were insolvent and of no value as a measure of safety toward depositors?

Mr. WHITNEY. That is right.

Senator ADAMS. Are the indebtedness of partners collateralized?

Mr. WHITNEY. I could not answer that without checking, Senator. I would like to. Of course, you understand that net worth is the net worth of the firm; and the arrangement between the partners is really not material here, because the net worth is what matters, so far as the firm goes, the joint and several liabilities.

Senator BYRNES. But at no time do you attempt to secure from the partners a statement as to the financial responsibility of the partners?

Mr. WHITNEY. I think you will find that we know in general; yes. But so far as a statement goes, no. I do not want that to imply ignorance of their general affairs; but as to a statement, the answer is no.

Senator BYRNES. Your answer is that at no time do you secure a statement?

Mr. WHITNEY. To the best of my recollection; no.

Mr. PECORA. Are the indebtednesses of various partners to the firm included in the balance sheet of the items of time or demand loans?

Mr. WHITNEY. They are not.

Mr. PECORA. They are not?

Mr. WHITNEY. They are not. I just said, Mr. Pecora, that the debit balances of the partners serve to reduce the figures of the net worth of the firm. If we set them up as loans they would be continued as an asset of the firm. That is not the way they are treated.

Mr. PECORA. Have you any objection to an auditor or an accountant of this committee examining your books with a view of breaking down this balance sheet?

Mr. WHITNEY. As a matter of fact, we are in process of having an audit made now; not by this committee, but by Messrs. Price, Waterhouse & Co.

Mr. PECORA. You have been in process of having an audit made for the past several weeks, have you not?

Mr. WHITNEY. Yes; we started before we heard of the summons here.

Mr. PECORA. You started, however, right after the questionnaire, so called, was sent by me to your firm, did you not?

Mr. WHITNEY. Long before that—2 or 3 weeks before then.

Mr. PECORA. How many of those accountants from Price, Waterhouse & Co. have been auditing your books since that time?

Mr. WHITNEY. I have not got the remotest idea.

Mr. PECORA. Over a hundred?

Mr. WHITNEY. I cannot answer that; but from my general knowledge of an audit, the first day when they come in there are generally more than a hundred, and then that dwindles down, as you know from many other examinations. It dwindles off.

Mr. PECORA. How many are making the audit now?

Mr. WHITNEY. I do not know.

Mr. PECORA. Who does—Mr. Keyes?

Mr. KEYES. I could not give you any idea.

Mr. PECORA. Approximately?

Mr. KEYES. There are still 5 or 6.

Senator GLASS. Are they white men or black?

Mr. KEYES. They are white men.

Mr. PECORA. How many of them were brought in from Price, Waterhouse & Co.? What was the largest number at any one time, for the purpose of making this break-down of your balance sheet?

Mr. WHITNEY. That is not what they were brought in for.

Mr. PECORA. I thought that was what you said.

Mr. WHITNEY. No; I did not say that, thank you. I said that we were having an audit made. I did not say anything about a break-down.

Mr. PECORA. How many accountants—what was the largest number that came from Price, Waterhouse & Co. within the last 2 months to make this audit? And don't tell us what their color was.

Mr. WHITNEY. Mr. Pecora, if you are interested in the number that came in, for the first 2 days, over Saturday and Sunday, when they took possession of our vaults, I think by the use of the telephone during the recess we can call up and find out. I have already told you that a great many came in, as is customary in any other bank, to make an audit and a check of securities.

Mr. PECORA. Was there an outside firm of accountants which prepared this balance sheet which your firm furnished me?

Mr. WHITNEY. No, sir.

Mr. PECORA. That was made by your own force?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Have you any information as to when this audit will be completed by Price, Waterhouse & Co.'s men?

Mr. WHITNEY. I have an idea; yes.

Mr. PECORA. When?

Mr. WHITNEY. As soon as the reconcilements come in.

Mr. PECORA. When will that be, do you think?

Mr. WHITNEY. I do not know, Mr. Pecora.

Mr. PECORA. Have you any preliminary report from them?

Mr. WHITNEY. Yes.

Mr. PECORA. May we have a copy of that?

Mr. WHITNEY. I will have to ask Messrs. Price, Waterhouse & Co.

Mr. PECORA. You say you will have to ask Price, Waterhouse & Co.?

Mr. WHITNEY. Yes. I would not want to give anything—

Mr. PECORA. We will take it for what it is worth, not as a certified report.

Mr. DAVIS. If Price, Waterhouse & Co.'s report is of any interest to the committee, we will get the Price-Waterhouse certificate on it.

Mr. PECORA. All right.

Mr. DAVIS. If that is of interest to the committee. That is a matter which I suppose the committee will decide.

Mr. PECORA. When do you suppose that will be, Mr. Davis? When will it be obtained?

Mr. DAVIS. When does the committee want it?

Mr. PECORA. The sooner the better; as soon as it can be obtained.

Mr. DAVIS. Is that the will of the committee?

Mr. WHITNEY. We will try to expedite it for you.

Mr. PECORA. Can we not get some definite statement from anybody there as to when this report will be received?

Mr. WHITNEY. It would all depend upon the wishes of this committee.

Mr. PECORA. No; the wishes of the committee have nothing to do with the time within which it would be prepared.

Mr. WHITNEY. I think it would be very promptly.

Mr. PECORA. What do you mean—within the next two days?

Mr. WHITNEY. Oh, yes.

Mr. PECORA. All right.

I ask that that be produced and furnished to the committee for the record, Mr. Chairman.

Mr. WHITNEY. Did I understand correctly your question before, about the preparation of this sheet—did you ask if it was checked by outside auditors?

Mr. PECORA. I asked if this balance sheet furnished to me was prepared by outside accountants.

Mr. WHITNEY. It was not.

Mr. PECORA. You answered it in that way.

Mr. WHITNEY. It was prepared by our office.

Mr. PECORA. You answered it.

Mr. WHITNEY. That is quite clear?

Mr. PECORA. Yes, sir.

Senator COUZENS. There was one question that you did not pursue—and I do not know whether Mr. Whitney answered or not—and that is whether or not they would permit our accountants to go in and break down those books.

Mr. WHITNEY. I did not answer it, but I offered the report of Price, Waterhouse & Co. in substitution.

Senator COUZENS. Would that be a breakdown?

Mr. WHITNEY. Yes, sir; the certificate is predicated upon a breakdown as it happens to be as of March 31.

Mr. PECORA. Of this year?

Mr. WHITNEY. This year; yes.

Mr. PECORA. Do you know, Mr. Whitney, whether or not your firm made any loans to any individual borrower in excess of 10 percent of the net worth capital of the firm?

Mr. WHITNEY. At the time it was made?

Mr. PECORA. Any loan account, any individual loan account at any time.

Mr. WHITNEY. Any individual? I am sure not.

Mr. PECORA. Any individual loan account?

Mr. WHITNEY. We have never kept it on that basis, Mr. Pecora; but my guess would be that we never have. I do not know of any. I do not think we have.

Senator ADAMS. Would your Mitchell loan run over that 10 percent item?

Mr. WHITNEY. No, sir; because I pointed out that our net worth at the end of 1929, December 31, was \$118,000,000, and the amount we loaned of it for a few days was slightly over \$10,000,000, and it was immediately reduced to \$6,000,000, although it never actually got—we do not figure it that way. We had no occasion to. As a matter of fact, we did not.

Senator COUZENS. With respect to net worth going from \$118,000,000 to 5 or 6 million between those periods, that may be brought about by distribution among the partners or by losses; is not that correct?

Mr. WHITNEY. Yes, sir, and payment of taxes.

Senator COUZENS. So that this drop may be in one of those divisions, taxes or losses or distribution among the partners?

Mr. WHITNEY. Yes, sir.

Senator COUZENS. Have you any figures indicating how this is divided between taxes, losses, and distribution to partners?

Mr. WHITNEY. I have not; no, sir. But it is safe to hazard a guess, I think, that the bulk of it is depreciation of securities and depreciation of collateral securing loans. I can get that for you if you would like me to.

The CHAIRMAN. What taxes do you refer to—income taxes?

Mr. WHITNEY. I referred to income taxes, because it really would be answered by Senator Couzens' suggestion of distribution to the partners.

The CHAIRMAN. And State taxes?

Mr. WHITNEY. Yes. On tax matters, Senator Fletcher, I will have to refer to Mr. Keyes, because I do not know anything about it.

Senator BARKLEY. There is no corporation tax that would apply to your firm. It is composed of individuals?

Mr. WHITNEY. Yes, sir.

Senator COUZENS. But they have local and State taxes.

Mr. WHITNEY. But they are imposed individually.

Senator COUZENS. But that might reduce your surplus.

Mr. WHITNEY. Oh, certainly, sir. Mr. Keyes advises me that the partners collectively paid \$11,000,000 in taxes in 1930 for the 1929 taxes.

Senator COUZENS. What did you distribute among the partners that year?

Mr. WHITNEY. I could not tell you.

Senator COUZENS. You offered to give the information, and I wondered if you had it now.

Senator ADAMS. Mr. Whitney, it is rather difficult to hear. Can you not speak a little louder?

Mr. WHITNEY. Do you want me to repeat my last answer?

Senator ADAMS. I think not.

Mr. WHITNEY. In 1930 the partners individually paid Federal income taxes to the extent of \$11,000,000, which was withdrawn by those partners from the firm.

Senator BARKLEY. That was the tax paid by the individual members, and all other taxes on all sources?

Mr. WHITNEY. All sources; certainly.

Mr. PECORA. That was for the taxable year 1929?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Since that time very few, if any, of the partners have paid any income tax at all up to the present time?

Mr. WHITNEY. So we heard yesterday.

Mr. PECORA. What you heard yesterday was in accordance with your knowledge, was it not?

Mr. WHITNEY. I only have knowledge of my own.

Senator GLASS. And it would have been impertinent if you tried to find it out from any of the others?

Mr. WHITNEY. Yes, sir.

Senator GLASS. If I had been your partner I would have told you that.

Senator GORE. Can you break that down into any of the different sources?

Mr. WHITNEY. No, sir; I cannot. I just volunteered that information to Senator Couzens, but I have no data of any kind to support it.

Senator GORE. Do you know whether or not this is true? Is the principal part of that income derived from the sale of securities?

Mr. WHITNEY. I just do not know, Senator Gore. I would answer you if I did, but I do not know.

Senator GORE. Let me ask you this: Would it be practicable for you to furnish the committee a schedule of the stocks bought and sold by your concern during that year, the price at which bought and the price at which sold?

Mr. WHITNEY. Mr. Pecora has asked for a great deal of information along that line.

Senator GORE. I thought probably he had. Is that included in your question, Mr. Pecora?

Mr. PECORA. Senator, I could not hear your question of the witness. I am sorry.

Senator GORE. I was asking for a schedule of the purchase and sale of stocks in 1929, the price at which bought, the price at which sold, and the date of the purchase and sale.

Mr. PECORA. We have asked for such information. It has been furnished and has been analyzed by accountants for the committee. The analysis has not been entirely completed because of the mass of material that was the subject of the analysis.

Senator GORE. I will not insist on my question, but will the answer probably develop the sales during September, October, and

November, 1929? I ask because I have heard suggestions made about the transactions of this firm during that period, and I want to get it into the record to see whether these are facts or not, because then we can draw some inferences from them.

Mr. WHITNEY. You are inquiring as to both purchases and sales in the fall of 1929?

Senator GORE. Yes; the date of purchase, and so forth.

Mr. WHITNEY. Mr. Pecora has asked one question that deals very pertinently with that, about a stock pool.

Senator GORE. I would not want to duplicate it or to take your time. I would like to ask whether Mr. Pecora has asked you to submit a list of securities held by your firm on the 1st day of May or of April of this year and stocks that were sold during September and October, say, of 1929, which have been repurchased and which were held on May 1.

Have you asked any question of that sort, Mr. Pecora?

Mr. PECORA. No, sir.

Mr. WHITNEY. It was not phrased quite like that, but a great deal of it covers it.

Senator GORE. Whether securities sold in the fall of 1929 have been repurchased and at what price?

Mr. PECORA. Senator Gore, we have asked them for the following information:

A list of all stock and bond issues in which either of said firms—referring to J. P. Morgan & Co. and Drexel & Co.—has participated in connection with the following details:

(a) Whether such participation was in the original firms group to take care of wholesale distribution or any other group.

(b) All other detailed information similar to the classification embodied in the report of J. P. Morgan & Co. submitted to the Senate Finance Committee which investigated foreign bond issues.

This question applies to those transactions for the 5-year period commencing January 1, 1927, and ending on December 31, 1931.

We also have asked for a list of all pools, joint accounts, and/or syndicates in which either of said firms or representatives participated, giving the name of the security involved; names of all participants, and all details with respect to the amount of the participation and profits and losses. That also for the same 5-year period.

I do not think, sir, that those two requests for information include all of the transactions that you have in mind, if I correctly understood the Senator's question.

Mr. WHITNEY. But it is true, Mr. Pecora, that you have amplified those questions in many instances, so that in a great many cases you have asked for and have received the information covered by Senator Gore's question.

Mr. PECORA. We have not the complete record of all those transactions.

Mr. WHITNEY. Oh, no.

Senator BARKLEY. I would like to ask you or Mr. Morgan, or both, what relationship, if any, exists between your firm and the New York Stock Exchange?

Mr. MORGAN. My answer to that is that I have been a member of the stock exchange since 1894, and the firm considers itself a member of the stock exchange.

Senator BARKLEY. Do you have a seat on the New York Stock Exchange?

Mr. MORGAN. Yes; I have a seat on the exchange. I have never conducted a transaction on the stock exchange myself.

Mr. WHITNEY. We have two seats.

Senator BARKLEY. Are they in the name of the firm?

Mr. MORGAN. No; they are in the name of the individuals.

Senator ADAMS. Under the rules of the stock exchange they have to be in the names of individuals?

Mr. MORGAN. Yes, sir.

Senator BARKLEY. Two of your 20 members, then, have seats on the stock exchange?

Mr. MORGAN. Yes.

Senator BARKLEY. You have had yours since 1894?

Mr. MORGAN. Yes.

Senator BARKLEY. And you have never used it?

Mr. MORGAN. I have never used it, but I have retained membership. We have the advantage of the membership on the stock exchange.

Mr. WHITNEY. You mean, you have never traded on the floor.

Mr. MORGAN. I have never traded on the floor.

Senator BARKLEY. To what extent has your firm dealt actively on the stock exchange?

Mr. MORGAN. We do not ourselves deal actively on the stock exchange at all.

Senator BARKLEY. Do you deal through brokers in the purchase and sale of stocks?

Mr. MORGAN. Yes; always.

Senator BARKLEY. Do you deal for the firm or for your clients, or both.

Mr. MORGAN. We do it for a client or for the firm, either way.

Mr. WHITNEY. Most of it is for clients.

Mr. MORGAN. Most of it is for clients, of course.

Senator BARKLEY. Do you know what proportion of your total business and total profits arises out of your transactions on the stock exchange?

Mr. MORGAN. I do not know that offhand. It would take a long time to find it out.

Mr. WHITNEY. That is what we call a very good bread and butter business.

Senator BYRNES. If the Senator is through, may I ask a question?

Senator BARKLEY. I would like to ask Mr. Whitney, what is your relation to the president of the stock exchange?

Mr. WHITNEY. A younger brother.

Senator BYRNES. I wanted to ask you a question with reference to loans to individuals connected with banking institutions, such as the loan to Mitchell.

Mr. WHITNEY. It was thought to be a temporary loan when it was made, a clearance loan, as we call it.

Senator BYRNES. Is there any other loan approximating the amount of the Mitchell loan?

Mr. WHITNEY. No, sir.

The CHAIRMAN. What brokers do you usually deal with? You spoke about transactions on the stock exchange and dealing through brokers. Do you have any particular broker?

Mr. MORGAN. We use dozens of them, just depending——

Mr. WHITNEY. It depends on what the security is, Senator.

Mr. MORGAN. It depends on what the security is, very often.

The CHAIRMAN. I did not know but you had some particular house that you dealt with.

Mr. WHITNEY. I happened to check that the other day, and there are something like 32 houses. If it is bond business we use one set of brokers, bond brokers, as they are called. If it is stocks, brokers who specialize in certain stocks. It all depends upon the security.

Senator BARKLEY. Does your firm have any advantage over any other bank in dealing with the stock exchange?

Mr. MORGAN. If we are members of the stock exchange we get our business done for half the commission.

Mr. WHITNEY. The stock exchange practice is to charge a non-member the full commission and we pay what is called a clearance commission and retain the balance. We make a profit on the stock exchange member account.

The CHAIRMAN. You have a seat?

Mr. MORGAN. Yes, sir. I have one, and my eldest son.

Senator BARKLEY. Is there any other advantage besides the fact that you deal at half price——

Mr. WHITNEY. That is not quite what it is. It is in varying amounts, but we do get the right to retain a portion of the commission.

Senator BARKLEY. Of course, no incorporated bank would have a seat on the stock exchange; it has to be an individual?

Mr. WHITNEY. That is my understanding.

Senator BARKLEY. Is there any rule against a stockholder or director of an incorporated bank having a seat on the stock exchange?

Mr. WHITNEY. I think you have gone into this fairly fully before, but I think it is a rule that no member of a stock exchange firm can have any other business. I think that is a rule of the stock exchange. I do not think they permit their members, in other words, to be officers of a bank, operating officers.

Senator BARKLEY. That is a rule and regulation of the exchange itself; it is not in any law?

Mr. WHITNEY. Yes. I really ought not to have volunteered that, because I do not know the rules of the stock exchange.

Mr. PECORA. Is not that rule in principle violated because of the two partners of J. P. Morgan & Co. who hold memberships in the New York Stock Exchange?

Mr. WHITNEY. In what way?

Mr. PECORA. That they conduct a general banking business and investment in securities business and as a house of issue.

Mr. WHITNEY. That, Mr. Pecora, is not what I said. I said we are members of the New York Stock Exchange. That is not our only business. That is the rule to which I referred. If we were a

stock house, a member of an incorporated bank, I believe there is a rule that would not permit us to do that. But we are members of the stock exchange and we are engaged in the banking business.

Mr. PECORA. The thing that saves you, then, from the rule is the fact that you are not a chartered bank?

Mr. WHITNEY. Yes. I do not think that is put just as I would put it. It is not a question of being saved from anything. We are members of the New York Stock Exchange and do a general banking business. It is not prohibited under the rules of the stock exchange.

Mr. PECORA. From time to time the governing authorities of the New York Stock Exchange call upon the members to give them certain information in reply to so-called questionnaires; is not that so?

Mr. WHITNEY. They do.

Mr. PECORA. Has any member of the firm of J. P. Morgan & Co. who holds a seat on the New York Stock Exchange ever been required to answer such a questionnaire, to your knowledge?

Mr. WHITNEY. They have never been either required or requested. As you undoubtedly know, that rule as to questionnaires does not apply to houses that do not do what is known as marginal business in securities and stocks; and there are several members of the New York Stock Exchange, including ourselves, who are not doing that type of business and are not subject to the questionnaire.

Mr. PECORA. Who are the others?

Mr. WHITNEY. Do you happen to have a stock exchange directory with you?

Mr. PECORA. In addition to the two partners holding memberships on the New York Stock Exchange, do any of your partners hold memberships in any other stock exchange?

Mr. WHITNEY. Yes, sir. We hold a membership in the Boston Stock Exchange; and if I can have an answer to my question I can read them in. The exchange in Philadelphia. I think there are two in Philadelphia, speaking from memory; but I would rather read it.

Mr. PECORA. Are you now ready to answer?

Mr. WHITNEY. Mr. Pecora, we hold 2 seats on the New York Stock Exchange, 1 associate membership on the New York Curb Association, 1 membership on the Boston Stock Exchange, 2 in the Philadelphia Stock Exchange, and 1 in the Philadelphia Bourse, and 1 in the Philadelphia Commercial Exchange.

Mr. PECORA. Mr. Whitney, going back to some testimony you gave a short time ago, let me ask you again: Are you reasonably certain that your firm at no time made a loan to any one borrower, whether individual or corporate, in excess of 10 percent of its then net worth?

Mr. WHITNEY. My answer, I think, Mr. Pecora, made before would still stand that I do not recollect; no. But I would not want to make a definite statement. Frankly, I do not recollect any, and I don't think we did have.

Mr. PECORA. Mr. Chairman, may I resume now with Mr. Morgan? Senator GLASS (presiding). Yes.

Senator GORE. Mr. Pecora, before you leave that let me ask you if the questions you have submitted will develop an answer to this inquiry: It has been alleged, and this is not a secret from anybody's standpoint, that the House of Morgan in the fall of 1929 sold stock in order to break the market, that they sold stock in order to scuttle or sink the ship. Now, I can assume that they might answer that they sold stock to get off the sinking ship, and that they had a right to do that as much as anybody else.

Mr. WHITNEY. I think the answer to your question, if I understand it correctly, is to be found in this—well, I think you will find that the only stock transactions we had on the New York Stock Exchange in the month of October as a firm, but I would not want to say that it is literally true, but it is practically true, were on the purchasing side.

Senator GORE. Yes, sir; I see. Well, I wanted to get that in the record. I was asking Mr. Pecora whether his questions would develop that fact.

Mr. WHITNEY. That was almost entirely connected with a stock pool of 1929, to which I referred before.

Senator GORE. There was no effort to prop or bolster the market?

Mr. WHITNEY. No, sir; but to create some market on which in the case of our investments and others, they could liquidate if they found it necessary, but not to prop the market.

Senator GORE. It was published that it was a combination, and I supposed that was justified.

Mr. WHITNEY. A combination of what?

Senator GORE. A combination on the part of New York bankers in an effort to prop or bolster the market.

Mr. WHITNEY. I never heard those two verbs used. I heard the word "stabilized" used, but I never heard the words "prop" or "bolster" used.

Senator GORE. Well, they were bandied about a good deal at that time.

Senator GLASS. I think the word "stabilize" should be eliminated from the dictionary, because there has never been any stabilization.

Senator GORE. Yes; I would join you in that wish, Senator Glass. As I understand, Mr. Pecora's question will develop that matter.

Mr. WHITNEY. Yes; I think in large part.

Mr. PECORA. It does not mean that there were no attempts at all to bolster or stabilize the market?

Mr. WHITNEY. Do you mean of the stock market or other things?

Mr. PECORA. I mean the stock market.

Mr. WHITNEY. No, sir.

Senator GLASS. We have had a good many efforts at stabilization, but we never had any evidence of such efforts succeeding.

Mr. PECORA. I think the record of the hearings held by this committee, I mean the last committee, will supply such evidence, of so-called stabilization operations, succeeding at least during the operations.

Senator GLASS. Oh, momentarily; yes. But stabilization means to keep something at a given point.

Senator COUZENS. For how long.

Senator GLASS. It does not mean to chuck it up and down.

Mr. PECORA. Now, Mr.—

Senator GLASS (interposing). I am quite as familiar as you are with the testimony that we have heard here, before this time.

Mr. PECORA. I have a rather vivid recollection of it, because I heard it.

Senator GLASS. And so did I, every word of it.

Mr. PECORA. I will now ask Mr. Morgan to resume the stand.

**TESTIMONY OF J. P. MORGAN, SENIOR MEMBER OF THE FIRM OF
J. P. MORGAN & CO., 23 WALL STREET, NEW YORK CITY—
Resumed**

Mr. PECORA. Mr. Morgan, have you produced here a list showing the names of all banks and trust companies in which J. P. Morgan & Co. and Drexel & Co. maintained deposit accounts during the 5-year period from 1927 to 1931, both inclusive?

Mr. MORGAN. I understand so. I would like to see whether they are the same.

Mr. PECORA. I will show you this list, which was given to me by a representative of your firm before the hearings commenced. Will you kindly look at it and tell us if that is the list in question?

Mr. MORGAN. Yes, sir.

Mr. PECORA. Is that a complete and correct statement of such banks and trust companies?

Mr. MORGAN. To the best of my knowledge and belief, it is; yes.

Mr. PECORA. I offer this in evidence and ask that it be spread upon the record.

Senator GLASS. If there is no objection that will be done.

(The list submitted, in response to question 4, such question being: "Names of all banks and trust companies in which the said firms maintained deposits during said period, and the amount of said deposits at the present time in any of said banks and trust companies in which such deposits are still maintained; names of all other banks or trust companies in which deposits are now maintained, and the amount of such deposits," was marked "Committee Exhibit No. 8, May 24, 1933", and is as follows:)

Banks and trust companies in which J. P. Morgan & Co. have maintained deposits since Jan. 1, 1927, together with balances of such accounts, Mar. 24, 1933

Bankers Trust Co., New York	\$2, 240, 565. 32
Chase National Bank, New York	1, 411, 799. 78
Central Hanover Bank & Trust Co., New York	1, 594, 116. 52
Chemical Bank & Trust Co., New York	1, 113, 180. 03
Corn Exchange Bank & Trust Co., New York	938, 719. 97
First National Bank, New York	2, 431, 732. 34
Grace National Bank, New York	100, 006. 46
Guaranty Trust Co., New York	2, 609, 591. 80
Irving Trust Co., New York	1, 399, 495. 72
National City Bank, New York	1, 265, 921. 74
New York Trust Co., New York	1, 251, 734. 65
Manufacturers Trust Co., New York (account opened Dec. 29, 1932)	335, 878. 12
First National Bank, Boston, Mass.	109, 993. 55
National Shawmut Bank, Boston, Mass.	243, 508. 06

Banks and trust companies in which J. P. Morgan & Co. have maintained deposits since Jan. 1, 1927, together with balances of such accounts, Mar. 24, 1933—Continued

Second National Bank, Boston, Mass.	\$150,437.71
New England Trust Co., Boston, Mass.	14,840.00
American Exchange Irving Trust Co., New York. (Name changed Feb. 1, 1929.)	
Central Union Trust Co., New York. (Merged May 16, 1929.)	
Hanover National Bank, New York. (Merged July 1, 1929.)	
National Bank of Commerce, New York. (Merged May 6, 1929.)	
National Park Bank, New York. (Merged Aug. 23, 1929.)	
Farmers Loan & Trust Co., New York. (Account closed July 19, 1929.)	
Mechanics & Metals National Bank, branch. (Merged Oct. 31, 1927.)	
Old Colony Trust Co., Boston, Mass. (Merged Jan. 2, 1930.)	
Baltimore Trust Co. (formerly National Union Bank of Maryland). Account closed Feb. 19, 1932.)	
Continental-Illinois National Bank & Trust Co. of Chicago.	8,465.25
Peoples-Pittsburgh Trust Co.	21,361.99
Mellon National Bank, Pittsburgh	88,064.08
Union Trust Co., Pittsburgh.	84,054.46
Philadelphia National Bank, Philadelphia	3,140,846.19
First National Bank, Philadelphia	2,760,441.87
Corn Exchange National Bank & Trust Co., Philadelphia	103,736.86
Fidelity-Philadelphia Trust Co.	363,595.69
Girard Trust Co., Philadelphia	233,959.16
Pennsylvania Co., etc., Philadelphia	694,789.59
Integrity Trust Co., Philadelphia	1,087,500.00
Guarantee Trust & Safe Deposit Co., Philadelphia.	None
Federal Reserve Bank of Philadelphia (account opened Mar. 8, 1933)	47,650.00

Mr. PECORA. I want to get the date.

Mr. MORGAN. It is written right out on that. The date is March 24, 1933.

Mr. PECORA. I will get that from the record.

Mr. MORGAN. That is a later date from any that you have had.

Senator COSTIGAN. March 24 of what year, Mr. Pecora?

Mr. PECORA. March 24, 1933.

Mr. WHITNEY. That was the date when the questionnaire came out.

Mr. PECORA. According to the list, which has been marked "Committee Exhibit No. 8, May 24, 1933."

Mr. DAVIS. That is, in response to your question no. 4.

Mr. PECORA. Yes. According to this list the following balances were maintained by the firm of J. P. Morgan & Co. on March 24, 1933, in the following banks, respectively:

Bankers Trust Co., New York	\$2,240,565.32
Chase National Bank, New York	1,411,799.78
Central Hanover Bank & Trust Co., New York	1,594,116.52
Chemical Bank & Trust Co., New York	1,113,180.03
Corn Exchange Bank Trust Co., New York	938,719.97
First National Bank, New York	2,431,732.34
Grace National Bank, New York	100,006.46
Guaranty Trust Co., New York	2,609,591.80
Irving Trust Co., New York	1,399,495.72
National City Bank, New York	1,265,921.74
New York Trust Co., New York	1,251,734.65
Manufacturers Trust Co., New York, account opened Dec. 29, 1932	335,878.12
First National Bank, Boston, Mass.	109,993.55
National Shawmut Bank, Boston, Mass.	243,508.06
Second National Bank, Boston, Mass.	150,437.71
New England Trust Co., Boston, Mass.	14,840.00

During that 5-year period deposit accounts were maintained, with balances unstated in this list in the following banks: American Exchange Irving Trust Co., New York—

Mr. WHITNEY (interposing). They were all banks that were merged.

Mr. PECORA. I will put all of this in the record.

Mr. WHITNEY. All right.

Mr. PECORA. American Exchange Irving Trust Co., New York, the name of which bank was changed February 1, 1929.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Is that the Irving Trust Co. of today?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Central Union Trust Co., New York, which bank was merged on May 16, 1929.

Mr. WHITNEY. Yes.

Mr. PECORA. That bank is what is now known as the Central Hanover Bank & Trust Co., is it not?

Mr. WHITNEY. Yes. And the Hanover National Bank is the next one.

Mr. PECORA. Hanover National Bank, New York, which was merged on July 1, 1929, with what is now known as "the Central Hanover Bank & Trust Co."

Mr. WHITNEY. Yes.

Mr. PECORA. National Bank of Commerce, New York, which was merged on May 6, 1929, with the Guaranty Trust Co.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. National Park Bank, New York, which was merged on August 23, 1929, likewise with—

Mr. WHITNEY. With the Chase National Bank.

Mr. PECORA. The Farmers Loan & Trust Co., New York, account was closed on July 19, 1929.

Mr. WHITNEY. That was at the time when it became affiliated with the National City Bank.

Mr. PECORA. Mechanics & Metals National Bank, branch, was merged on October 31, 1927, with the Chase National Bank.

Mr. WHITNEY. With the Chase National Bank.

Mr. PECORA. Old Colony Trust Co., Boston, Mass., which was merged on January 2, 1930, with the First National Bank of Boston.

Mr. WHITNEY. With the First National Bank of Boston.

Senator COUZENS. You do not do any business with the Chase National Bank, do you, Mr. Morgan?

Mr. MORGAN. We have an account there; yes.

Senator COUZENS. Well, I missed that.

Mr. WHITNEY. It is an account of \$1,411,000, I believe.

Senator COUZENS. Is that known as the Rockefeller bank—the Chase National Bank?

Mr. MORGAN. I do not know.

Senator COUZENS. I just asked the question because I see it quoted in the newspapers that it is a Rockefeller bank.

Mr. MORGAN. It is understood that the Rockefeller interests have a large amount of stock in the bank, but I do not know whether they run it or not.

Senator COUZENS. Will we take a recess now, Mr. Chairman?

Senator GLASS (presiding). One moment.

(Thereupon there ensued a conference between the presiding officer and Mr. Pecora.)

Senator COUZENS. Mr. Chairman, I move that we now take a recess until 2 o'clock.

Senator GLASS (presiding). Senator Couzens moves a recess until 2 o'clock p.m. All in favor of that motion will make it known by saying aye. (A number of ayes.) The contrary, no. (Silence.) It is so ordered. And all witnesses under subpoena will appear hear at that time.

(Thereupon, at 12:20 p.m., Wednesday, May 24, 1933, the subcommittee recessed until 2 p.m. the same day.)

AFTERNOON SESSION

The subcommittee reconvened at 2 o'clock p.m., Wednesday, May 24, 1933, at the expiration of the noon recess.

The CHAIRMAN. The committee will come to order. Mr. Morgan, I believe, is still on the stand.

Mr. PECORA. Yes.

The CHAIRMAN. Proceed, Mr. Pecora.

TESTIMONY OF J. P. MORGAN—Resumed

Mr. PECORA. Mr. Morgan, you have already testified that for the calendar years 1931 and 1932 you paid no income tax to the United States Government. I wish to ask you if during either one of those calendar years you paid an income tax to any other government for any income received by you from within the jurisdiction of any such government?

Mr. MORGAN. I think so. In England.

Mr. PECORA. For what years? For each of those 2 years?

Mr. MORGAN. Each of them, I should think.

Mr. PECORA. That is for each of the years 1931 and 1932?

Mr. MORGAN. Yes.

Mr. PECORA. Are you familiar with a corporation called the Alleghany Corporation?

Mr. MORGAN. No.

Mr. PECORA. Haven't you ever heard of that corporation?

Mr. MORGAN. I have heard of that corporation.

Mr. PECORA. Did your firm have anything to do with the financing of that corporation.

Mr. MORGAN. It did, sir. Yes; it did.

Mr. PECORA. Would you call that a major financing operation on the part of your firm?

Mr. MORGAN. It was certainly a very large one; yes.

Mr. PECORA. It was a large one. Are you familiar with any of the details of it?

Mr. MORGAN. None whatever.

Mr. PECORA. None whatever? If I were to ask you any questions concerning the issue of stock by that corporation in connection with the financing of it by your firm would you be able to answer any of the questions?

Mr. MORGAN. No.

Mr. PECORA. On the basis of any knowledge that you possess?

Mr. MORGAN. No; none whatever.

Mr. PECORA. Which of your partners in your opinion is best qualified to answer such questions on the basis of personal knowledge?

Mr. MORGAN. Mr. George Whitney.

Mr. PECORA. Who?

Mr. MORGAN. Mr. George Whitney.

Mr. PECORA. Was this enterprise or this financing discussed at any time among the members of the firm?

Mr. MORGAN. Oh, I imagine so; yes.

Mr. PECORA. Well, did you not in that way acquire some information about it?

Mr. MORGAN. I do not remember what dates it was. I may have been absent for most of the time. But as a matter of fact I do not retain any knowledge that I could testify with.

Mr. PECORA. Well, I understand that the corporation in question was organized on or about January 26, 1929. Does that date help to refresh your recollection as to any of its details?

Mr. MORGAN. No. Just at that time I was ill for the latter part of January, and the first of February I sailed for Europe for the Young plan discussions and did not return until the first of June, so that I was absent during the entire time.

Mr. PECORA. I see. Well, did you participate in any discussions among the members of your firm with respect to the negotiations that led to the financing of this corporation by your firm?

Mr. MORGAN. I think not. I do not recall it.

Mr. PECORA. Then I will ask that Mr. Whitney take the stand so that I may pursue the examination with regard to the subject of the Alleghany Corporation.

Mr. MORGAN. Shall I retire to the back?

Mr. PECORA. Whatever suits your personal comfort.

Senator COSTIGAN. The witness is not excused?

Mr. PECORA. Oh, no; not excused. Just withdrawn.

Mr. MORGAN. To make more room, that is all.

(Mr. Morgan temporarily withdrew, and Mr. George Whitney came forward.)

TESTIMONY OF GEORGE WHITNEY—Resumed

Mr. PECORA. Mr. Whitney, are you familiar with the corporation called the Alleghany Corporation?

Mr. WHITNEY. I am.

Mr. PECORA. Did the firm of J. P. Morgan & Co. do any financing for that corporation at any time?

Mr. WHITNEY. It did.

Mr. PECORA. When was that corporation organized?

Mr. WHITNEY. Well, I suppose I would be permitted to refresh my memory as to this?

Mr. PECORA. From any record you have, if you wish to.

Mr. DAVIS. May I suggest, Mr. Chairman, and counsel and the witness, that when these trucks and cars go by we won't try to make ourselves heard above them?

Mr. PECORA. I think that suggestion might be better conveyed to the witness, whose voice is a little lower than mine.

Mr. DAVIS. I hope the witness heard that.

Mr. WHITNEY. I did. Mr. Pecora, your question was, as I understand, about the formation of the Alleghany Corporation.

Mr. PECORA. Yes, sir.

Mr. WHITNEY. And what was the date, you asked, if I recollect?

Mr. PECORA. I asked if you would tell me when it was organized or incorporated?

Mr. WHITNEY. Do you mean the actual date? It was in January '29.

Mr. PECORA. Do you mean January 29 of some year, or some date in January of the year 1929?

Mr. WHITNEY. January, '29. It might expedite matters if I said that on January 28 J. P. Morgan & Co. entered into a contract with the Messrs. Van Sweringen which contemplated the formation of such corporation. We had nothing whatever to do with the formation of such corporation.

Mr. PECORA. Have you the contract to which you have just made reference?

Mr. WHITNEY. We have not got the contract here, but we have photostats of it which we have furnished you.

Mr. PECORA. Have you a photostat copy of it for your own purposes of reference?

Mr. WHITNEY. They are here in Washington, but we have not got them physically here.

Mr. PECORA. I take it, Mr. Whitney, you do not object to being examined on the basis of what purports to be the photostatic copy of that contract which your office furnished to me, do you?

Mr. WHITNEY. Not on the photostat we furnished you; no, sir.

Mr. PECORA. No. I show you what purports to be a photostat copy of a letter dated January 28, 1929, addressed to Messrs. J. P. Morgan & Co., New York City, and signed by O. P. and M. J. Van Sweringen. Kindly look at it and tell us if you recognize that to be a photostatic copy of that letter furnished to me by your office? [Handing same to the witness.]

Mr. WHITNEY. I do.

Mr. PECORA. I ask that it be marked in evidence and spread upon the record.

(Photostatic copy of letter dated Jan. 28, 1929, addressed to Messrs. J. P. Morgan & Co., New York City, signed by O. P. and M. J. Van Sweringen, was marked "Exhibit 9.")

Mr. PECORA. Mr. Chairman, in view of the relationship which this document bears to the general line of examination that I propose to conduct of this witness, I shall ask you to indulge me while I read this letter. [Reading:]

JANUARY 28, 1929.

Messrs. J. P. MORGAN & Co.,
New York City.

DEAR SIRs: We propose to form a new corporation (to be called the "Alleghany Corporation") for the purpose of purchasing and owning certain stock interests in various companies, largely companies owning or controlling railway properties, which holdings are now owned either by the Vaness Co., General Securities Corporation, or by ourselves individually, with full power to such corporation to sell and reinvest from time to time as the directors of the new corporation may determine.

The stock interests to be acquired by the new corporation and the proposed capitalization of such new corporation are to be substantially as set forth in schedule A, attached hereto. The terms (not expressly provided for in said schedule A) and validity of the charter of the new corporation, of the stocks, the purchase warrants, and the bonds to be authorized and of the indenture under which the bonds are to be issued, and the form of any and all corporate proceedings in connection with the transactions outlined in said schedule A and herein, shall be subject to the approval of your counsel.

This is to confirm the agreement between ourselves and yourselves as follows:

1. We will cause the new corporation to contract to sell and to deliver to you upon the terms and conditions herein set forth, and you are to agree to purchase the \$35,000,000 principal amount of 5 percent bonds described in schedule A for an aggregate price of \$32,575,000 (being approximately 93.02 percent of the principal amount), plus the amount of interest accrued to the date of the payment of the subscriptions for such bonds made upon the public offering which you are to make or cause to be made as below indicated.

It is understood by us that you purpose to form a syndicate which on or before February 8, 1929, will make a public offering of the bonds subject to due issue and the receipt thereof by you from the corporation, and that you purpose to call for payment to yourselves of the subscriptions for such bonds at the offering price on such date (not later than February 23, 1929), as you shall determine, and to issue to the subscribers making such payments bonds in temporary form (or your interim certificates evidencing interests in such temporary bonds) or, in case temporary bonds shall not have been theretofore delivered to you, you may deliver your interim receipts entitling the holders thereof to the delivery of the bonds therein specified when issued and received by you as aforesaid.

Upon delivery to you by the corporation on or before February 28, 1929 (but not earlier than the date of payment of subscriptions upon the offering) of the bonds in temporary or definitive form, you forthwith shall pay to the corporation the purchase price therefor plus, in case you shall have theretofore delivered your interim receipts, $2\frac{1}{2}$ percent per annum upon such purchase price from the date of payment of subscriptions upon the offering.

It is understood further that in case you shall have delivered your interim receipts as aforesaid, you are to retain, pending the receipt by you of the bonds, the amount of the subscriptions received by you for the benefit of the holders of your interim receipts, and in case for any reason the corporation shall not be able to make delivery of the bonds as aforesaid on February 28, 1929, or any later date agreed upon by the corporation with you, then you shall be relieved, at your option, from all obligation hereunder and the undersigned (a) will pay you such sums as when added to the subscription price received by you from subscribers for the bonds together with the interest thereon to be allowed by you at the rate of $2\frac{1}{2}$ percent per annum from the said subscription-payment date, will enable you to repay to the holders of your interim receipts the subscription price for the bonds, plus interest on the principal amount of the bonds at the coupon rate from the subscription-payment date to the date when such moneys are so repaid to such holders, the intent being to protect the subscribers for the bonds and their assigns from losing the income from their investment because of the failure of the corporation to make delivery of the bonds as provided herein; and also (b) will reimburse to you the amount of any out-of-pocket expenses (including counsel fees) incurred by yourselves or by any syndicate which you may form in connection with the issue.

2. We will cause the new corporation to issue and to sell to you or to your assigns \$25,000,000 par value of the cumulative $5\frac{1}{2}$ percent preferred stock, series A, more fully described in schedule A at \$100 per share plus the amount of any accrued dividend, and in connection with such stock to sell and deliver to you, for the further consideration of \$375,000 in cash, common-stock purchase warrants described in said schedule A collectively entitling the holders to purchase at \$30 per share in cash 375,000 shares of the common stock of the corporation. It is understood that in the first instance such warrants shall be attached to the certificates of the series A preferred stock so that the holders of such preferred stock respectively will have a warrant for the purchase of $1\frac{1}{2}$ shares of the common stock for each share of such preferred stock held by him; such warrants to be nondetachable except upon redemption of preferred stock, all as set forth in said Schedule A.

Will you follow this paragraph closely, Mr. Whitney, please, because I am going to ask you some questions about it [reading:]

3. Of the 3,500,000 shares of common stock to be initially issued, we will cause the new corporation to sell to you 1,250,000 of such shares at \$20 per share, payable in cash. This stock is to be purchased by you for your own account, but you are to be free to resell such stock in such manner and at such price as may seem to you advisable.

(The letter, exhibit 9, appears in full at the close of today's hearing.)

Mr. PECORA. There is much more to this letter, but for the present I will not take the time to read it. Now, is it not the fact that the agreement set forth in the form of this letter—only a portion of which I have read to you—the entire letter being in evidence—was agreed to by J. P. Morgan & Co. on January 28, 1929?

Mr. WHITNEY. Yes.

Mr. PECORA. And the financing of this corporation called the Alleghany Corporation, thereafter proceeded upon the basis of the terms and conditions set forth in this letter?

Mr. WHITNEY. It did.

Mr. PECORA. Did J. P. Morgan & Co. take over in pursuance of the provisions of paragraph no. 3, 1,250,000 shares of the common stock of the Alleghany Corporation at \$20 per share?

Mr. WHITNEY. Yes.

Mr. PECORA. When did it do so?

Mr. WHITNEY. On February 15, 1929.

Mr. PECORA. At that time had there been any other shares of the common stock of this corporation actually issued?

Mr. WHITNEY. Common stock?

Mr. PECORA. Yes.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Do you know to whom such other shares of common stock were issued, having in mind that in accordance with the provisions of the agreement embodied in this letter the corporation was authorized to issue initially a total of 3,500,000 shares of common stock?

Mr. WHITNEY. I believe the additional stock was issued to those corporations referred to in the beginning of that letter which the Messrs. Van Sweringen state they will cause to form such a corporation, namely—you have them; I haven't got a copy before me, but they are those mentioned in the opening paragraph. They received in exchange for securities the balance of the common stock so issued as of the same date, I understand.

Mr. PECORA. So that this entire authorized issue of 3,500,000 shares of the common stock of the Alleghany Corporation was distributed 1,250,000 shares to your firm and the balance to the companies that you have referred to and to which specific reference is made in this letter of agreement? Is that correct?

Mr. WHITNEY. Yes. Issued and paid for.

Mr. PECORA. Issued and paid for. Now, did your firm make any sale, transfer, assignment, or other disposition of any portion of the 1,250,000 shares of the common stock of the Alleghany Corporation which it received under this agreement at \$20 per share?

Mr. WHITNEY. You are still speaking of the common stock?

Mr. PECORA. I am still speaking of the common stock.

Mr. WHITNEY. It did.

Mr. PECORA. Do you know when there was any public trading in this common stock, that is, when public trading in it commenced?

Mr. WHITNEY. You mean by public trading, trading on the New York Stock Exchange?

Mr. PECORA. Trading on any public market.

Mr. WHITNEY. No; I have no recollection. I can probably get that. The answer is no, Mr. Pecora. I don't know when the first public trading existed. I suppose there was a when-issued market.

Mr. PECORA. Don't you recall that there was a when-issued market?

Mr. WHITNEY. No; I do not.

Mr. PECORA. Early in February 1929?

Mr. WHITNEY. We had no interest in the market.

Mr. PECORA. Do you mean that literally, Mr. Whitney, that you had no interest in any public market for the stock?

Mr. WHITNEY. For the common stock?

Mr. PECORA. Yes, sir.

Mr. WHITNEY. None whatever. I mean it literally; yes.

Mr. PECORA. When you say you had no interest in it do you mean that your firm had no transactions in any such public market?

Mr. WHITNEY. I mean that; and I mean that it was a matter of when-issued market, that it was not sufficiently important to make any impression upon my memory.

Mr. PECORA. But when-issued market for a large block of stock such as this was certainly would be of interest to your firm, would it not?

Mr. WHITNEY. Well, I didn't know there was a large market for this stock.

Mr. PECORA. No; I said a when-issued market would be of interest to your firm, in view of the fact that it held such a large block of this common stock.

Mr. WHITNEY. And I said, Mr. Pecora, that it was not of sufficient importance to have impressed it upon my memory, because I do not remember there being such a market.

Mr. PECORA. Have you any data which you can use to refresh your recollection?

Mr. WHITNEY. I undoubtedly could procure a statement of when it was listed on the New York Stock Exchange. I suppose there must be some public record of when there was trading on a when-issued basis on the New York curb, but I don't know.

Mr. PECORA. When did you say your firm received these 1,250,000 shares?

Mr. WHITNEY. February 15, 1929.

Mr. PECORA. Did your firm make any disposition of those shares before that date on any when-issued basis or any other basis?

Mr. WHITNEY. Yes, sir. For a portion of those shares we entered into an arrangement with the Guaranty Co. of New York to underwrite the sale of 500,000 shares of common stock.

Mr. PECORA. Did it make any other disposition or agreements with respect to the distribution of any portion of this block of 1,250,000 shares prior to February 15, 1929?

Mr. WHITNEY. May I answer that question in two parts? Because I can. We made arrangements for the disposition of another

574,900 shares, but this does not state the date. I think it was very probably prior to the 15th of February, but I haven't got that date before me and I would have to refresh my memory.

Mr. PECORA. Was that distribution made in one block, to any one individual?

Mr. WHITNEY. No, sir.

Mr. PECORA. Or purchaser?

Mr. WHITNEY. No; it was not. It was made to a list of individuals, of which you have a copy.

Mr. PECORA. Did your firm furnish me upon my request with a list of such individuals?

Mr. WHITNEY. We did.

Mr. PECORA. I show you this typewritten document. Will you kindly look at it and tell us if that is the list to which you have just referred?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. I offer that list in evidence.

Mr. DAVIS. Just one moment, Mr. Pecora. I do not think it has yet appeared on the record that this is an exhibit of the committee. Of course, we perfectly understand that the committee has decided. I am not raising that question. I want the record to show, however, that it is offered by the direction of the committee.

Mr. PECORA. That was one of the lists that was discussed in the executive session of the committee yesterday.

Mr. DAVIS. I perfectly understand; and the record does not yet show that fact.

Mr. PECORA. Let us put it on the record now.

Mr. DAVIS. Precisely.

Mr. PECORA. Namely, that this list which is now offered in evidence and which I ask be spread upon the record of this hearing is one of the lists which was considered by this committee in executive session yesterday, which session was attended by Mr. John W. Davis, counsel for J. P. Morgan & Co., and at which session this committee decided to receive this list and have it spread upon the records of this hearing.

Senator COSTIGAN. The list was not voluntarily tendered by J. P. Morgan?

Mr. PECORA. No, sir; it was tendered by J. P. Morgan & Co. upon my request and upon my agreement with Mr. Davis that use of it in these hearings would be subject to the decision of the committee.

Is that correct, Mr. Davis?

Mr. DAVIS. That is quite correct, and that is all I want the record to show.

Mr. WHITNEY. Mr. Pecora, may I qualify my discussion of this exhibit by calling to your attention that this list covers the whole 1,250,000 shares?

Mr. PECORA. Yes; all right.

Mr. WHITNEY. Which not only includes the sales to the Guaranty Co. I just referred to, but also the list which includes certain individual partners and which covers the whole amount, rather than the figure I gave you before.

Mr. PECORA. In other words, that list shows the distribution of this entire block of 1,250,000 shares of common stock of the Alle-

ghany Corporation which was made by the same firm of J. P. Morgan & Co.?

Mr. WHITNEY. At a price equivalent to our cost, namely, \$20 a share.

Mr. PECORA. I offer it in evidence and ask that it be spread upon the record.

The CHAIRMAN. Let it be received in evidence and placed on the record.

(The list under discussion was marked by the official reporter "Committee Exhibit No. 10", and appears in the words and figures following:)

Alleghany corporation common stock issued Feb. 15, 1929

	<i>Shares</i>		<i>Shares</i>
Charles Francis Adams.....	1,000	Herbert Fitzpatrick.....	1,000
W. H. Aldridge.....	1,000	Max C. Fleischmann.....	1,000
G. G. Allen.....	500	Mitchell D. Follansbee.....	1,000
A. M. Anderson.....	11,500	H. A. Fortington.....	500
Montgomery B. Angell.....	100	P. A. S. Franklin.....	1,000
J. Howland Auchincloss.....	300	W. C. Frew.....	500
Chellis A. Austin.....	500	Giovanni Fummi.....	1,000
Geo. F. Baker.....	10,000	Michael Gallagher.....	1,000
Newton D. Baker.....	2,000	George H. Gardiner.....	500
D. S. Barrett, Jr.....	2,000	Thomas Garrett.....	200
F. D. Bartow.....	11,500	Harvey D. Gibson.....	500
F. D. Bartow, special.....	3,000	Walter S. Gifford.....	1,000
Sosthenes Behn.....	1,000	Mrs. S. Parker.....	500
L. V. Belden.....	1,000	Philip G. Gossler.....	1,000
Mrs. Mary Case Bench.....	500	E. G. Grace.....	1,000
J. J. Bernet.....	5,000	R. F. Grant.....	500
Stephen Birch.....	1,200	E. C. Grenfell.....	1,800
C. N. Bliss.....	1,000	Guaranty Co. of New York.....	1,600
Bonbright & Co., Inc.....	10,000	Do.....	500,000
Charles Bradley.....	7,500	W. J. Hanahan.....	1,000
Nicholas F. Brady.....	2,000	Horace Havemeyer.....	1,000
Matthew C. Brush.....	1,000	Charles Hayden.....	2,000
E. G. Buckland.....	500	Michael G. Herbert.....	1,200
M. N. Buckner.....	500	Charles D. Hilles.....	1,000
W. E. Burnet.....	500	Hitt Farwell & Co.....	500
William C. Cannon.....	200	J. A. House.....	1,000
Edward F. Carry.....	1,000	George H. Howard.....	1,000
Bernard S. Carter.....	2,500	R. G. Hutchins.....	1,000
J. Ridgely Carter.....	2,500	Arthur Curtis James.....	1,000
Sir Thomas S. Catto.....	1,000	Percy H. Johnston.....	1,000
Hendon Chubb.....	1,000	Nelson D. Jay.....	2,500
Clark, Dodge & Co.....	1,000	Benjamin Joy.....	2,500
Thomas Cochran.....	15,000	Cornelius F. Kelley.....	1,000
Do.....	2,000	Kidder, Peabody & Co.....	2,000
Clinton H. Crane.....	500	Kuhn, Loeb & Co.....	5,000
Donald K. David.....	200	Thomas S. Lamont.....	2,500
Arthur V. Davis.....	1,000	T. W. Lamont.....	18,000
John W. Davis.....	400	Lapondos Corporation.....	500
H. P. Davison.....	2,500	Lee, Higginson & Co.....	2,000
E. R. Dibrell.....	500	R. C. Leffingwell.....	13,500
Dominick & Dominick.....	2,000	Augustin Legorreta.....	500
Drexel & Co.....	50,000	Charles A. Lindbergh.....	500
Caleb C. Dula.....	500	A. L. Lindley.....	1,000
F. H. Ecker.....	1,000	Henry E. Machold.....	2,000
George B. Everitt.....	500	C. H. Mackay.....	1,000
William Ewing.....	10,000	H. E. Manville.....	1,000
First Security Co.....	30,000	Henry A. Marting.....	500
Lawrence P. Fisher.....	10,000	Wm. Gibbs McAdoo.....	500

Alleghany corporation common stock issued Feb. 15, 1929—Continued

	<i>Shares</i>		<i>Shares</i>
Lee McCandliss-----	100	John Sherwin, Sr-----	5,000
H. C. McEldowney-----	1,000	E. H. H. Simmons-----	1,000
Gates W. McGarragh-----	500	Alfred P. Sloan, Jr-----	10,000
T. N. McCarter-----	1,000	Matthew S. Sloan-----	500
D. R. McLennan-----	1,000	Vivian H. Smith-----	3,000
R. B. Mellon-----	2,000	F. S. Smithers & Co-----	1,000
T. F. Merseles-----	2,000	Somerset Corporation-----	10,000
Albert G. Milbank-----	500	Harold Stanley-----	10,000
Edward G. Miner-----	500	Charles Steele-----	14,000
Charles E. Mitchell-----	10,000	Charles Steele, special-----	1,000
S. Z. Mitchell et al-----	2,500	G. D. Steere-----	2,000
Daniel J. Moran-----	500	John A. Stephens, Jr-----	500
Henry S. Morgan-----	2,500	Frederick Strauss-----	500
Henry S. Morgan, special-----	4,100	Silas H. Strawn-----	1,000
J. P. Morgan-----	40,000	Edwin S. S. Sunderland-----	300
J. P. Morgan & Co. stock A/C-----	175,000	Myron C. Taylor-----	10,000
J. S. Morgan, Jr-----	8,000	Walter C. Teagle-----	1,500
J. R. Morron-----	500	Jos. B. Tarbell-----	500
Frederick K. Morrow-----	1,000	Wm. B. Thompson-----	1,000
John P. Murphy-----	500	O. P. Van Sweringen-----	2,500
National City Co-----	10,000	Allan Wardwell-----	300
Newmont Mining Corpora- tion-----	10,000	F. Edson White-----	2,000
J. R. Nutt-----	3,000	Robert H. White-----	1,000
Robert E. Olds-----	500	White & Case-----	1,000
Carlo Orsi-----	500	George Whitney-----	14,000
Gen. John J. Pershing-----	500	Richard Whitney-----	1,000
Frank L. Polk-----	300	C. F. Whigham-----	3,000
W. C. Potter-----	40,000	A. H. Wiggin-----	10,000
Seward Prosser, et al-----	12,000	Ira E. Wight-----	500
Wm. S. Rainsford-----	100	Joseph Wilshire-----	1,000
John J. Raskob-----	2,000	Wood, Struthers & Co-----	1,000
Lansing P. Reed-----	300	William H. Woodin-----	1,000
Samuel W. Reyburn-----	500	Clarence M. Wooley-----	1,000
W. L. Ross-----	1,000	Owen D. Young-----	5,000
John D. Ryan-----	1,000	L. Edmund Zacher-----	500
Franz Schneider, Jr-----	500	William Zeigler-----	200
Schoellkopf Hutton & Pom- ero, Inc-----	1,000		
			1,250,000

MAY 4, 1933.

The Honorable JOHN W. DAVIS:

In the list of purchasers obtaining the Alleghany Corporation common stock issued February 15, 1929, at \$20 a share there is included 50,000 shares which were sold to Drexel & Co.

Were these 50,000 shares for the account of the partners of Drexel & Co. or were there others allotted certain portions of this? If others were allotted a portion of these 50,000 shares, I would like to obtain the information covering the names of such allotments, how many shares of each, and the amount paid by the purchaser.

FERDINAND PECORA,
By **FRANK J. MEEHAN.**

Alleghany Corporation common stock

	<i>Shares</i>		<i>Shares</i>
Thomas G. Ashton-----	500	William W. Bodine-----	200
W. W. Atterbury-----	500	Francis B. Bracken-----	100
Thomas J. Baldrige-----	200	Henry G. Brengle-----	200
Charles W. Bayliss-----	100	Arthur S. Burgess-----	50
Charles G. Berwind-----	400	B. Dawson Coleman-----	500
Harry A. Berwind-----	600	Jay Cooke-----	1,000
Samuel T. Bodine-----	500	D. Graham Craig-----	100

Alleghany Corporation common stock—Continued

	<i>Shares</i>		<i>Shares</i>
Samuel M. Curwen	500	Marshall S. Morgan	200
Charles Day	500	Effingham B. Morris, Jr.	200
Margretta B. Dice	500	Arthur V. Morton	200
Drexel & Co.	900	Jonathan C. Neff	200
Sophie H. Drinker	100	A. E. Newbold	2,000
William N. Ely	200	C. Stevenson Newhall	100
Charles H. Ewing	100	T. Newhall	4,000
Philip H. Gadsden	250	Richard E. Norton	200
Estelle B. Gadsden	250	W. A. Obdyke	2,000
T. S. Gates	4,000	Charles S. W. Packard	200
Clarence H. Geist	600	George Wharton Pepper	200
William P. Gest	500	O. H. Perry Pepper	100
Herbert W. Goodall	100	Evan Randolph	200
Alfred M. Gray	100	E. Robert Riter	100
John H. Gross	200	Owen J. Roberts	100
Harry J. Haas	200	Benjamin Rush	500
Edward Hopkinson, Jr.	4,500	Bernard Samuel	50
George H. Houston	200	William J. Schaffer	500
Albert A. Jackson	200	Harold S. Schutt	200
Livingston E. Jones	300	Frank Seamans	100
John W. Kephart	300	Arthur W. Sewall	300
William T. Kirk	100	E. T. Stotesbury	4,000
Louis J. Kolb	500	George H. Stuart, 3d	200
Conrad N. Lauer	300	Frank H. Taylor	50
William A. Law	500	Samuel M. Vauclain	500
Edward B. Leisenring	1,000	Robert Von Moschzisker	150
Charles P. Lineaweaver	200	Carroll J. Waddell	100
H. G. Lloyd	4,000	Samuel D. Warriner	1,000
H. G. Lloyd, Jr.	1,000	Joseph Wayne, Jr.	300
Howard Loeb	100	John H. Weaver	300
Edward E. Loomis	500	James M. Wilcox	500
Geo. H. McFadden & Bro.	1,000	Edward H. York, Jr.	100
Andrew J. Maloney	300	John E. Zimmerman	500
Donald Markle	500		
John C. Martin	1,000		
John H. Mason	200		
			50,000

Mr. PECORA. The cost to J. P. Morgan & Co. of these shares was \$20 per share?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. And J. P. Morgan & Co. distributed this stock to the persons named in this list, which has been marked "Committee's Exhibit 10" in evidence on this date, at the same price of \$20 per share, which was cost to J. P. Morgan & Co.; is that right?

Mr. WHITNEY. That is the effective price of its distribution; yes.

Mr. PECORA. And this list also shows not only the persons who participated in such distribution but the respective allotments of shares to them at \$20 per share?

Senator COUZENS. May I ask the counsel before he asks that question to have Mr. Whitney restate his answer to the previous question? I am sorry I did not get it clear. Will the reporter—

Mr. WHITNEY (interposing). May I amplify, Senator Couzens? I think I can make it clear. There is 500,000 shares in here that was sold under a contract where it was sold at the price less the commission at which the net price to us was 20, and I wanted to make the qualification that did not appear in the record, that it was cost \$20, so that would gibe with the other part. The actual fact was that we received \$20 a share cost to us. Does that clear it up?

Senator COUZENS. You said that was the "effective cost" to you, and I did not quite understand what you meant by that.

Mr. WHITNEY. There was, as I have already testified before you came in, 500,000 shares of the stock sold to the Guaranty Co., of New York, under an agreement dated January 31, 1929. The sale was stated as being at \$24 less 4 percent which came to 20 to us. It was just to gibe with the record.

Now, may I have the other question?

The committee reporter (Mr. Randolph) read the question:

And this list also shows not only the persons who participated in such distribution but the respective allotments of shares to them at \$20 per share?

Mr. WHITNEY. I don't quite understand the difference between that, Mr. PECORA. If you will explain your question I will try to answer it. What is the difference between "participation" and "allotment" in your mind?

Mr. PECORA. I am using them perhaps clumsily as synonymous terms.

Mr. WHITNEY. This is a list, to the best of my knowledge and belief, of the people that got the stock at 20.

Mr. PECORA. Now, were the persons whose names are shown on that list invited by J. P. Morgan & Co. upon its own initiative to subscribe to these shares at the price of \$20 per share?

Mr. WHITNEY. They were offered the opportunity, I think would be a more correct way of stating it.

Mr. PECORA. They were offered the opportunity, and the offer was made by J. P. Morgan & Co. upon its own initiative?

Mr. WHITNEY. Yes, sir.

Senator BYRNES. Well, how was it offered, through newspaper publicity or personal solicitation?

Mr. WHITNEY. Oh, no; purely by personal conversations, and if I may refer to it again, there was 500,000 shares sold to Guaranty Co. That was a matter of negotiation, but they were all done by personal conversations, but not by any kind of solicitation or letter. The firm by letter in all cases, but no solicitation of any kind and no public offer.

Mr. PECORA. This was a private offer, in other words?

Mr. WHITNEY. Absolutely.

Senator COSTIGAN. Who carried on the conversations?

Mr. WHITNEY. Do you mean with these individuals?

Senator COSTIGAN. Yes.

Mr. WHITNEY. Why, various members of the firm.

Mr. PECORA. Now, Mr. Whitney, the first name I see on the list, and I observe the list apparently was prepared in alphabetical order—

Senator COSTIGAN (interposing). Were those carried on in social intercourse as members of the firm met individuals or was there a campaign?

Mr. WHITNEY. Well, there was not a campaign, Senator, but it was carried on by personal conversations. There was no campaign.

Mr. PECORA. The first name that I observe on the list is that of Charles Francis Adams, to whom 1,000 shares were offered at \$20 per share.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Do you know who he is?

Mr. WHITNEY. I do.

The COURT. Did he ever hold any public position?

Mr. WHITNEY. Secretary of the Navy, I think. You also know, don't you, that he is a father-in-law of one of the partners?

Mr. PECORA. I have not studied the genealogy of the partners.

Mr. WHITNEY. Well, he is Mr. Henry S. Morgan's father-in-law.

Mr. PECORA. Well.

Senator BARKLEY. That is not to be regarded as an unfavorable circumstance?

Mr. WHITNEY. No; but it accounts for his opportunity to invest in this stock.

Mr. PECORA. You have said that as a bit of interesting evidence. Let me call your attention to the name which appears on this list of William H. Woodin. Is he related to any member of the firm?

Mr. WHITNEY. No, sir.

Mr. PECORA. Did he hold or does he hold any public office?

Mr. WHITNEY. He does now. He did not in January or February 1929.

Mr. PECORA. What is the office he now holds?

Mr. WHITNEY. Secretary of the Treasury. I think that is right.

Mr. PECORA. Now, do you know who suggested that Mr. Woodin be offered a block of 1,000 shares of this stock at \$20 per share?

Mr. WHITNEY. It would be very difficult without refreshing my memory with the letters which you have already—the documents which you have already seen—to remember that, but Mr. Woodin has been a very close personal friend of many of the partners, dating particularly back to Mr. Stettinius, who was a partner until 1925. I would not——

Mr. PECORA. What is that? Will you finish your answer? Oh.

Mr. WHITNEY. I would not know who had the conversations in this particular thing. It might have been any one of several of us.

Mr. PECORA. I show you——

Mr. WHITNEY (interposing). As a matter of fact, I am advised here, to refresh my memory, that at the time of this particular thing Mr. Woodin was away and communication was done through a letter.

Mr. PECORA. Well, I show you what purports to be a photostat copy of such a letter which was furnished to me by your firm on my request. Will you look at that and tell us if you can identify it as such photostatic copy?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. I offer that in evidence and ask that it be spread upon the record.

The CHAIRMAN. The letter will be spread upon the record.

(Letter dated Feb. 1, 1929, from J. P. Morgan & Co. to William H. Woodin, was marked by the official reporter "Committee Exhibit 11", and the same appears in the words and figures following:)

J. P. MORGAN & Co.,
February 1, 1929.

WILLIAM H. WOODIN, Esq.,

Care of American Car & Foundry Co., New York.

MY DEAR MR. WOODIN: You may have seen in the paper that we recently made a public offering of \$35,000,000 Alleghany Corporation 15-year collateral trust convertible 5 percent bonds, which went very well.

In this connection the Guaranty Co. offered today \$25,000,000 Alleghany Corporation cumulative 5½ percent preferred stock. There was also a strong demand for this stock.

The Guaranty Co. also sold, privately, some of the common stock at \$24 a share.

We have kept for our own investment some of the common stock at a cost of \$20 a share, and, although we are making no offering of this stock, as it is not the class of security we wish to offer publicly, we are asking some of our close friends if they would like some of this stock at the same price it is costing us, namely, \$20 a share.

I believe that the stock is selling in the market around \$35 to \$37 a share, which means very little, except that people wish to speculate.

We are reserving for you 1,000 shares at \$20 a share, if you would like to have it.

There are no strings tied to this stock, so you can sell it whenever you wish.

For further information regarding this corporation, I am enclosing circular covering the bond issue.

We just want you to know that we were thinking of you in this connection and thought you might like to have a little of the stock at the same price we are paying for it.

I am sending this to your office, as I understand that you are now on your way through the Panama Canal, but this can wait until you return.

Hoping you are having a pleasant trip, and with best regards,

Sincerely yours,

WE-ERM

(Handwritten note:) From file designated: "Alleghany Corp.—Jan. 31, '29—Sale of common stock."

Mr. PECORA. I am going to read it if you will let me.

Senator ADAMS. I would like to look at it a minute.

Senator BYRNES. Is the American Car Foundry Co. one of the clients of Morgan & Co.?

Mr. WHITNEY. They have been depositaries of ours for many years; yes, sir.

Senator BYRNES. That is a company of which Mr. Woodin is president?

Mr. WHITNEY. Right.

Mr. PECORA. Is it one of the companies that maintain a balance of \$1,000,000 or more as depositor with your firm?

Mr. WHITNEY. I would have to look.

Mr. PECORA. Well, the record already shows what—

Mr. WHITNEY. What is the answer?

Mr. PECORA. The letter reads as follows: "February 1, 1929"—

Mr. Whitney, will you look at this exhibit no. 11? The stamp of the photostat department of your firm is superimposed on an inscription. Is that inscription that of the firm name J. P. Morgan & Co.?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. And the letter is on the letterhead of J. P. Morgan & Co.?

Mr. WHITNEY. Excuse me. That is not on the letterhead. The original letter obviously is in Mr. Woodin's hands. That is the hearing of our carbon copies.

Mr. PECORA. Oh, all right. [Reading:]

FEBRUARY 1, 1929.

WILLIAM H. WOODIN, Esq.,

Care of American Car & Foundry Co., New York.

MY DEAR MR. WOODIN: You may have seen in the paper that we recently made a public offering of \$35,000,000 Alleghany Corporation 15-year collateral trust convertible 5 percent bonds, which went very well.

In this connection, the Guaranty Co. offered today \$25,000,000 Alleghany Corporation cumulative 5½ percent preferred stock. There was also a strong demand for this stock.

The Guaranty Co. also sold, privately, some of the common stock at \$24 a share.

We have kept for our own investment some of the common stock at a cost of \$20 a share, and, although we are making no offering of this stock, as it is not the class of security we wish to offer publicly, we are asking some of our close friends if they would like some of this stock at the same price it is costing us, namely, \$20 a share.

I believe that the stock is selling in the market around \$35 to \$37 a share, which means very little, except that people wish to speculate.

We are reserving for you 1,000 shares at \$20 a share, if you would like to have it.

There are no strings tied to this stock, so you can sell it whenever you wish. For further information regarding this corporation, I am enclosing circular covering the bond issue.

We just want you to know that we were thinking of you in this connection and thought you might like to have a little of the stock at the same price we are paying for it.

I am sending this to your office, as I understand that you are now on your way through the Panama Canal, but this can wait until you return.

Hoping you are having a pleasant trip, and with best regards,

Sincerely yours,

There is no copy of any signature, but on the lower left-hand corner appear the initials "WE-ERM". Do those initials "WE" relate to Mr. William Ewing, one of the partners of J. P. Morgan & Co.?

Mr. WHITNEY. I assume so.

Mr. PECORA. And would you also assume from that that Mr. Ewing dictated and signed the original of this letter?

Mr. WHITNEY. I would.

Senator BYRNES. You say, Mr. Whitney, the stock was purchased in response to that communication?

Mr. WHITNEY. I assume so, but there is a second letter there attached to that that shows that we received payment for it.

Senator BYRNES. When was that? How much later?

Mr. WHITNEY. February 15, the date of payment.

Senator ADAMS. Mr. Whitney, what has the market been on that stock running since then?

Mr. WHITNEY. I think the high was somewhere in the fifties; selling about \$1 now.

Senator BYRNES. In other words, what he paid \$20 for is worth \$1 at this time?

Mr. WHITNEY. One to two dollars; right.

Mr. PECORA. What is that, sir?

Senator BYRNES. He said that sum which sold at 20 went as high as 50 at one time but is now selling at about a dollar a share.

Mr. WHITNEY. Nearer two.

Mr. BYRNES. Nearer two.

Mr. PECORA. Did you have any way by which you could foresee on February 1, 1929, that this stock in the year 1933 would be selling for a dollar per share or less?

Mr. WHITNEY. No, sir; any more than we had any way of foreseeing on February 15, 1929, it would sell at 50.

Mr. PECORA. But you know accurately and definitely and beyond all peradventure of doubt that on the date that this letter was written the stock was selling in the market on a when-issued basis at \$35 to \$37 a share, didn't you?

Mr. WHITNEY. And we also knew——

Mr. PECORA (interposing). I say, didn't you? Will you answer that?

Mr. WHITNEY. I just answered you. I was trying to.

Mr. PECORA. You said you also knew. You are going to tell me something apparently——

Mr. WHITNEY (interposing). Will you read what Mr. Ewing said in that letter? I will stand by that.

Mr. PECORA. With regard to that——

Senator ADAMS (interposing). I think the witness is entitled to make his own answer to the question.

Mr. PECORA. I would like to have him answer the question.

Senator BARKLEY. It is obvious from the letter that whoever wrote it knew that.

Mr. WHITNEY. I am perfectly happy to stand on what was written in the letter, if you will read it all.

Mr. PECORA. You have no reason to doubt that Mr. Ewing wrote this letter with a knowledge of the actual facts?

Mr. WHITNEY. Well, no, Mr. Pecora; you asked me, didn't you? I have no reason to doubt Mr. Ewing; but you asked me. I have already testified I did not know, of my recollection, what it was selling at. But I am perfectly happy to——

Mr. PECORA (interposing). Is Mr. Ewing here?

Mr. WHITNEY. I am perfectly happy to stand on that statement there as the fact, that it was selling at those prices on that date.

(Letter referred to attached to committee exhibit A, dated February 25, 1929, from J. P. Morgan & Co. to William H. Woodin, was designated "Committee Exhibit 11-A" and is in the words and figures following:)

J. P. MORGAN & Co.,
February 25, 1929.

WILLIAM H. WOODIN, Esq.,

Care of American Car & Foundry Co., New York, N.Y.

DEAR SIR: We acknowledge, with thanks, the receipt of your check to our order for \$20,033.33 in payment for 1,000 shares of Alleghany Corporation common stock (as par value) at \$20 per share, plus interest from February 15 to date.

We have deposited in your account the above stock, in temporary form, registered in our nominee's name.

Yours very truly,

Syn.-JJC-CMW

(Rubber stamp: Mailed Feb. 25, 1929, J. P. M. & Co.)

(Handwritten note: From file designated: "Alleghany Corp.—Jan. 31. '29—Sale of Common Stock.")

Mr. PECORA. Do you know whether or not letters substantially similar in form to this one addressed to Mr. Woodin were sent to any other of the gentlemen whose names are included in this list marked "Committee's Exhibit 10" in evidence at or about the time of the sending of this letter to Mr. Woodin?

Mr. WHITNEY. No, Mr. Pecora; my answer must be, because I have already testified that the great majority of these sales were effected through personal conversations. I do not say by that that there may not have been other letters written to people who might also have been out of town, but generally speaking it was a matter of personal discussion.

Mr. PECORA. Do you recall participating in any discussion among the partners at which it was decided to offer a thousand shares of this stock at \$20 to Mr. Woodin?

Mr. WHITNEY. No, sir.

Mr. PECORA. Do you know upon whose suggestion or recommendation this offering was made to Mr. Woodin at that time?

Mr. WHITNEY. I have already testified that for many years Mr. Woodin has been a personal friend of many of the partners.

Mr. PECORA. Were all of the persons whose names are included or shown in this list marked "Committee's Exhibit 10" of this date persons who also could be characterized as among the close friends of J. P. Morgan & Co.?

Mr. WHITNEY. I should assume that the great majority; yes.

The CHAIRMAN. Why would you offer this stock at 20 when the market was paying 25 and 27?

Mr. WHITNEY. Why, Senator, for I think two primary reasons. One of them, even though there might have been a quoted market at 35 or whatever it was, it did not amount to anything. We could not have had any confidence in it. In the second place, we did not desire to make any profit out of the sale. We arranged and discussed this distribution before there was any market. I have been advised by one of my partners here that trading did start some couple of days before that letter was written Mr. Woodin, which I did not know. The decision to dispose of this stock at 20 was arrived at among ourselves long before there was any quoted market, and we just as a matter of course in these things, in these private sales, dispose of them at cost to ourselves, because we did not desire to make a distribution on a profitable basis. In other words, it was quite distinct from our normal security issues.

Mr. PECORA. Mr. Whitney, you said the decision——

Mr. WHITNEY (interposing). Just a minute.

Mr. PECORA. I beg your pardon.

Senator COSTIGAN. May I ask why the profit motive was eliminated from this transaction as distinguished from other transactions?

Mr. WHITNEY. Because it is quite a different kind of a transaction. This is not in any sense a security in the ordinary sense of our security business as a public issue. We made no public issue in February. Securities purchased with our own money. It did not come under the security business in any way.

Senator COSTIGAN. Have you any objection to making a profit in a private transaction as well as in one of a more general nature?

Mr. WHITNEY. Not when certain friends and associates take the same risk at the same time with us.

Senator BARKLEY. Did your firm or any members of it participate in any purchase of that stock on the market after it was obtainable on the market prior to the writing of this letter?

Mr. WHITNEY. No, sir.

Senator BARKLEY. So as to boost the price?

Mr. WHITNEY. As far as I know, the firm of J. P. Morgan never purchased a share of stock around that time. I do not think any of the partners did. They had nothing whatever to do with the market.

Senator BARKLEY. You had nothing to do with the boosting of the price up to 35 in order that you might dispose of it at 20?

Mr. WHITNEY. Absolutely not.

Senator COUZENS. May I point out that it was not on the market when you offered it at 20, was it?

Mr. WHITNEY. Well, apparently it was. I answered earlier that I did not think it was, but I answered wrong, because I found out there was some market on it 2 days before we wrote this letter.

Senator BYRNES. At the time that you determined to sell at \$20 a share was it then quoted on the market?

Mr. WHITNEY. No, sir.

Senator BYRNES. And you say that you reached a determination as to a price at which you would offer it at the time it was quoted on the market at a much higher price, is that right?

Mr. WHITNEY. Previously. The determining factor in our reaching the price was the fact that it was cost to us.

Mr. PECORA. I did not get that, Mr. Whitney.

Mr. WHITNEY. I said the determining factor in fixing the price to these gentlemen in this list was the fact that it was cost to us, the same price, in other words, at which we had purchased it.

Senator COUZENS. What date did you determine the price?

Mr. WHITNEY. The letters are written, as I testified earlier, Senator, January 28. We entered into a contract with the Van Sweringens to purchase various of three classes of securities, among them these common shares, and that price was fixed then.

Senator COUZENS. In January?

Mr. WHITNEY. January 28.

Senator COUZENS. That was the time you decided to sell them at 20?

Mr. WHITNEY. Well, that fixes a definite date. That is the formal contract.

Senator COUZENS. And then sometime between 2 and 3 weeks after that you wrote these letters to your friends?

Mr. WHITNEY. Two or three days afterwards.

Senator COUZENS. The letter was dated February 15, I think.

Mr. WHITNEY. No; the payment was February 15. I think they read the date of that letter as February 11. February 1, wasn't it?

Senator COUZENS. What was the date of the letter to Mr. Woodin?

Mr. PECORA. February 1, 1929.

Mr. WHITNEY. It was paid for on February 15.

Senator COUZENS. The strange thing to me is that there were letters sent out later than that, and yet on February 1, the date of the letter to Mr. Woodin, it signifies that the market was then 35.

Mr. WHITNEY. Well, sir; I think I can explain that. I think the day or 2 days before, the 30th or 31st—I will see if I can get it to

be sure I am right—another one of these three classes of securities involved the sale, public sale by the Guaranty Co., of certain shares of preferred stock, which really was at the same time as the announcement of this corporation, and they immediately started what they called “a when-issued market” for the common shares, so there was a spurt just practically between those 2 days when it first appeared at all in the market.

Senator COUZENS. Have you had many transactions of like character where you sold your stocks at cost?

Mr. WHITNEY. Well, he is going to show you, I think, 3 or 4 others, and in all but 1 of these the sale was also the cost. There is one that has quite a different set-up, which I will explain at the time.

The CHAIRMAN. You made some commission or profit?

Mr. WHITNEY. Not a cent.

The CHAIRMAN. Or some return on it?

Mr. WHITNEY. Not a cent; no, sir.

Mr. PECORA. Didn't you personally acquire for your individual account, though, at \$20 per share a block of this stock?

Mr. WHITNEY. Certainly, as set forth in this list.

Mr. PECORA. How many shares?

Mr. WHITNEY. May I do a little mathematics?

Senator ADAMS. Fourteen thousand, it shows on that list.

Mr. PECORA. Fourteen thousand shares, according to this list. You, individually?

Mr. WHITNEY. Yes.

Mr. PECORA. And you sold some or all of those shares in the market on your individual account?

Mr. WHITNEY. Yes.

Mr. PECORA. Do you recall when you first commenced to sell any of them in the market?

Mr. WHITNEY. No, sir; I do not.

Mr. PECORA. Was it shortly after the issue?

Mr. WHITNEY. No, sir.

Mr. PECORA. How long after, according to your best recollection?

Mr. WHITNEY. I could not tell you; I really do not know. It was not shortly after. It may have been 6 months later. I know when I sold the most of them.

Mr. PECORA. When you sold them on your individual account in the open market, any of the block of 14,000 shares that you received, did you sell at a price in excess of \$20 per share?

Mr. WHITNEY. Some of them; yes.

Mr. PECORA. When you first sold?

Mr. WHITNEY. Oh, yes. But Senator Fletcher's question was that J. P. Morgan & Co. must have made some brokerage profit of some kind and I answered no. I think you started off on my own personal venture.

Senator TOWNSEND. Would you care to state when you sold most of your shares?

Mr. WHITNEY. I really do not know. I sold some, but I do not remember how many.

Mr. PECORA. According to an analysis of records which were made available to one of my examiners or auditors I am informed that you sold during the year 1929 for your individual account, 8,145

of these shares at 32, resulting in a profit to yourself of \$229,411.32. Does that conflict with any recollection of yours?

Mr. WHITNEY. I do not remember anything about it.

Mr. PECORA. Does it conflict with any recollection you now have that you sold a substantial number of these shares in 1929 at a substantial profit to yourself?

Mr. WHITNEY. It does not conflict with something I have not got, obviously, because I have no recollection. If you have anything there that your examiners have found about my personal sales, it would be very interesting to me to see it.

Mr. PECORA. Suppose I show you what purports to be a photostatic copy of a schedule attached to your income-tax return for the calendar year 1929 and from which I read the following entry—

Mr. WHITNEY. Are you introducing that?

Mr. PECORA. No; I am just reading it to see if it refreshes your recollection.

Mr. WHITNEY. It will not refresh my recollection. But read it.

Mr. PECORA. Let me try. Let me read it to you. Perhaps it will.

Mr. WHITNEY. Please.

Mr. PECORA. Under the schedule showing sales of securities during the calendar year 1929 I find the following entry:

Eight thousand one hundred and forty-five shares Alleghany Corporation, common, proceeds of sale, \$392,311.32. Date acquired, February 15, 1929. Cost to you, \$162,900. Profit to you, \$229,411.32.

Will you look at the document from which I have just read and see if it refreshes your recollection?

Mr. WHITNEY. I have no knowledge of this.

Mr. PECORA. Won't you please look at it?

Mr. WHITNEY. Will you identify where it is checked?

Mr. PECORA. It is checked there.

Mr. WHITNEY. Mr. Pecora, you hand me a piece of paper which you say is a photostatic copy of an income-tax return of mine. I do not deny it is true, but I do not know anything about it. I have no knowledge that I did not sell it; and if you would like me to find my own copy of my tax return or my own statement, I am perfectly ready to do that. I do not remember, and I am not going to pretend to remember, any transactions I had in the year 1929. If this is a correct statement, I am perfectly ready to stand by it; but I have no knowledge of it.

Mr. PECORA. Let me say that this purports to be, and to my best knowledge and belief is, a photostatic copy—

Mr. WHITNEY. Oh, I do not doubt that.

Mr. PECORA (continuing). Of schedule attached to your income tax return for the calendar year 1929 as the same is on file in the office of the Bureau of Internal Revenue, and, further, that that photostatic copy was furnished by that Bureau.

Senator BYRNES. What objection would you have to looking up your return and putting it in the record?

Mr. WHITNEY. I have not the slightest objection.

Mr. PECORA. Would you prefer to refer to your own copy of your income tax return?

Mr. WHITNEY. I would be delighted to find it, which I can very easily do by referring to my own records up there.

Mr. PECORA. Will you refer to them?

Mr. WHITNEY. I will. You asked me a question predicated on that sale.

Mr. PECORA. No; I am trying to get from you some acknowledgment as to whether or not such a sale was made by you.

Mr. WHITNEY. I will find out.

Mr. PECORA. Can you find out now? Are your records available to you?

Mr. WHITNEY. I have none available now.

(Exhibit 9, a portion of which was read by Mr. Pecora during the examination of Mr. Whitney, is here printed in the record in full, as follows:)

JANUARY 28, 1929.

MESSRS. J. P. MORGAN & Co.,
New York City.

DEAR SIRs: We propose to form a new corporation (to be called the "Alleghany Corporation") for the purpose of purchasing and owning certain stock interests in various companies, largely companies owning or controlling railway properties, which holdings are now owned either by the Vaness Co., General Securities Corporation, or by ourselves individually, with full power to such corporation to sell and reinvest from time to time as the directors of the new corporation may determine.

The stock interests to be acquired by the new corporation and the proposed capitalization in such new corporation are to be substantially as set forth in schedule A, attached hereto. The terms (not expressly provided for in said schedule A) and validity of the charter of the new corporation, of the stocks, the purchase warrants and the bonds to be authorized and of the indenture under which the bonds are to be issued, and the form of any and all corporate proceedings in connection with the transactions outlined in said schedule A and herein, shall be subject to the approval of your counsel.

This is to confirm the agreement between ourselves and yourselves as follows:

1. We will cause the new corporation to contract to sell and to deliver to you upon the terms and conditions herein set forth, and you are to agree to purchase, the \$35,000,000 principal amount of 5 percent bonds described in schedule A for an aggregate price of \$32,575,000 (being approximately 93.02 percent of the principal amount), plus the amount of interest accrued to the date of the payment of the subscriptions for such bonds made upon the public offering which you are to make or cause to be made as below indicated.

It is understood by us that you purpose to form a syndicate which on or before February 8, 1929, will make a public offering of the bonds subject to due issue and the receipt thereof by you from the corporation, and that you purpose to call for payment to yourselves of the subscriptions for such bonds at the offering price on such date (not later than February 23, 1929) as you shall determine, and to issue to the subscribers making such payments bonds in temporary form (or your interim certificates evidencing interests in such temporary bonds) or, in case temporary bonds shall not have been theretofore delivered to you, you may deliver your interim receipts entitling the holders thereof to the delivery of the bonds therein specified when issued and received by you as aforesaid.

Upon delivery to you by the corporation on or before February 28, 1929 (but not earlier than the date of payment of subscriptions upon the offering) of the bonds in temporary or definitive form, you forthwith shall pay to the corporation the purchase price therefor plus, in case you shall have theretofore delivered your interim receipts, $2\frac{1}{2}$ percent per annum upon such purchase price from the date of payment of subscriptions upon the offering.

It is understood further that in case you shall have delivered your interim receipts as aforesaid, you are to retain, pending the receipt by you of the bonds, the amount of the subscriptions received by you for the benefit of the holders of your interim receipts, and in case for any reason the corporation shall not be able to make delivery of the bonds as aforesaid on February 28, 1929, or any later date agreed upon by the corporation with you, then you shall be relieved, at your option, from all obligation hereunder and the undersigned (we) will pay to you such sums as when added to the subscription price received

by you from subscribers for the bonds together with the interest thereon to be allowed by you at the rate of $2\frac{1}{2}$ percent per annum from the said subscription-payment date, will enable you to repay to the holders of your interim receipts the subscription price for the bonds, plus interest on the principal amount of the bonds at the coupon rate from the subscription-payment date to the date when such moneys are so repaid to such holders, the intent being to protect the subscribers for the bonds and their assigns from losing the income from their investment because of the failure of the corporation to make delivery of the bonds as provided herein; and also (b) will reimburse to you the amount of any out-of-pocket expenses (including counsel fees) incurred by yourselves or by any syndicate which you may form in connection with the issue.

2. We will cause the new corporation to issue and to sell to you or to your assigns \$25,000,000 par value of the cumulative $5\frac{1}{2}$ percent preferred stock series A, more fully described in schedule A, at \$100 per share plus the amount of any accrued dividend, and in connection with such stock to sell and deliver to you, for the further consideration of \$375,000 in cash, common stock purchase warrants described in said schedule A collectively entitling the holders to purchase at \$30 per share in cash 375,000 shares of the common stock of the corporation. It is understood that in the first instance such warrants shall be attached to the certificates of the series A preferred stock so that the holders of such preferred stock respectively will have a warrant for the purchase of one and one half shares of the common stock for each share of such preferred stock held by him; such warrants to be nondetachable except upon redemption of preferred stock, all as set forth in said schedule A.

3. Of the 3,500,000 shares of common stock to be initially issued, we will cause the new corporation to sell to you 1,250,000 of such shares at \$20 per share, payable in cash. This stock is to be purchased by you for your own account, but you are to be free to resell such stock in such manner and at such price as may seem to you advisable.

4. Delivery of and payment for said series A preferred stock and said common stock, shall be made at your office in the city of New York, or at such other place in the city of New York as you may designate, on February 15, 1929, or on such subsequent date, not later than March 1, 1929, as you may determine. Delivery shall be made in the form of temporary printed certificates in such names and amounts as you may designate. Such temporary certificates shall be exchangeable for definitive certificates without expense to the holders.

5. In case for any reason the corporation shall not be able to make delivery of such series A preferred stock or such common stock on the date on which delivery is due, then you shall at your option be relieved from all obligation hereunder and in such case the undersigned will pay to you the amount of any out-of-pocket expenses (including counsel fees) incurred by yourselves and by any others who may have underwritten the resale of such series A preferred stock or common stock, in connection with the marketing thereof by them.

6. We will cause the corporation to make application to have listed on the New York Stock Exchange the above-described bonds, series A preferred stock, common stock and stock-purchase warrants, and to bear the cost of such listing, and if the corporation is unable for any reason to obtain any such listing it will make application to have the securities not so listed listed on the Boston Stock Exchange, and will bear the cost of such listing.

7. We will cause the corporation to furnish on request all such information and to cooperate generally to the end that the bonds, series A preferred stock and common stock, may be qualified for sale under the laws of any jurisdiction in which you or any others who may have underwritten the resale of any of such securities shall desire to offer the same for sale.

8. We agree that the corporation will deliver to you and to any others who may have underwritten the resale of any of such securities, letters signed by the president of the corporation, in form mutually satisfactory, containing information concerning the corporation and its said securities, which letters may be used by you or your associates or such underwriters in connection with any offerings of such securities.

9. We are to deliver to you as part consideration for your obligation under this contract out of the warrants for the purchase of 1,725,000 shares of common stock, described in schedule A, deliverable to us in connection with our purchase of 2,250,000 shares of common stock, warrants for the purchase

of 375,000 shares, which warrants you are to be free to sell or to retain and to exercise as and when you so desire.

The agreement herein set forth has been and is made for the benefit solely of yourselves and the undersigned, and may be amended or altered at any time as we shall agree; and no holder of any of the bonds or stock of the corporation referred to in this agreement shall acquire any rights under or by virtue of this agreement, or any rights other than those evidenced by such bonds and stock as issued by the corporation.

Will you kindly confirm that the agreement between us is as above expressed?

Yours truly,

O. P. and M. J. VAN SWERINGEN.

Confirmed January 28, 1929.

J. P. MORGAN & Co.

Senator GOLDSBOROUGH. I move we take a recess until 10 o'clock tomorrow morning.

The CHAIRMAN. The committee will take a recess until 10 o'clock tomorrow morning.

(Thereupon, at 3:10 p.m., an adjournment was taken until 10 a.m. the next day, Thursday, May 25, 1933.)

STOCK EXCHANGE PRACTICES

THURSDAY, MAY 25, 1933

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON BANKING AND CURRENCY,
Washington, D.C.

The committee met, pursuant to adjournment on yesterday, at 10 o'clock a.m., in the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Glass, Barkley, Costigan, Townsend, and Couzens.

Present also: Senators Bulkley, Gore, Byrnes, Bankhead, McAdoo, Adams, Goldsborough, Kean, and Steiwer.

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver, David Saperstein, and James B. McDonough, Jr., associate counsel to the committee; John W. Davis, counsel for J. P. Morgan & Co.; Randall J. LeBoeuf, Jr., and Earle J. Machold, counsel for the United Corporation and for George H. Howard, president of the United Corporation.

The CHAIRMAN. Let us have quiet, please. The committee will come to order. Mr. Whitney, resume the stand. You may proceed, Mr. Pecora.

Mr. PECORA. Mr. Whitney—

Senator McADOO (interposing). Mr. Chairman, I want to put a statement in the record.

The CHAIRMAN. All right, Senator McAdoo.

Senator McADOO. When the United States entered the World War in 1917, I selected Russell C. Leffingwell, of New York, to be counsel for the Liberty bond issues. He was a member of a prominent law firm in New York, versed in these particular matters. I had known him as a young man—his family and mine having lived across the street from each other at Yonkers, N.Y.

Subsequently, because of Mr. Leffingwell's ability, I made him an Assistant Secretary of the Treasury, a place he filled with great ability and distinction. When I left the Treasury in 1918, Mr. Leffingwell remained with my successor, Mr. Carter Glass, and also I believe with Mr. Glass' successor, Mr. David F. Houston.

After leaving the Treasury, he became a partner of the firm of J. P. Morgan & Co.

Ten years after I resigned as Secretary of the Treasury, and 4 years before I became a United States Senator from California, Mr. Leffingwell offered me the opportunity of making three investments through his firm, J. P. Morgan & Co.

(1) February 1929, 500 shares of the stock of the Alleghany Corporation, which I paid for in cash and which I sold at a net profit of \$4,900.

(2) January, 1929, 250 shares of common and 250 shares of preferred stock of the United Corporation, which was sold at a loss of approximately \$400.

(3) September 1929, 1,000 shares of Standard Brands, which was sold at a loss of \$7,065.

The net loss on these transactions was \$2,565.

I have never been a "preferred client" of J. P. Morgan & Co. The participations to which I have referred came to me solely through my friendship with Mr. Leffingwell. Prior to this time I had never had a transaction with the firm of J. P. Morgan & Co., nor have I had any transaction with the firm since. I have never borrowed from J. P. Morgan & Co. and, therefore, have never owed them anything.

Mr. Chairman, I do not consider it necessary for me to make this statement, but I make it solely because of the misleading articles which have appeared in the press, and which are attempting, through headlines and otherwise, to impart some sinister feature into perfectly proper business transactions conducted by the Morgans on the one hand and myself on the other, within our rights and not subject to the least criticism.

The CHAIRMAN. The statement will be spread on the record. The persons who are here as our guests or spectators or otherwise will remain quiet or get out. That is all there is to it. You must all keep quiet and not move your chairs around, which moving of chairs makes a noise like a moving railroad train. Some of you do not seem to care anything about the noise you are making. You must be quiet or we will be forced to clear the room in order that we may go along with our proceedings.

Now you may proceed, Mr. Pecora.

TESTIMONY OF GEORGE WHITNEY, A PARTNER OF THE FIRM OF MORGAN & CO., NEW YORK CITY—Resumed

Mr. PECORA. Mr. Whitney, is there a standing list or record in the office of J. P. Morgan & Co., or in the possession of any of its partners, which gives or shows the names of the close friends of J. P. Morgan & Co. who were invited from time to time to subscribe to various issues that J. P. Morgan & Co. were identified with?

Mr. WHITNEY. No, sir; and I wish to say that—

Mr. PECORA (interposing). Whenever there was—

Mr. WHITNEY (interposing). Mr. Pecora, may I interrupt? There were one or two things brought up on yesterday that I did not know the answer to. May I tell you the answers to those now, in order to clear up the record?

Mr. PECORA. What are they?

Mr. WHITNEY. Well, one of them is the question of my own personal sales. And there were 1 or 2 things that I found in checking up I had given wrong information about. For instance, stock selling on February 1. It won't take but a minute.

Mr. PECORA. All right; go ahead.

Mr. WHITNEY. This particularly refers to a question that Senator Couzens asked me on yesterday, as to when the market—well, you will recall, Mr. Pecora, that you asked me, and that Senator Couzens asked me afterward, when the open market began. I have had that record searched overnight, and apparently it was on the 1st day of February, which was the date that the Guaranty Co. made a public offering of the 500 shares—

Mr. PECORA (interposing). You mean 500,000 shares.

Mr. WHITNEY. Yes; I beg pardon, 500,000 shares of Alleghany Corporation common stock at 24 was made. There was created on the New York Stock Exchange what they call a “when issued” market. February 1, that was. So that that was the first day, so far as any record shows, when there were any quotations of any kind. On that date the prices—well, they opened at 37, and the high was 37, and the low was 32½, and it closed at 33. So the figures that were quoted in the letter introduced on yesterday were correct. That was the first day when there was any trading whatever. And they ranged along—well, 37 as a matter of fact, the opening sale, was the highest price at which they sold for a long time—I mean through the month of February.

Senator KEAN. Mr. Whitney, I should like to correct one statement that you made: It was not listed.

Mr. WHITNEY. No. It was on a “when issued” basis. It was not issued until February 15. It was on a “when issued” basis as to date of payment.

Mr. PECORA. The trading on the exchange from February 1 to 15 was on a when-issued basis.

Mr. WHITNEY. Right.

Mr. PECORA. When was application made on behalf of the issuing corporation to sell its securities on the New York Stock Exchange?

Mr. WHITNEY. On a definite basis?

Mr. PECORA. Yes.

Mr. WHITNEY. I assume it was as soon as the corporation was formed.

Mr. PECORA. That was prior to February 1, 1929.

Mr. WHITNEY. Oh, undoubtedly. Of course we—well, it was undoubtedly prior, although I do not know the definite answer to that question.

Mr. PECORA. Were any restrictions of any kind placed or even suggested by J. P. Morgan & Co. upon the right of any of the individuals to whom an invitation was extended to subscribe to the stock at \$20 a share?

Mr. WHITNEY. No, sir.

Mr. PECORA. So that any one of those individuals who availed himself of that subscription right could have disposed of the stock allocated to him in the open market and would have reaped a very substantial profit. Isn't that so?

Mr. WHITNEY. I will answer—of course, the answer to the first part of your question is yes, there were no strings to it. The answer to the question, Could they have done that? is yes. If they had taken advantage of the market they would, undoubtedly, on the prices, have made a very substantial profit. But this question on yesterday, particularly from Senator Couzens, had to do with when

we had our discussions and what the prices were. As I testified on yesterday, those conversations in which the stock was offered were prior to when there was any listed market. So, in a great majority of the cases, when people were available and could be reached, we offered it and they accepted it without any basis of any possible future market profit there might have been. The mere fact that there was a market created subsequently was not in their minds or in ours.

Senator COUZENS. In the letter to Mr. Woodin, it specifically stated that the market was 35 or 37.

Mr. WHITNEY. Yes, sir. Mr. Woodin was away. We tried to reach him but could not, and that letter was sent February 1 to reach him. That was one of the few cases which was done in that way. I told you on yesterday I did not know how many were done without personal conversation, but I would say relatively few. I have not checked it.

Senator COUZENS. It would be much more tempting written in that way.

Mr. WHITNEY. Well, it so happened that the one that Mr. Pecora produced on yesterday was one of the cases after the fact—in other words, that was merely by reason of the accident of his absence.

Mr. PECORA. Wasn't that same accident repeated in other instances where you communicated with any of those gentlemen by mail? In other words—

Mr. WHITNEY (interposing). Obviously—

Mr. PECORA (continuing). Didn't you say that your firm—

Mr. WHITNEY (interposing). Excuse me, Mr. Pecora—

Mr. PECORA (interposing). What was that?

Mr. WHITNEY. Mr. Davis told me simply not to interrupt your question.

Mr. PECORA. In other words, didn't you or your firm in writing to the various individuals at that time who could not be reached by telephone or by personal contact, write a letter to such individuals substantially in the same form if not in the identical form of the letter to Mr. Woodin that was read into the record on yesterday?

Mr. WHITNEY. I should think not.

Mr. PECORA. Will you kindly look at your own correspondence files, Mr. Whitney, and examine them for the purpose of making sure of that?

Mr. WHITNEY. Well, I will; yes, sir. But I think—

Mr. PECORA (interposing). Will you do that?

Mr. WHITNEY. Now?

Mr. PECORA. Certainly. Let us clear up the matter now, so that tomorrow you will not have occasion to have to clear up something.

Mr. WHITNEY. Haven't you the letters here, Mr. Pecora, to which you refer. I do not say there are not other letters, because I understand there was another somewhat exactly similar letter written by Mr. Ewing to a friend of his.

Mr. PECORA. Haven't you the correspondence file of the firm here relating to this issue?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. All right.

Mr. WHITNEY. Do you want me to clear up the other matter while they are looking for that?

Mr. PECORA. You may clear up anything you wish.

Mr. WHITNEY. Mr. Pecora, I am advised that we have here only letters and correspondence files of which you asked and received photostatic copies. I am also advised that there are three letters of this general character. As to this letter I speak of, written by Mr. Ewing, that is one of them; and another letter written by another one of the partners, Mr. Anderson, to a friend of his. These, however, and Mr. Anderson's letters are not identical with this at all. I can produce those if you wish. We have not brought the file of correspondence. We only brought, as I thought it was understood, those that you took photostats of. These are the only three, I am told, that are here. I do not speak of my personal knowledge, but am told they are the only three along this line.

Mr. PECORA. Well, I thought the understanding was that you would not have to produce the originals of any documents of which we had photostatic copies, but that you were to produce, in response to the subpoena served upon you, the original documents or records called for as to which we had no photostatic copies.

Mr. DAVIS. May I answer that, Mr. Pecora?

Mr. PECORA. If you think it necessary.

Mr. DAVIS. You know, and so do I, that your investigators were given all those correspondence files; that they went through them at length, page by page, and letter by letter; that you requested us to furnish you with photostatic copies of certain designated letters, which we very willingly did. You have those photostats. Now, certainly if you had wanted any other letters from those files you should have told us about them, instead of having to encumber this hearing room with a truck load, or what you will, of correspondence files, which as you know occupy in toto something like three large filing cabinets.

Mr. PECORA. Now, Mr. Davis, a subpoena was served upon your clients to produce certain specified documents and records and files. I had a conversation with you over the telephone prior to the first day of the hearing and toward the latter part of last week, in New York City, in which I said, in substance—or I may have had it with a member of your firm—

Mr. DAVIS (interposing). You had it with me.

Mr. PECORA. All right, sir. In which I said, in substance, that in responding to the subpoena duces tecum it would be agreeable to us if you did not produce the originals of any documentary evidence of which we had photostatic copies. And in view of the fact that your firm, or your client, took for itself as I understand it a copy of every document with respect to which we requested a photostatic copy, I naturally assumed there could be no disagreement or misunderstanding as to just what documents we had photostatic copies of.

Mr. DAVIS. Very good. Then there is not the slightest misunderstanding.

Mr. PECORA. There is, because our subpoena called for the production of the correspondence file—

Mr. DAVIS (interposing). Well, I will say—

Mr. PECORA (continuing). With regard to this issue; not only those portions of which we had photostatic copies.

Mr. DAVIS. Very well. If you will kindly indicate to us any letter in those files which you want produced, it will be produced. If your examiners will tell us what letters there are that you want, they will be readily produced. What you are now asking us to do is simply to do what your examiners have been doing in our office for the last 3 months—rereading these letters and to see if we can find any letters which, apparently, they did not find, of the character which you are asking about. That is not a proper demand under any subpoena, and counsel for the committee must know it.

Mr. PECORA. Well, Mr. Davis, we won't go into a discussion at this time of how long the examiners in the employ of the committee were there going through your office, or your client's office, because considerable more could be said as to just what privileges were accorded with regard to an examination of the documents and records that they wished to examine.

Mr. DAVIS. You are welcome to say on that subject anything you please.

Mr. PECORA. And I will do it at the proper time, but I do not want to encumber this record with it now, or delay the hearing.

Senator BYRNES. Mr. Chairman, cannot we find out what letters are desired, and if so, make it known to Mr. Davis in response to his statement, and see to it that he produces the letters counsel for the committee wishes?

Mr. PECORA. All letters that were written on behalf of the firm of J. P. Morgan & Co., or Drexel & Co., or by any of their members, to any individual or corporation inviting subscription to the shares of the Alleghany Corporation, United Corporation, Standard Brands, Inc., General Motors Corporation, and the Johns-Manville Corporation.

Senator GLASS. Mr. Pecora, why didn't your men get those letters when they were over there going through those files?

Mr. PECORA. Senator Glass, I will state that our examiners covered all material it was physically possible for them to cover in the limited time at their disposal. I asked permission for our examiners to remain in the office of J. P. Morgan & Co., during the 6 or 7 weeks we were in there, until 12 o'clock at night. But we were limited to 6 p.m. That curtailed our work very considerably.

Senator BYRNES. Mr. Davis, why can't you comply with that request? Is it because the files are so bulky that they cannot be brought here?

Mr. DAVIS. Quite true.

Senator BYRNES. Do you mean letters written inviting subscriptions to Alleghany Corporation, General Motors Corporation, and other stocks?

Mr. DAVIS. Relating solely to the question of those particular subscriptions, no. What I am suggesting, and what I state on my personal responsibility, is that the investigators of Mr. Pecora had all those files, and they turned them over letter by letter and page by page. Now, if it is the desire of the committee that we respond, in effect, to a general subpoena, we are perfectly willing to do it. If I am assured that the committee wants physically brought down here and laid upon this table all the correspondence files relating to this subject—which, as I tell you, have already been combed in

Senator GLASS. Well, I do not think that the implication ought to remain on the record, Mr. Davis, that your concern concealed from those examiners letters of an allegedly incriminating nature. If Mr. Pecora has any letters in mind, if any of his examiners discovered any letters of which they failed to take copies, why, I think J. P. Morgan & Co. ought to be required to furnish them.

Senator COUZENS. Mr. Chairman, I move that we defer action on this matter until Mr. Pecora can present a list which this committee may present in the house of Morgan of such papers as he wants.

Senator GLASS. We have already placed in the record, as I am told, but I was not here on yesterday afternoon, being engaged in the Senate, a list of the persons who were invited to participate in the subscription to these various stocks.

Mr. PECORA. Just the Alleghany Corporation.

Mr. PECORA. May I say in answer to that: Because of limitations of time that were imposed by J. P. Morgan & Co. upon our examiners and accountants, we were not able to make that kind of examination of their records, and files, as we desired to make. The firm of J. P. Morgan & Co. is the only firm of private bankers now under investigation by the committee and the committee's counsel which denied our employees the right to remain in their business offices engaged in this investigation and examination of their records after 6 o'clock p.m.

When we asked for the photostatic copies of documents that we placed our hands on there were occasions when several days elapsed before those photostatic copies of documents were given to us, although the photostatic plant is right in the office of J. P. Morgan & Co.

Mr. DAVIS. Mr. Chairman, that statement I think demands some comment from me. I should be very sorry if the time of this committee were occupied by disputes of counsel, or any questions of veracity between the counsel for the committee and myself. But I cannot let a statement of the character that counsel has made go unchallenged. Let me tell the committee exactly what transpired.

On the 23d day of March, as I think it was, we received from Mr. Pecora a questionnaire of 23 questions of the most extensive and varied character, calling for the survey of all our records to make reply. We worked on that intensively day and night, and

furnished him on the 17th day of April the complete answers to all his questionnaires which has formed the basis so far of practically all his examination on this hearing.

A week later he advised me that he would like his investigator to be given access to the original documents, papers, ledgers, and books of account of the firm. We provided him with a commodious and comfortable room for that purpose. We sent down to them every book, paper, document, account that they asked for. They were permitted to enter there at 9 o'clock in the morning, or earlier if they chose. After they had been working some time Mr. Pecora asked that they might stay on until midnight. At the same time every day we were receiving from him additional written requests for additional statistical information up, I think, to the aggregate number of something like 50 different statistical questionnaires. And every night our staff was occupied in satisfying those requests. I told Mr. Pecora, and I make no apology for it, that it was wholly unfair and in my judgment wholly unnecessary to expect the men whom we had detailed to assist in this investigation to stay with him all day and stay with him until midnight, and remain up, if you please, the rest of the night satisfying his additional demands.

So far as the photostatic assertion is concerned, Mr. Pecora communicated that complaint to me over the telephone. I communicated, through my assistants, with his investigators, and they reported to me that the complaint had no real foundation, and that they were getting their photostats as promptly as they needed them. That is the report I received. And I am not willing this committee or this audience shall have the impression we did not through this investigation give Mr. Pecora the degree of assistance and cooperation which in my humble judgment could not possibly have been exceeded.

Senator COUZENS. Mr. Chairman, I insist upon my motion now.

The CHAIRMAN. I think we understand the situation. I see no reason why Mr. Pecora cannot go on and ask Mr. Whitney in a general way about this correspondence, if he wants to pursue that, and take time to specify what he is requested to produce, if he needs to produce anything more.

I do not believe we need every letter that has been written and every reply that has been furnished to people. I do not think we want to encumber the record with all that. You have got one letter here. That was understood to be somewhat the kind of letter that had been sent out. Now, if there is a different form of letter used somewhere else in some other instances, let us put in that kind of a letter, and let it stand as a sort of a type, if you want. But we do not want all of the letters that have passed between the Morgan house and everybody else with whom they have had any dealings with respect to these stocks, it seems to me.

The motion is to defer—

Senator COUZENS. The motion is to defer action and permit Mr. Pecora to furnish the committee the list, and then the committee will pass on whether they want the list.

The CHAIRMAN. Yes. All in favor say "aye." Opposed "no." The ayes have it.

We will go on without regard to that, and you can get that up later, Mr. Pecora.

Senator COSTIGAN. If it is not possible for Mr. Pecora to provide such a list I trust he will so inform the committee.

The CHAIRMAN. Yes.

Mr. PECORA. In proceeding with the examination of the witness I do not want it to be understood on the record that the record is complete with the statement of Mr. Davis as to just the circumstances under which we were permitted to examine their records.

Senator COUZENS. Well, the committee is not here to determine the statements of the two counsel.

Mr. PECORA. May I suggest the stenographer read the last question and answer?

(The reporter taking notes at the moment stated that the reporter who had taken the last question and answer had been relieved by him and was not present.)

Mr. WHITNEY. I think, Mr. Pecora, the last thing that happened was I said, "Well, I will go over this other question of my personal sales while we are waiting."

Mr. PECORA. Have you reviewed your data?

Mr. WHITNEY. I have; yes, sir. And I incidentally found that the statement you showed me yesterday was a photostat of some of our own records, which shows the familiarity that I have with our income-tax department. My records show, Mr. Pecora, that I acquired through the exercise of rights and through this original subscription a total of 14,260 shares.

Senator ADAMS. A little louder, please.

Senator McADOO. Yes. It is very difficult to hear you.

Mr. DAVIS. If you will face the stenographer, Mr. Whitney, you will be facing the middle of the table, and the Senators at each end can hear equally well.

Mr. WHITNEY. I acquired 14,260 shares of Alleghany common stock during the year 1929, which includes 12,400 shares of the 14,000 that were on that list. The total cost of those shares was \$285,508.82.

I sold in July 1929, 6,145 shares. I sold in September 1929, 2,000 shares. Which makes the total amount that you inquired of yesterday, Mr. Pecora, 8,145 shares which I sold for a total of \$392,311.32, which results in the profit that was shown, that you mentioned yesterday, of approximately \$229,000. The average price of that was not 32, as you stated yesterday, but approximately 48.

I then sold in 1930, 4,000 shares more for a total of \$28,977.50; in 1931, 2,000 shares at \$10,345, and I still hold 115 shares.

So my gross profit on the whole transaction was \$146,125, although I declared a profit in 1929 of \$229,000 profit in my income-tax return.

The CHAIRMAN. What was the peak of that stock?

Mr. WHITNEY. I think it sold at something like 57.

The CHAIRMAN. When?

Mr. WHITNEY. At some time.

Mr. PECORA. How long after these individuals were invited to subscribe at 20 did it sell at a peak of about 57?

Mr. WHITNEY. I would not know. I think in the summer. I am told it was about 5 or 6 months. The 37 price that it sold at on February 1 was the high price up through—this is as far as this paper goes—through March 1929. I subscribed for rights to the stock in June 1929.

Senator BARKLEY. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Senator BARKLEY. How much was the total issue of the Alleghany stock?

Mr. WHITNEY. Three million, five hundred thousand shares.

Senator BARKLEY. And your firm took what amount?

Mr. WHITNEY. One million two hundred and fifty thousand.

Senator BARKLEY. A million and a quarter. Leaving roughly 2,000,000 shares.

Mr. WHITNEY. Two and a quarter million shares.

Senator BARKLEY. Two and a quarter million shares.

Mr. WHITNEY. Were received by the organizers of the Alleghany Corporation in exchange for certain changes that made the portfolio of Alleghany—I mean it was received in exchange for that.

Senator BARKLEY. How many shares were traded in on the stock exchange?

Mr. WHITNEY. I do not know, Senator, without looking it up. I have not inquired. Do you mean during the year?

Senator BARKLEY. Well, during this period in which you and your partners held the stock that you had originally bought.

Mr. WHITNEY. Well, I do not know about my partners. I am just speaking, of course, of my own personal shares which I sold in July, and I have not checked up how many shares were sold between February 1 and July.

Senator BARKLEY. What I am trying to arrive at is the question of whether your firm owned a sufficient number of shares so that the outstanding shares that would be traded in on the market would be comparatively so small as to make it easy to boost the price?

Mr. WHITNEY. Well, I testified yesterday, Senator, that of the 1 million and a quarter shares which we purchased at 20 we immediately disposed of, to individuals of various kinds, including partners, all but 175,000 shares. So there were disposed of to individuals, with complete freedom of action, all but 175,000 of the million and a quarter shares acquired by us.

Senator BARKLEY. You do not know how long any of the partners kept those shares before they disposed of them?

Mr. WHITNEY. I haven't any idea.

Senator GORE. Did you say that you disposed of 175,000 shares to individuals, or disposed of all but 175,000 shares?

Mr. WHITNEY. Excuse me, Senator, I did not hear.

Senator GORE. Did you say that you disposed of 175,000 shares to individuals, or disposed of all but 175,000 shares to individuals?

Mr. WHITNEY. No, we disposed of originally, immediately after purchase, as is set forth in the list that was put into evidence yesterday, all but 175,000 shares, which the firm as a firm retained.

Senator GORE. I see.

Senator ADAMS. Mr. Whitney, was the Alleghany company an old company or a new company? I am quite ignorant of it.

Mr. WHITNEY. Well, Senator, that was the next thing I would like to explain from yesterday, because I found that in my testimony in answer to various questions from Mr. Pecora and the Senators, there would seem to be a little bit of confusion, and I would like to explain a little bit just as to the origin of this corporation.

In answer specifically to your question, the Alleghany was a new corporation. As Mr. Pecora read yesterday in a contract letter the Messrs. Van Sweringen undertook in that contract letter to form a corporation, and perhaps to make the story a little bit clearer it might be of interest to the committee to explain a little bit what the Alleghany Corporation was.

The Messrs. Van Sweringen for 8 or 10 years prior to the formation of the Alleghany Corporation had been working steadily towards the goal of trying to work in conformity with the Interstate Commerce Act of 1920 which permitted consolidations, and they had gradually been acquiring securities in what has now been approved by the Interstate Commerce Commission as one of the four eastern trunk lines. During this acquisition they had formed in the first instance the Chesapeake Corporation, which held stock of the C. & O. Railroad, which is today the main spring, the main stem of this fourth consolidation, the fourth eastern trunk line.

We first became acquainted with them as far back as 1916, and from 1920 on we had had a great faith in their aim of trying to build this railroad system. We believed they were excellent operators of railroads, and their records with the roads they have got now have certainly proven that. In other words, the Chesapeake & Ohio Railroad, as you all know, is one of the few properties that has continued to be able to earn and pay its dividends during these 3 very unhappy years we have just gone through.

We have had business relations with them for a great many years. We have believed in them, as I said. We have believed it was in the interest of the country, it was in accordance with the law of the Congress, this consolidation of railroads, and as you undoubtedly remember, there was a report made by the Interstate Commerce Commission, one in which they refused to approve a so-called "Nickel Plate merger" of these roads, although they did say that the general grouping of the roads they thought was in the public interest, but that they would not approve the detail of the plan as set forth at that time.

Subsequently, in 1929, just after this particular transaction we were discussing yesterday, they did approve the C. & O. purchasing the Pere Marquette, and did approve the theory of that consolidation, but not also certain details of their acquisitions of certain of the other properties.

Now, as I say, this has been a 10-year regular program on the part of the Messrs. Van Sweringen, and it was believed that it was in the public interest that these railroad consolidations should take place. And we have gone along as bankers with them. We had no interest in any of the stocks that were turned in to these holding companies that they created, with one very minor exception. But we owned none of the stocks that were turned in to form Alleghany whatever. But we did believe it was a worthy thing to finance. We did believe, and it was so stated in the Splawn report, which was a report made to the House of Representatives—I think it is the Interstate Commerce Committee there—that the holding company might serve as a proper medium to effect these consolidations, although they raised various other questions as to whether they should not be regulated and controlled. But the general theory

which was raised was that it might be a good thing in bringing about these consolidations.

Now in 1929 we believed—and, as I say, in 1929 the Interstate Commerce Commission approved the purchase by the Chesapeake & Ohio of Pere Marquette Railroad common stock at 133. And while I have not got it here before me, there was a statement made at that time that they believed that the condition of the country was such as to render that in their judgment, a profitable purchase.

Now as I said, there was first the Chesapeake corporation, which had its holdings in Chesapeake & Ohio. We helped them, having confidence in that corporation, by the sale to the public of \$48,000,000 of convertible bonds of the Chesapeake corporation founded upon the C. & O. Railroad. That was in 1927.

In 1929 they had developed still further their idea of this eastern consolidation, and acquired certain other property, Erie, Pere Marquette, and so forth. And it came to their belief that they needed to consolidate those in one holding. And so the Alleghany corporation was formed.

We, as I said, have been bankers of the Van Sweringens in their railroad endeavors. We have never had any association with them in any of their real-estate developments, which is another phase of their activities in Cleveland, but we had been bankers for them in connection with their railroad operations for many years. Therefore, when the idea of forming this Alleghany corporation was created they came to us to see how we would set it up. In other words, the financial structure that we believed was the soundest. And I think it is almost common knowledge that one of the things that has caused the present trouble with railroad securities is the fact that the railroads have not been able to do any equity financing. In other words, they have got an over amount of debt as against the equity they have got. With very few exceptions they have not been able to get stock equity. In other words, to build a base against their funded debt.

Now in this case we deliberately, with our experience of a great many years in the security business, set this financial structure of the Alleghany corporation up as was very briefly outlined in that contract letter between us and the Van Sweringens, namely the \$35,000,000 of bonds, which were to be secured by the specific pledge of the collateral, and of course a first lien on all of the assets. I might state that I think the market values of these assets at the time that this public issue of \$35,000,000 of bonds was made, was something like \$130,000,000. There was a debt of \$35,000,000 on that.

Then to provide a base for that, to provide the equity money, there was \$25,000,000 of preferred stock purchased by us, and through a contract with the Guaranty Co. was sold to the public. That had, as was shown yesterday, attached to it warrants. With each share of that stock you had a right to buy one and one half shares of common stock at \$30 a share, which gave it obviously a certain speculative run or a run in the future and the prosperity of the country.

Then, further, we undertook to buy this \$25,000,000 of common stock, which was paid for as was testified in cash. At the time the

Van Sweringens, who owned the collateral, turned in all of their holdings through their various companies, and received common stock for it. In other words, they placed their position in that company under a total of \$60,000,000 of prior charges.

Now the question comes as to this common stock. We sold, as we all know—or Mr. Pecora knows—we sold the bonds publicly. We believed in these properties. We did not believe at all that we were going into what we have gone into since 1929, and we believed there was a very substantial base of real values against the bonds.

The preferred stock was sold by the Guaranty Co. because it is not our practice in our regular security business to sell preferred stocks of that type. That and the common stock, which has been what has been discussed here, go to the question of these so-called "special letters."

And yesterday I was questioned as to why we took no profit. Senator Costigan asked me if we had any objections to making profits, and I tried there to draw the definition between this kind of a thing and our regular security business.

Now we believed in the company. We believed in the future of what it was aimed to do. We did not think it prudent banking, and I hope we have shown you how we feel about that, to keep \$25,000,000 of stock in our own portfolios. That that is not consistent with the banking business of J. P. Morgan & Co. We therefore, in this case, and in the other cases to which Mr. Pecora has referred, invited people that we know intimately, that we believe have enough knowledge of business and general conditions to know exactly what they are buying, to come along with us at the same price, in the hope not that they are going to make an immediate speculative profit, but that over the course of time the proposition is sound enough so that they will make a profit, as we hoped to. There was no idea in our minds in any of these things of this terrific speculative boom or bust that we were all going on in 1929. Neither was there anything in our minds that we were going to run into such a disastrous 3 years as have followed the collapse of this superinflation that we had in 1929.

Now, these lists were formed, as I say, of people we knew, people we knew knew enough to know what they were doing. We hoped that they would all make money, obviously. It was not done in any case with the idea that they were going to—as suggested by Mr. Pecora—that they were going to go out the next day and throw it in the market, which happened to be an excited market. And the hope was that they would ultimately make a profit.

There is only one further word on that I would like to say, if I may, and that is our general principle on selling common stock. We have never done that. We have never done that for very many reasons. The chief, perhaps, is that our reputation in connection with the security business has been on sound investments. We do not think common stock ought to be sold publicly, or by us, at least, for the reason that we think they get into the hands of people who do not know what they are buying. We think, secondly, that if you have an offering of common stock, or perhaps if we did, that that might carry with it some implication of speculations which we would not want to be a party to.

Now, I am afraid I have talked a little more than I meant to. But there is one last thing I wondered if it would not be of interest to the committee to show, and that is to show perhaps the differentiation we make in our own minds between this special list—equity financing, and our conception of the way to handle the proper set-up of a corporation financially, and the handling of the different types of business. I have had prepared in our office a statement, which is not long, which tells something about what you asked yesterday, Senator Costigan, about our regular security business. And if I may have the permission of the committee I would like to read this.

Mr. PECORA. May I have a copy of it?

Mr. WHITNEY. Yes.

Senator COSTIGAN. May we have a copy for Mr. Pecora.

Mr. WHITNEY. It is not very long. It takes up the different classifications of securities.

The CHAIRMAN. You can read it. Proceed.

Mr. WHITNEY. Do you want to wait for the copies?

The CHAIRMAN. No. Go ahead. We have no time to wait. We must hurry on with these hearings. We can not take up too much time. We will get the copies later. Let us move on as fast as we can.

Mr. WHITNEY. I will read just as fast as I can. [Reading statement:]

It may be of interest to the Committee to give a brief summary of the public offerings of securities, foreign and domestic, that J. P. Morgan & Co. have made since the World War.

For the period from January 1, 1919—

I would like to state, just so there will be no misunderstanding, that this is J. P. Morgan & Co., and not Drexel. It is our New York office, with which we are particularly familiar.

Senator COUZENS. You are not going to stop to list them all, are you?

Mr. WHITNEY. No, sir. There are 254 of them. [Continuing reading statement:]

For the period from January 1, 1919, to date, we have offered to the public, in almost every instance in association with others who have joined us in such financing, securities to the aggregate amount of \$6,024,444,200, of which \$2,098,953,400 have been retired.

Manifestly, it would have been impossible for us alone to have handled such a tremendous volume but in every instance the public offering was made over our name and in most instances over the names of others as well. For convenience we have listed these public offerings under six groups.

GROUP I. OBLIGATIONS OF FOREIGN GOVERNMENTS AND FOREIGN CORPORATIONS

These public offerings aggregate \$2,232,757,000 in principal amount.

May I be excused from reading the thousands?

The CHAIRMAN. Certainly. You may put the whole thing in the record, if you want to.

Mr. WHITNEY (reading):

Of these obligations, 40 percent, or \$883,854,400, have been retired either by payment at maturity, by redemption at prices ranging from 107½ to 115 percent, or by purchase at various prices through sinking funds. There remain outstanding bonds or obligations of foreign governments or foreign obligors to the aggregate principal amount of \$1,348,902,600. Of these, even in these

depressed times, \$446,690,500, or 33 percent, were on May 11, 1933, selling above the original public offering price. The average offering price to the public of these obligations was 94.69 percent, and the average current market price on May 11, 1933, was 81.07 percent, a decline of less than 13¾ points.

(The figures which I am giving in this group and in subsequent groups for public offering prices and for current market prices is a weighted average based on the total amount of bonds remaining outstanding.)

No investor, who in this period purchased any of these bonds which we offered to the public, has failed to receive the regular payment of interest at the full rate in United States currency or the regular payment of principal when due. The only German bonds that we have offered were the German Government 7 percent bonds and 5½ bonds, both of which were issued in pursuance of international plans for German reconstruction and under the auspices of the Great Powers—

Senator COUZENS. May I ask if that language, "Great Powers", has a definite meaning?

Mr. WHITNEY. They were issued under the Hague Conference—the people that were parties to the Hague Conference.

Senator COUZENS. Does that indicate that they were under the auspices of the United States?

Mr. WHITNEY. No, sir; not in the slightest.

Senator COSTIGAN. What countries are included?

Mr. WHITNEY. Those that participated under the Dawes and Young plans.

Senator COSTIGAN. Do you recall, Mr. Davis, the countries by name?

Mr. DAVIS. England, France, Italy—I could not list them all, sir.

Mr. WHITNEY. They were issued under this international plan. [Continuing reading:]

GROUP II. RAILROAD COMPANY BONDS

The total principal amount offered to the public aggregates \$1,845,639,300. Of these, about 29 percent, or \$536,814,500, have been retired, substantially all by payment at maturity, by redemption, or by conversion, as few railroad issues have sinking-fund provisions.

Senator COUZENS. Did you find any?

Mr. WHITNEY. No, sir; they are constantly growing, and you would have to recapitalize if you did.

Senator COUZENS. So the bonds exist long after the equipment is worn out?

Mr. WHITNEY. These are not equipment bonds, Senator.

Senator COUZENS. But the bonds are issued on such equipment, are they not?

Mr. WHITNEY. The question of depreciation and maintenance is covered under the Interstate Commerce rulings, and all equipment bonds are issued under serial numbers, which would affect sinking fund. It is supposed to be kept in A-1 shape under general maintenance and depreciation.

Senator COUZENS. Do you consider a bond paid, according to this statement, when it has been redeemed or converted?

Mr. WHITNEY. When the bond we have offered has been sold; yes, certainly; when he has received it and the obligation he bought has been satisfied—

Senator COUZENS. Even if it is by conversion?

Mr. WHITNEY. That is his own election. There is no conversion except by the election of the owner. The answer to your question is "Yes"; we do consider the obligation we have with the party has been satisfied if the holder exercises his option to convert.

Senator COUZENS. But the debt on the railroads still continues?

Mr. WHITNEY. No; if there is a conversion the debt is extinguished.

Senator COUZENS. But what it is converted into is still in opposition to the railroads?

Mr. WHITNEY. But, generally speaking, conversion refers to conversion into stock, not into other bonds. I do not mean, exchange at maturity. That is not what is meant by "conversion."

Senator COUZENS. By redemption or by conversion?

Mr. WHITNEY. Conversion into an equity, it would mean.

[Continuing reading:]

"Of the balance, namely, \$1,308,824,800, only 7.2 percent were on May 11, 1933, selling above their original issue prices. The average price at which these bonds were offered to the public was 96.58 percent; the average current market price on May 11, 1933, was 63.94 percent, a decline of 32.64 points, or about one third. Of these issues, \$125,079,000 are in default in payment of interest or principal, namely, \$45,000,000 Florida East Coast Railway first and refunding mortgage 5 percent bonds; \$18,879,000 Mobile & Ohio Railroad Co., refunding and improvement 4½ percent bonds and secured 5 percent notes, and \$61,200,000 Missouri Pacific Railroad, first and refunding mortgage 5 percent bonds, series I. This aggregate amount is 6.78 percent of all railroads bonds offered and is less than 2.1 percent of the total of all classes of securities offered by J. P. Morgan & Co., in this period.

GROUP III. PUBLIC-UTILITY BONDS INCLUDING OBLIGATIONS OF PUBLIC-UTILITY HOLDING COMPANIES

The aggregate principal amount offered to the public is \$1,074,750,000. Of these, \$268,269,800, or 25 percent have been retired—

Senator GLASS. If I may interrupt, I move that this document be placed in the record. What is the use of wasting time reading it?

Mr. WHITNEY. That is satisfactory to me.

The CHAIRMAN. You have no objection to letting it go into the record and not taking time to read it?

Mr. WHITNEY. No, sir.

Senator COSTIGAN. Is there any portion on which you wish to comment?

Mr. WHITNEY. May I read two short paragraphs on the next page?

The CHAIRMAN. Certainly.

Mr. WHITNEY. Senator Glass, would you object to my reading the four last paragraphs?

Senator GLASS. I do not object, except that your voice is mingled with the moving of chairs here. We might as well be in a railroad shop as to try to carry on a hearing here. No; I have no objection.

Senator COSTIGAN. We trust the witness will proceed in his own way.

Mr. WHITNEY (reading):

J. P. Morgan & Co. employ no bond salesmen and have never adopted any methods of high-pressure salesmanship. We have distributed these securities through syndicates or selling groups consisting in cases of the largest issues of as many as 1,100 or 1,200 retail and distributing houses, large and small, scattered throughout the country and invited by us to join in the offering

of these securities because of their distributing ability and their standing and reputation in their own communities. We have believed in this method of distribution and have consistently adhered to it.

Of the issues now in default, namely, bonds of the Florida East Coast Railway, and of the Mobile & Ohio Railroad, and of the Missouri Pacific Railroad, we ourselves purchased and still hold bonds of those issues or of issues junior to them on which our aggregate losses, based upon the difference between our purchase price and the present market value, are greatly in excess of the profit that we made from these offerings.

In the case of securities of railroad operating companies and public utility operating companies, the price paid to the obligor is a matter of public record. In the case of the foreign issues offered by us since January 1, 1920, the price paid to the obligor was made public by us in the testimony submitted to the Senate Finance Committee in December 1931. In the case of all issues during the 5-year period from January 1, 1927 to January 1, 1932, the spread between the price paid to the obligor and the offering price to the public has been given in the detailed record which we have furnished the committee. We are not opposed to, but are heartily in favor of publicity and disclosure of the gross profit or commission paid in respect to all securities offered to the public as is proposed by the legislation which you are now considering.

As to the group of bonds which have shown the greatest declines, namely railroad and railroad holding companies, it may be pertinent to point out that in the case of the railroad issues every issue of bonds of a railroad operating company issued after June 27, 1920, was authorized by the Interstate Commerce Commission as being in the interest of the public and a minimum price fixed at which these bonds could be sold; and in the case of the railroad holding company issues, which were all collateral trust issues secured by stocks or bonds or obligations of railroad operating companies, the collateral behind the bonds at the time of the issue and the financial strength of the company making the issue seemed to afford more than ample security.

(The document referred to, entitled "Statement to Senate Committee", from which the witness read certain paragraphs, will be found in full at the end of today's record.)

The CHAIRMAN. Are there any more corrections that you wish to make in yesterday's testimony?

Mr. WHITNEY. I do not think so. Are there, Mr. Davis?

Mr. DAVIS. I do not recall any.

Senator COSTIGAN. Mr. Whitney, do you know how your securities are handled in the city of Washington—by what firm?

Mr. WHITNEY. Well, I would be speaking purely from memory, Senator Costigan.

Senator COSTIGAN. Does it happen to be Kidder, Peabody & Co.?

Mr. WHITNEY. If Kidder, Peabody & Co have a branch here, it might be, because they have been distributors of securities for many years. I would not know them as of Washington, because their main office is at Boston.

Senator COSTIGAN. I have been advised that J. P. Morgan & Co. have a half interest in that firm. Do you know whether or not that is true?

Mr. WHITNEY. It is not true; or in any other firm.

Mr. PECORA. Has it any interest in that firm?

Mr. WHITNEY. None whatever. That question was asked by Mr. Pecora in his questionnaire; and we have no interest of any kind in any other security house.

Senator COSTIGAN. Your statement about employing no bond salesmen therefore holds good with respect to the city of Washington?

Mr. WHITNEY. Absolutely, everywhere.

Mr. PECORA. Who prepared this printed statement from which you have read into the record?

Mr. WHITNEY. Several.

Mr. PECORA. Who are they?

Mr. WHITNEY. Well, the statistical information was got up by certain half a dozen fellows in our security business where we keep our records. All this factual stuff in here was prepared obviously by the clerks who handle those records; and I think probably 5 or 6 departments have been over it. It was prepared as a sort of joint effort.

Mr. PECORA. Who prepared it? Give the names, will you, of the partners that this printed document represents the collaboration of.

Mr. WHITNEY. I think all of us down here have read it a great many times.

Mr. PECORA. Suppose you give the names for the record.

Mr. WHITNEY. Mr. Morgan, have you read it?

Mr. MORGAN. I have read it, but I had no part in its preparation.

Mr. WHITNEY. Mr. Lamont, Mr. Anderson, Mr. Stanley, Mr. Ewing—all of us have read it a great many times, I think. Counsel have had a hand in it and have gone over it. We have had many proofs. We prepared it just as carefully as we try to do everything.

Mr. PECORA. How long did it take you to prepare this printed statement?

Mr. WHITNEY. You mean, how long did it take to write it or prepare it? I think the idea first came into being last Friday, and it was finished or practically finished on Monday.

Mr. PECORA. And it was printed when?

Mr. WHITNEY. I do not know.

Senator GLASS. By whom?

Mr. WHITNEY. I do not know.

Senator GLASS. Was it written in red ink or black ink?

Mr. WHITNEY. I do not know, Senator.

Mr. PECORA. Whose phraseology is embodied in this printed statement, Mr. Whitney?

Mr. WHITNEY. Mr. Pecora, I do not want to give the impression of trying not to answer, but I honestly do not know. Everybody has been over it. It has been changed.

Senator GLASS. It is a statement for which the firm of J. P. Morgan & Co. is responsible?

Mr. WHITNEY. The firm presents the statement; yes, sir, through me.

Senator BARKLEY. Getting back to the Alleghany Co., I would like to inquire a little further about that. The Alleghany Co. was a holding company?

Mr. WHITNEY. Yes, sir.

Senator BARKLEY. Through which the Van Swerengens hoped to bring about a consolidation that they could not bring about without the consent of the Interstate Commerce Commission. Is that true?

Mr. WHITNEY. Quite.

Senator BARKLEY. A consolidation which either the law would not permit or the Commission would not permit.

Mr. WHITNEY. Senator, I do not know whether I have answered you quite accurately. It was a holding company. It held the securities of railroads which they hoped to bring together into a consolidation, and that required, of course, the consent of the Interstate Commerce Commission.

Senator BARKLEY. And of course it did not require the consent of the Interstate Commerce Commission in order that the Alleghany Co. might buy up these stocks?

Mr. WHITNEY. No.

Senator BARKLEY. So that without any—

Mr. WHITNEY. At the present time there is no regulation on railroad holding companies, although it is very much discussed.

Senator BARKLEY. All of these holding companies—the Chesapeake Co., the Alleghany Co., the Pennroad Co., and probably some others—were organized in order that there might become a common ownership in the stock of different railroads which, in effect, was a consolidation without the consent of the Interstate Commerce Commission?

Mr. WHITNEY. I do not think so, Senator. That, I know, is often said, but I do not think that was the object, except to have a common ownership, certainly; but I do not think it was that. I think the record of these holding companies shows it was not the intent to get around the law, because all through this period they were trying, working, and adapting their plans to put it in shape so that the Interstate Commerce Commission would approve it; and as you know, the final plan of consolidation of the four eastern trunk lines has been approved, which embraces one of the systems which the Van Sweringens dreamed of back in the early twenties.

Senator BARKLEY. But, regardless of what might happen with respect to the physical consolidation of the properties, there would be a consolidation through the holding company?

Mr. WHITNEY. Through equity ownership; yes, sir. The fact that there was that interest, that community of interest, has always been disclosed. I mean, the number of shares that the Alleghany has held of the constituent parts has always been disclosed.

Senator BARKLEY. For the firm of J. P. Morgan & Co. to act as financial agents for this set-up and to agree to take over a certain number of shares at a given price, regardless of what might be the future course of the stock under the excitement of the public, would be one thing, but it would be quite another thing if the firm agreed to take this million and a quarter of shares with the intention of handling the shares through some artificial method in the hope that the constituent members of the firm would later make an enormous profit out of it. You see what I have in mind?

Mr. WHITNEY. That is absolutely true, Senator, and that is what I tried to point out, that the function that we performed toward the Alleghany Corporation was that the normal number of banks were trying to finance an idea that we believed was sound and constructive. The other alternative or extreme you have mentioned would be a mere promotion of the idea of washing securities out to the public. That is what I wish to show, if I can, that this sale of the common stock was a mere incident, one of the three steps or parts of the whole factor in the promotion of this company, to make what we considered a proper set-up from a financial point of view. As I said earlier today, we approach people whom we know. We do not solicit or try to sell them or give them an opportunity of investing in the hope that they will make profits for the prosperity of the company, but we believe and know them to be people of sufficient

knowledge to know exactly what they are buying, and realize that if they accept the suggestion we make to them they will also hope to make a profit in the future.

Senator BARKLEY. In the letter which you sent out to your list which was read here—I think, the letter to Mr. Woodin——

Mr. WHITNEY. Yes, sir.

Senator BARKLEY (continuing). That is not material so far as the identity of the recipient of the letter is concerned—you referred to the fact that the stock was selling some 15 or 17 dollars above the price at which you were offering it to him——

Mr. WHITNEY. Yes; but you will remember——

Senator BARKLEY. Would it, or not, be fair to assume that even if the stock had not been on the stock exchange and would never appear there, you would have gone to the same trouble to distribute this stock to your friends which you did go to under the circumstances which have been related?

Mr. WHITNEY. Certainly, sir. You will further note, if you remember, in the letter that the price was referred to with the very specific qualification that it did not mean anything except that people wanted to speculate.

Senator BARKLEY. And not only wanted to, but did?

Mr. WHITNEY. Did; yes.

Senator COUZENS. You said the only object was that these men you distributed the stock to would make money?

Mr. WHITNEY. I did not say our only object. I said we hoped they would.

Senator COUZENS. That was not the only object you had?

Mr. WHITNEY. No, sir.

Senator COUZENS. You hoped they would reciprocate?

Mr. WHITNEY. No; really.

Senator COUZENS. You did not give them this price so that they would reciprocate and keep on good terms?

Mr. WHITNEY. No; really. That is, of course, the suggestion that has been carried in the testimony yesterday and in the papers, but I can only tell you that that is not so.

Senator COUZENS. I never heard of anybody quite so altruistic in my life before.

Mr. WHITNEY. It is not a question of altruism; it is a question of doing a legitimate, straightforward security and banking business.

Senator COUZENS. I am not concerned about the illegitimacy of it, but I am concerned about the impression not going over that you only wanted these men to make a profit out of it. You had had business relations in the past with them and they were friends of yours, and you hoped it would continue by giving them an opportunity to make a profit; is not that true?

Mr. WHITNEY. When you put it that way, Senator Couzens, I would hate to be put in the position of stating that this was going to make them unfriendly, by giving it to them. Certainly not. It was a continuing of relations that were existent. But your first question rather implied that we expected some direct consideration.

Senator COUZENS. You would naturally get direct consideration by their making deposits with your concern, by giving you their underwritings, and the opportunity to sell their securities. That is perfectly obvious.

Mr. WHITNEY. I think if you will examine the list, Senator, you will find that many of them are purely personal friends; I mean, not people who would have anything to do with the influencing of business. You will find others with whom we have been associated in a great many lines for many years. If you have close associations in business with a man you have mutual respect for each other, and you become friendly. Those are the kind of people. Whether it makes them feel more friendly or less friendly, I am not going to deny that that is one of the things. Some of them made money. I hope most of them did. I do not know anything about that. But your first question, which I denied perhaps too vehemently, was that we expected to get direct consideration.

Mr. PECORA. May I ask the witness a question or two right on this line?

Senator COUZENS. Certainly.

Mr. PECORA. One of the gentlemen who was invited to subscribe for the common stock of the Alleghany Corporation in February 1929, by your firm, was Mr. John J. Raskob?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Which partner suggested that he be put on that list?

Mr. WHITNEY. I think I did.

Mr. PECORA. Did you personally—

Mr. WHITNEY. May I—

Mr. PECORA. Pardon me. Let me ask you some questions. You have had a lot of opportunity, I think, all you wanted, to testify without being questioned.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Let me ask you some questions, and then you can make all the statements you want to, so far as I am concerned.

Did you write to Mr. Raskob at the time you invited him to subscribe to 2,000 shares of Alleghany Corporation stock at \$20 a share in February 1929?

Mr. WHITNEY. My recollection is that I talked to him over the telephone.

Mr. PECORA. Was he in town then—in New York City?

Mr. WHITNEY. Whether he was in New York or Wilmington, I do not know.

Mr. PECORA. Did you receive an acceptance from Mr. Raskob?

Mr. WHITNEY. I did.

Mr. PECORA. To that offer?

Mr. WHITNEY. Yes.

Mr. PECORA. Was that acceptance conveyed to you in writing or otherwise?

Mr. WHITNEY. I think there is an acknowledgment of the letter in the files you have, as I remember it. I cannot remember whether it was this issue or one of the others.

Mr. PECORA. Let me read to you what has been furnished to me by your office as a photostatic copy of a letter addressed to you by Mr. Raskob. [Reading:]

WHITEHALL, PALM BEACH.

DEAR GEORGE: Many thanks for your trouble and for so kindly remembering me. My check for \$40,000 is enclosed herewith in payment for the Alleghany stock, which kindly have issued when ready, in the name of John J. Raskob, Wilmington, Del. I appreciate deeply the many courtesies shown me by you

and your partners, and sincerely hope the future holds opportunities for me to reciprocate. The weather is fine and I am thoroughly enjoying golf and sunshine.

Best regards and good luck.

JOHN.

It is addressed to George Whitney, Esq., New York City.

Senator GORE. What is the date of that?

Mr. PECORA. There is a date on it of February 4, 1929. Whether that is a notation indicating the date of the receipt of the letter—no; there is a notation on the photostatic copy reading as follows:

Received by J. P. Morgan & Co., February 8, 8.10 a.m., 1929.

Senar GORE. That was after the election?

Mr. PECORA. Do you recall receiving that letter, sir?

Mr. WHITNEY. Yes.

Mr. PECORA. Is this photostatic copy a true and correct copy of the original?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. I offer it in evidence.

(The letter referred to was marked "Committee Exhibit No. 13.")

Mr. PECORA. At the time that Mr. Raskob was invited by you, Mr. Whitney, in behalf of your firm to subscribe for 2,000 shares of the common stock of the Allegheny Corporation at \$20 a share the market for the stock was between \$35 and \$37, was it not?

Mr. WHITNEY. Didn't you read that letter?

Mr. PECORA. That is indicated by the letter to Mr. Woodin that was put in evidence yesterday?

Mr. WHITNEY. At the date of that letter the stock was selling—the high was $33\frac{1}{8}$, the low was $31\frac{3}{4}$, and the last was $32\frac{1}{4}$. So on the date he wrote the letter we happen to have the facts here——

The CHAIRMAN. What is it today?

Mr. WHITNEY. I think it is just about 2.

I find, Senator Barkley, that I have the quotations here that I was asked about.

Senator COSTIGAN. Since the witness has referred to a memorandum of the volume of shares, would it not be well to place it in the record?

Mr. WHITNEY. Senator Barkley asked me earlier how many shares were traded in, and I just realized that it was on there.

Senator BARKLEY. I did not mean the day-by-day transactions of the stock exchange; I meant the number of shares filed with the stock exchange subject to be traded in.

Mr. WHITNEY. Oh; I misunderstood you, Senator.

Senator BARKLEY. That is what I had in mind; but this is interesting information.

Senator COSTIGAN. Shall we place it in the record, or any portion of it, Mr. Chairman?

Mr. WHITNEY. It is just quotations.

Senator GORE. I did not understand how many shares of common stock were issued by the Alleghany Co.

Mr. WHITNEY. 3,500,000. One and a quarter millions bought by us at \$20, and two and a quarter millions issued in exchange for the securities of the Van Sweringen group.

The CHAIRMAN. That statement of quotations may go into the record.

(The statement of quotations referred to by the witness will be found at the end of today's record.)

Mr. PECORA. When you received this letter from Mr. Raskob expressing his appreciation of the many courtesies shown him by you and your partners, what did you understand him to mean by saying in the letter, "And I sincerely hope the future holds opportunities for me to reciprocate"?

Mr. WHITNEY. I don't remember what I thought. I thought it was just a nice, polite letter.

Mr. PECORA. What position did Mr. Raskob occupy at that time that could have enabled him to reciprocate the many courtesies shown him by you and your firm, of which the invitation to subscribe to these shares was one?

Mr. WHITNEY. My recollection is that Mr. Raskob was no longer an officer of General Motors where I had known him for 10 years. I am not sure of this, but did he not have something to do with the Democratic National Committee?

Mr. PECORA. I don't know. Don't you know whether he had or not?

Mr. WHITNEY. I don't follow those things.

Mr. PECORA. He was one of your close friends.

Mr. WHITNEY. Certainly; but I cannot remember whether he was at that time. He had been prior to that, but I don't remember whether he was then.

Senator BYRNES. Did you think as chairman of the Democratic committee he would give you an opportunity to vote for the Democratic Party?

Mr. WHITNEY. I have never known him in any political relationship. I have known him very intimately for many years in the General Motors Corporation of which I happened to be a director.

Senator KEAN. Mr. Whitney, you are a Democrat, are you not?

Mr. WHITNEY. No, sir.

Senator KEAN. Your brother is.

Mr. WHITNEY. We don't have to be the same.

Senator GORE. I think a Republican has a right to claim his constitutional immunity from answering. This was about 3 months after the election, was it not?

Mr. WHITNEY. February; yes, sir.

Senator GORE. How many States did the Democrats carry in that election? I have forgotten.

Mr. WHITNEY. I am sorry, Senator, but I don't know those things.

Senator BYRNES. They carried a few more than the Republicans carried this last time, didn't they?

Mr. WHITNEY. That is my recollection.

Senator KEAN. The Republicans concede the election.

Mr. PECORA. Do you recall, Mr. Whitney, on how many other occasions prior to February 1929 courtesies similar to the one referred to in this letter last read in evidence had been extended to Mr. Raskob by your firm?

Mr. WHITNEY. Well, I can think of one, Mr. Pecora, but I would not trust my memory, because I—as I say, we have had very—I have had personally very intimate relations with Mr. Raskob in a business way extending over a 10-year period. You may know that—well, you are not—you know that I am a director of General Motors, have been for a good many years, and we have been connected with that company on the board. At the request of the Dupont people, of whom Mr. Raskob was a direct representative at that time, we joined the board back in 1920, and during those years we have had very intimate relations. I happened to be on the board personally with Mr. Raskob, and he is a great friend of all of us.

But that was the relationship, and the fact that he decided to enter politics when he did, that was subsequent to our relationship for many years. He had been before on—as a matter of fact, the only one that I can remember—I think you will find that he was on every one of our special lists. But you have a great deal of it. You got it and you know the answer.

Mr. PECORA. But he was your friend and you are the one that suggested that he be invited to subscribe?

Mr. WHITNEY. I should imagine—

Mr. PECORA (interposing). Can't you tell whether or not he was invited to subscribe to all of these issues?

Mr. WHITNEY. I should assume that he was.

Mr. PECORA. When he wrote you that he "sincerely hope the future holds opportunities for him to reciprocate", was that language meaningless to you?

Mr. WHITNEY. Yes.

Mr. PECORA. Did you ask him to explain what he meant, in view of the meaningless character of his words?

Mr. WHITNEY. I did not; no. He was in Palm Beach.

Mr. PECORA. That so appears from his letter and references to "golf and sunshine". Did you call him up while he was at Palm Beach that time to invite him to subscribe to the Alleghany common shares?

Mr. WHITNEY. I should think probably, or else I called up his secretary and he relayed it. I don't remember.

Mr. PECORA. Now, Mr. Whitney, at about the same time was a similar invitation extended to Mr. Joseph Nutt to subscribe for shares of Alleghany common stock at \$20 per share?

Mr. WHITNEY. Let me look at the list.

Senator TOWNSEND. He is on the list.

Mr. WHITNEY. Yes, I am sure he is, Mr. Pecora, because you all know Mr. Nutt has been associated with the Van Sweringens in this thing for a great many years, and probably was put on there at their suggestion. There were various other names on there that were put on at the Van Sweringens' suggestion, various friends who were interested with them.

Mr. PECORA. Mr. Nutt at that time was treasurer of the Republican National Committee, wasn't he?

Mr. WHITNEY. I don't know.

Mr. PECORA. You don't know about that?

Mr. WHITNEY. I don't deny it, but I don't know it.

Senator BYRNES. Mr. Whitney, you did offer Mr. Nutt 3,000 shares as against the 2,000 you offered to Raskob?

Mr. WHITNEY. That is right, Senator. [Laughter in the room.]

Senator GORE. You say you are a Republican?

Mr. WHITNEY. Yes, sir. But I didn't suggest Mr. Nutt.

The CHAIRMAN. Didn't Mr. Nutt take the shares?

Mr. WHITNEY. Oh, I assume so, if he is on this list, because I don't think this list represents any of those who were the final subscribers.

The CHAIRMAN. Are you an officer of Johns-Manville, Mr. Whitney?

Mr. WHITNEY. I am a director; yes, sir.

The CHAIRMAN. How long have you been?

Mr. WHITNEY. I think it is '27; since 1927.

Senator COUZENS. Why would Mr. Nutt have to buy through your company when he was so close to the Van Sweringens?

Mr. WHITNEY. I don't know, sir. I just don't know.

Mr. PECORA. One of the gentlemen invited to subscribe was Mr. C. N. Bliss. Do you know upon whose suggestion he was invited to subscribe?

Mr. WHITNEY. I should think it would probably have been unanimous.

Mr. PECORA. Unanimous. He also had been a treasurer of the Republican National Campaign Committee, had he not?

Mr. WHITNEY. So I heard.

Mr. PECORA. And another gentleman invited to subscribe was Mr. Charles D. Hilles, isn't that so?

Mr. WHITNEY. Yes. I haven't got the list here, but I assume it is if you are reading from it.

Mr. PECORA. Yes.

Mr. WHITNEY. Yes, sir; 1,000 shares.

Mr. PECORA. He also had been a chairman of the Republican National Committee, had he not, some time in the past?

Mr. WHITNEY. You asked me to speak of my personal knowledge or my general belief?

Mr. PECORA. Whose friend is Mr. Hilles? All the partners?

Mr. WHITNEY. All the older partners', certainly. Dwight Morrow's particularly, I suppose.

Mr. PECORA. Who is Mr. Giovanni Fummi, whose name appears on the list of those invited to subscribe?

Mr. WHITNEY. He is our representative in Italy.

Senator COSTIGAN. The representative of J. P. Morgan?

Mr. WHITNEY. J. P. Morgan & Co. in Italy.

Mr. PECORA. Has J. P. Morgan & Co. an office for the transaction of business anywhere in Italy?

Mr. WHITNEY. No, sir.

Mr. PECORA. How long have you had a representative there?

Mr. WHITNEY. I am advised 1921. I don't know of my own knowledge.

Mr. PECORA. Does he hold any office of public trust in the Italian Government; do you know?

Mr. WHITNEY. He does not.

Mr. PECORA. Does he?

Mr. WHITNEY. He does not.

Mr. PECORA. Now, Mr. Charles Francis Adams was one of the gentlemen invited to subscribe to the shares of Alleghany common at \$20, wasn't he?

Mr. WHITNEY. Yes, sir. And in February 1929.

Mr. PECORA. Yes, sir; February 1929.

Mr. WHITNEY. That is quite right.

Mr. PECORA. Have you a letter received by your firm from him under date of February 13, 1929, in which he accepted the invitation to subscribe?

Mr. WHITNEY. Let me see. [After examining document:] Apparently not, Mr. Pecora, with these photostats that we gave you.

Mr. PECORA. Well, we did not receive a photostat of that. There is a typewritten copy which I will submit to you.

Mr. DAVIS. This is from the files?

Mr. PECORA. Yes, sir.

Senator COUZENS. What does it say?

Mr. WHITNEY. It says—do you want to read it?

Mr. PECORA. You do not dispute the authenticity at all of the letter of which that is a copy?

Mr. WHITNEY. No; not at all. Of course, it is not addressed to the firm.

Mr. PECORA. It is addressed to a member of the firm.

Mr. WHITNEY. It is addressed to his son-in-law, Mr. Henry S. Morgan.

Mr. PECORA. I offer the letter in evidence, reading as follows:

Boston, February 13, 1929.

H. S. MORGAN, Esq.,
New York, N.Y.

MY DEAR HENRY: As you probably know, I have duly signed on. I see no reason why this should interfere with this bit of investment. I accordingly send a check with many thanks to you. Please have the certificate put in my name.

Always affectionately yours,

C. F. ADAMS.

Now, Mr. Whitney, do you know to what Mr. Adams referred in this letter when he said: "I see no reason why this should interfere with this bit of investment"?

Mr. WHITNEY. Mr. Pecora, no; I don't know; but I think by a slight use of imagination I could guess.

Mr. PECORA. Give us your guess.

Mr. WHITNEY. I assume it means that he had accepted the invitation to be Secretary of the Navy.

Mr. PECORA. Now, on whose suggestion was Mr. Newton D. Baker invited to subscribe for 2,000 shares of this stock?

Mr. WHITNEY. I should also assume that was suggested by the Van Sweringens, as it is common knowledge that Mr. Baker was acting as their counsel in many instances.

Mr. PECORA. On whose suggestion was Mr. Matthew C. Brush invited to subscribe?

Mr. WHITNEY. I haven't any idea.

Mr. PECORA. On whose suggestion was Mr. E. G. Buckland invited to subscribe?

Mr. WHITNEY. Oh, might have been any one of a lot of us.

Mr. PECORA. Well, you know Mr. Buckland well, don't you?

Mr. WHITNEY. Very well. We have done business with him. He is general counsel of the New Haven Road since before I came in the office, long before.

Mr. PECORA. Did Mr. Buckland accept the offer to subscribe for these shares?

Mr. WHITNEY. I don't know. I assume he did, because he is down there for 500 shares.

Senator BYRNES. Mr. Whitney, I notice the name of Lindbergh. Was Mr. Morrow then a member of the firm?

Mr. WHITNEY. In 1929? Oh, no, sir; he retired in September 1927.

Senator BYRNES. That is when he went to Mexico.

Mr. WHITNEY. Linbergh was introduced to us, was brought into the office when he came back from Paris by Mr. Dwight Morrow, who happened to be staying here in Washington when he landed, and we have sort of helped him, advised with him on his affairs ever since.

Mr. PECORA. Who is the gentleman named Michael J. Herbert?

Mr. WHITNEY. He is one of our—or was one of our London partners, a partner in Morgan-Grenfell & Co., who died here about a year ago.

Mr. PECORA. Was he ever connected, to your knowledge, with the Diplomatic Service of England?

Mr. WHITNEY. Is he?

Mr. PECORA. Was he at any time?

Mr. WHITNEY. His father was over here in two capacities, once as consul to the embassy and once as ambassador.

Mr. PECORA. This Michael G. Herbert was not the ambassador himself but his son?

Mr. WHITNEY. Yes.

Mr. PECORA. Who is the gentleman named Henry E. Machold? Is that the same as H. Edmund Machold?

Mr. WHITNEY. That is the same.

Mr. PECORA. And he was for years Speaker of the Assembly of the State of New York, Legislature of the State of New York?

Mr. WHITNEY. Years ago.

Mr. PECORA. And State chairman of the Republican Party in New York State for a number of years, wasn't he?

Mr. WHITNEY. Why, I don't know, Mr. Pecora. You seem to be suggesting that we have these listed with their political offices. Was he? Well, I don't know.

Senator GOLDSBOROUGH. Mr. Chairman, I suggest that we are not engaged in political vaudeville. I am quite sure that this is a dignified committee, and we would like to pursue that line.

Senator COUZENS. What objection has the Senator from Maryland to finding out whether Morgan & Co. are tied up with political parties or not?

Senator GOLDSBOROUGH. Well, I don't believe that they are.

Senator COUZENS. That is something for the committee to find out, not for the——

Senator GOLDSBOROUGH (interposing). The Senator may have that opinion. I do not share it with him.

Senator COUZENS. I did not say I have the opinion. I said I would like to find out.

Senator GOLDSBOROUGH. Your suggestion would indicate it.

Senator COSTIGAN. I hope that counsel may be permitted to continue.

The CHAIRMAN. Let us continue with the examination.

Mr. PECORA. Who is Mr. Silas H. Strawn, whose name appears on the list of those invited to subscribe?

Mr. WHITNEY. He is a very prominent lawyer in Chicago.

Mr. PECORA. Was he within very recent years or is he now the president of the United States Chamber of Commerce?

Mr. WHITNEY. I really don't know. I think he was president of the Bar Association once, but I don't know about the other. I don't know about the United States Chamber of Commerce.

Mr. PECORA. Do you know that the United States Chamber of Commerce has within the last few days appeared before legislative committees of the Congress in opposition to certain bills having to do with the sale of securities?

Mr. WHITNEY. Did I know it?

Mr. PECORA. Yes.

Mr. WHITNEY. No, sir.

Senator GORE. What was the question, Mr. Pecora? I did not get that.

Mr. PECORA. That the United States Chamber of Commerce or its executive officers has recently been appearing before committees of Congress in opposition to the securities bill that is now awaiting action.

Senator GORE. Yes.

Mr. PECORA. Now, who recommended the inclusion in this list of subscribers of Mr. A. H. Wiggin for an allotment of 10,000 shares?

Mr. WHITNEY. I really don't know, Mr. Pecora. It might have been any one of us. I don't know. I just don't know.

Mr. PECORA. Mr. Wiggin at that time was chairman of the board of the Chase National Bank, wasn't he?

Mr. WHITNEY. Well, I don't know what his title was in 1929. He was the head of it.

Mr. PECORA. He was the executive head of the bank. And the bank at that time had a securities affiliate known as the Chase Securities Co., did it not?

Mr. WHITNEY. Well, 1929, they had a good many security affiliates. I don't remember if that was the title or not. I should not doubt it. I just don't remember what the title of it was.

Mr. PECORA. Do you know any reason why—

Mr. WHITNEY (interposing). I assume that you want me to—I assume they had an affiliate in 1929, if that is what you want to know.

Mr. PECORA. Do you know why Mr. Wiggin should have been invited to subscribe for as many as 10,000 shares at this figure of \$20 a share?

Mr. WHITNEY. Why he should have been?

Mr. PECORA. Yes; why was it?

Mr. WHITNEY. That is an investment of \$200,000?

Mr. PECORA. Yes.

Mr. WHITNEY. Why, I suppose the reason is that Mr. Wiggin was a man that certainly would come into the—within the classification

of those that are mentioned before. He had ample means, large means. He had a very active knowledge of financial matters, and he knew exactly what he was doing. I don't quite understand your question. That is why I hesitated—why he should have been invited to subscribe the 10,000 shares? Those are the only reasons that I can imagine.

Mr. PECORA. That is, he had a financial capacity that would have enabled him to take care of 10,000 shares?

Mr. WHITNEY. Very easily.

Mr. PECORA. Who, by the way, among the partners determined the number of shares that these various gentlemen would be respectively invited to subscribe for?

Mr. WHITNEY. Why, the way that we do all our business; by conversations among us, gradually coming together, meeting of minds on a list that would be prepared and worked over and finally set.

Mr. PECORA. Well, for instance, in the case of Mr. Woodin, it was Mr. Ewing of your firm who suggested that he be allotted 1,000 shares? Is that correct? I merely assume so from the fact that the letter to Mr. Woodin apparently was dictated by Mr. Ewing.

Mr. WHITNEY. Oh, that would not carry that inference at all. It would mean that Mr. Ewing was the man who was designated, or apparently, to speak to Mr. Woodin. But these lists are made up like everything else is done in our office, by mutual agreement between us all.

Mr. PECORA. Then there must have been a discussion at which it was agreed to allot to Mr. Woodin 1,000 shares and to Mr. Wiggin 10,000 shares; is that correct?

Mr. WHITNEY. Does every agreement necessitate discussion?

Mr. PECORA. I don't know.

Mr. WHITNEY. I don't think so.

Mr. PECORA. I am simply following up your answer that the partners met frequently and discussed and decided these things.

Mr. WHITNEY. Excuse me, Mr. Pecora; I didn't say they met frequently. I said this list was arrived at by mutual agreement among the partners. I didn't mean to infer any discussion or lengthy meetings. I thought it was a perfectly simple answer. You have asked me who determines this. I don't know. Perhaps that would be—I didn't think that was a complete enough answer.

Mr. PECORA. Well, somebody must have determined the allotments of these shares. Is that a violent assumption—that somebody did make such a determination?

Mr. WHITNEY. Well, no; it is not a violent assumption. I am perfectly willing to let that go.

Mr. PECORA. Is it the fact that somebody did make such a decision?

Mr. WHITNEY. Of course, the decision was made, and I don't mean to be evasive in this. I don't know any individual that came down and said that list is done and approved, if that is what you mean. That is what you are trying to get me to say yes or no to, isn't it?

Mr. PECORA. I am not trying to get you to say yes or no; I am trying to get you to answer the question.

Mr. WHITNEY. That is what I am really trying to do. The list was approved, Mr. Pecora, in its final form, obviously, but who actually affirmatively individually did that I just don't know.

Mr. PECORA. You know how many gentlemen——

Mr. WHITNEY (interposing). Would you like me to inquire of my partners if any of them remember who of the firm finally——

Mr. PECORA (interposing). Well, how many shares all told were offered to these various gentlemen at \$20 a share?

Mr. WHITNEY. Well, there was a million and a quarter shares of the total. There were 500,000 shares sold to the Guaranty Co. under the agreement that I mentioned yesterday. There were retained by the firm of J. P. Morgan & Co. 175,100. So that leaves—let me see (calculating on pad)—I should figure, Mr. Pecora, that there were allotted 574,900 shares to the individuals on that list, including the individual partners. I think my mathematics are right.

The CHAIRMAN. How many shares to each partner?

Mr. WHITNEY. I don't know, Senator. I could very easily have a computation made, but I don't remember of these—the list that we handed in yesterday, that was produced yesterday, gives them all in one list, and I don't remember out of the 574,900 that were allotted to some individuals how many were the partners. We might be able to get that. I haven't got it here. It is on the list.

Mr. PECORA. Now, Mr. Whitney, I am assuming that when your partner, Mr. Ewing, wrote under date of February the 1st that the market value of these shares was between 35 and 37 dollars he wrote according to the fact. On that basis, on a basis of a market value of \$35 a share for the stock at the time these invitations were extended, your firm in deciding to allot 574,900 shares of the common stock of Alleghany Corporation, was virtually divesting itself of something potentially worth \$8,623,500 over and above the price at which you were selling it. Is that a violent assumption, Mr. Whitney?

Mr. WHITNEY. I don't say it is a violent assumption, Mr. Pecora, but it is not an accurate one, because I have testified a good many times in the last 2 days that these lists were prepared, and what you call we "divested ourselves" before there was any quoted market of any kind. We had made the arrangements. Whether in each individual instance I don't know. Clearly not in the case of Mr. Woodin, as the letter was not written until February 1. But the arrangement or the contract on our part had been made prior to the opening of any public market, as I testified this morning. As far as we can find out from searching the records in New York, the opening sale on a when-issued basis of Alleghany common was on the 1st day of February, and we had decided to do what you call divest ourselves prior to that time.

Now, the facts are, as you say, the day we took payment the stock was selling at a higher price than the price at which we had already undertaken to sell it to this list.

Mr. PECORA. Can you find among your files a single letter dated prior to February 1, 1929, which was written by your firm to anyone inviting him to subscribe to these shares at \$20 a share?

Mr. WHITNEY. I have no recollection of one.

Senator GORE. Mr. Whitney, do you mean that those allotments of stock were made to these various individuals prior to February 1, 1929?

Mr. WHITNEY. Not the allotments; no, sir; but I think you will find, or my recollection is fairly clear, that you would find that we

discussed it with many—the great majority of this list—verbally, and a great many of this list were suggested by the Messrs. Van Sweringen, and the understanding there was in the general creation of this business and the agreement to purchase there was a general understanding that we would give the opportunity to certain people they suggested. So the price to those people—to a certain number—was fixed, and obviously, if we determined on the policy of selling at \$20 for any of this list prior to February 1, they would obviously have to go with the full list, even though we did not get through the physical work of approaching each individual in the two or three days in there which were very crowded.

Mr. PECORA. Well now, let us get the chronology of events. According to the evidence of yesterday, the contract to do the financing for the Alleghany Corporation was formally entered into by the J. P. Morgan Co. by the Van Sweringens on January 28, 1929?

Mr. WHITNEY. That is right.

Mr. PECORA. And according to the provisions of that contract J. P. Morgan & Co. obligated themselves to purchase 1,250,000 shares of the common stock of the corporation at \$20 a share and pay cash for it?

Mr. WHITNEY. Among other things; yes.

Mr. PECORA. That required \$25,000,000.

Mr. WHITNEY. Yes, \$25,000,000.

Senator GORE. Was that no par stock?

Mr. WHITNEY. No par stock; yes, sir.

Mr. PECORA. Now, Mr. Whitney, what interest did the Van Sweringen brothers have in the stock which J. P. Morgan & Co. agreed to buy at that time for \$25,000,000 or at the rate of \$20 per share?

Mr. WHITNEY. What interest did they have?

Mr. PECORA. Yes, sir.

Mr. WHITNEY. Do you mean financial interest?

Mr. PECORA. Financial interest; yes.

Mr. WHITNEY. None whatever.

Mr. PECORA. None whatever?

Mr. WHITNEY. No. Then, if you will remember, we were co-signers of the agreement, they were cosigners of the agreement with J. P. Morgan & Co.

Mr. PECORA. Exactly.

The CHAIRMAN. When did you get the stock?

Mr. WHITNEY. We paid for it February 15.

The CHAIRMAN. February 15, 1929?

Mr. WHITNEY. Yes, sir.

The CHAIRMAN. The \$25,000,000?

Mr. WHITNEY. Yes, sir.

The CHAIRMAN. So that the letters written prior to that time were in contemplation of receiving stock which had not yet been delivered?

Mr. WHITNEY. Do you mean these letters to these individuals?

The CHAIRMAN. Yes.

Mr. WHITNEY. Oh, quite so, sir. We had contracted to buy it, and our arrangement with the persons or individuals was that they would make payment on February 15.

Senator GORE. Do you know at what price the stock closed the day it was listed?

Mr. WHITNEY. I think so.

Senator GORE. It went on the market February 1, or something like that.

Mr. WHITNEY. Yes; but I have not that day. But my recollection of it is that it was around 37 and closed at 33.

Senator GORE. That is near enough for my purposes.

Mr. WHITNEY. Yes, sir. The opening sale was 37. That was the high. And the low was 32½, and it closed at 33.

Mr. PECORA. Now, Mr. Whitney, when was the decision arrived at by the members of your firm to take blocks aggregating 574,900 shares of this stock and to sell it to selected individuals at \$20 a share?

Mr. WHITNEY. Why, Mr. Pecora, of course there were several steps in that mental process to make that decision. The first one, as you know, was that there was an arrangement made with the Guaranty Co. for the purchase of 500,000 shares. So that reduced the amount to 750 of the total. As I attempted to explain earlier this morning, that would not be, in our conception, a proper permanent investment for a banking firm such as ours to continue to hold that amount of common shares.

So that practically since the idea of the formation and the financing of the Alleghany Corporation started, it was our intention to include with us, in our purchase, in effect, individuals such as ultimately came out in this list. If you ask me what day that idea suddenly sprang into our heads, I could not tell you, because that is the customary thing when we take this kind of investment, that is the customary thing that we do as you know. It is always the definite policy of J. P. Morgan & Co., as such, not to consider holding a \$25,000,000 investment, or even three fifths of that.

Senator GORE. Do you mean to say that that is the general practice with the Morgan concern?

Mr. WHITNEY. Well, we have done it very seldom, you understand. I tried to explain earlier, Senator Gore, I think before you came into the room, that there were only four or five cases in which we have done equity financing of this kind.

Senator GORE. That is, where you permitted people to buy stock?

Mr. WHITNEY. No; where we have bought common stocks in this kind of general arrangement.

Senator GORE. But you have on other occasions invited people to subscribe?

Mr. WHITNEY. Yes, sir. And Mr. Pecora has requested a list, and has the details I think, of three or four others.

Senator GORE. All right.

Mr. PECORA. Mr. Whitney, I notice that one of the individuals who was invited to subscribe for Alleghany Corporation common shares at \$20 a share, was Mrs. S. Parker Gilbert.

Mr. WHITNEY. Yes.

Mr. PECORA. Her husband is now a partner of your firm, is he not?

Mr. WHITNEY. He is; yes, sir.

Mr. PECORA. Was he in February of 1929 a partner of the firm?

Mr. WHITNEY. No, sir.

Mr. PECORA. Was he connected in any way at that time with J. P. Morgan & Co.?

Mr. WHITNEY. None whatever; except as a very close personal friend of one of the partners who had been very intimate with him for a long time.

Mr. PECORA. Was he in February of 1929, when his wife was invited to subscribe for these shares at \$20 a share, serving as agent general with the Reparations Commission?

Mr. WHITNEY. He was.

Mr. PECORA. And J. P. Morgan & Co. had financial interests that were very substantially affected by the operations of the Reparations Commission, had it not?

Mr. WHITNEY. We had no interest of any kind within Germany. As you know, Mr. Pecora, and as we have stated, we have sold the German loan 1924 7's and in that way, of course, we had a general interest in the world economy of reparations. But we had no interest in Germany as a firm of any kind.

Mr. PECORA. But you did have interests that were affected and that could be affected by the operations of the Reparations Commission?

Mr. WHITNEY. No personal interests. Only interests as a result of the effect of reparations on the general world economic effect on business in general. But no personal or direct interest of any kind.

Mr. PECORA. Mr. Whitney, do I understand that there was never a meeting of the partners of J. P. Morgan & Co. at which a decision was definitely reached to allot over 500,000 shares of the common stock of the Alleghany Corporation to selected individuals at \$20 a share?

Mr. WHITNEY. Mr. Pecora, I should think it was most likely that at a meeting of the partners, whoever were then present, that the matter of the disposition of those shares was discussed as a matter of policy. So the answer to your question as I understand it, made directly, is yes. But that is quite a different question than the questions you have been asking previously, as to whether there was a meeting of the firm, that might mean sitting down and conning over each one of this long list of names of persons and allocating to them. Of course, the policy was discussed at a meeting of the firm. You will remember that Mr. Morgan testified the other day that there was a firm meeting every week day except Saturday.

Mr. PECORA. I recall that very well.

Mr. WHITNEY. Undoubtedly at one of those meetings the question of the policy of disposing of such a large block of common stock would be discussed. I do not remember that it was, but undoubtedly it would be.

Mr. PECORA. I think Mr. Morgan also testified that no minutes or other written memoranda are kept of those firm meetings and discussions and decisions. That is true, isn't it?

Mr. WHITNEY. Why, of course, he testified that way.

Senator COSTIGAN. Was it not also stated by Mr. Morgan that in lieu of minutes the members of the firm relied upon their memory?

Mr. WHITNEY. We do.

Mr. PECORA. And your memory at the present time is just a little bit deficient concerning that matter?

Mr. WHITNEY. Not a particle.

Mr. PECORA. Let us see, now. Was it at the meeting of the firm at which it was determined to allot something like 574,000 shares of Alleghany Corporation common at \$20 a share to selected individuals, that the decision also was made with respect to the allotment of stock that would be offered to the various individuals who were to be invited to subscribe?

Mr. WHITNEY. Mr. Pecora, if I may be permitted to answer that question, in order to get at the result you want, I am afraid I will have to divide it into two parts. I have already stated that during the discussion of the policy connected with this Alleghany Corporation financing, undoubtedly that matter was discussed at a firm meeting, and the policy of disposing of the shares of Alleghany Corporation common was decided upon. But when you come to the question of any meeting of the firm at which the detailed allotments of the shares to individuals might have been decided upon, I have already testified that to the best of my recollection and belief there would have been no such meeting.

Mr. PECORA. Well, then, how could the partners individually have known how many shares each was to offer to individuals recommended by each partner?

Mr. WHITNEY. Why, there is a list ultimately made up. I have never denied it, because you have a list there in front of you. And again I must state that I am not trying to be evasive in my answers, but frankly I do not know what you are trying to find out.

Mr. PECORA. I am trying to find out how the apportionment or allotment of those shares was made by the partners.

Mr. WHITNEY. Well, you asked me, and I am not answering this question indirectly at all, but you asked me earlier, and I think your opening question this morning was, whether there was any standard form of people put on this list, and my answer to that question is, there was not.

Mr. PECORA. I am asking you a specific question. Will you answer that question now?

Mr. WHITNEY. Yes, I will be very glad to do so.

The CHAIRMAN. Mr. Whitney, you agreed that you would offer some 500,000 shares at \$20 a share?

Mr. WHITNEY. Yes, sir.

The CHAIRMAN. And did the partners of the firm then go out and each one of them undertake to dispose of any amount of shares?

Mr. WHITNEY. No, sir.

The CHAIRMAN. Then there must have been some time when you allotted those shares, because otherwise all of your partners being busy in the disposition of those shares, you might have disposed of a million shares. At some time you certainly had to come down to a decision of what you could and would do in the matter.

Mr. WHITNEY. Certainly. And I hope I have not given the impression at all that this list was not in existence at the time, or that this list has been prepared for the purpose of this investigation. This list was determined upon, of course. But the thing I am afraid I am not quite clear on is just exactly how I could answer truthfully when it was definitely done and who determined that. I assume if that is what you want, Mr. Pecora—

Mr. PECORA (interposing). I want the best answer you can give based upon your knowledge and recollection.

Mr. WHITNEY. Then will you ask me the question over again so that it may be perfectly definite.

Mr. PECORA. Was there ever a meeting of the partners of J. P. Morgan & Co. at which it was decided what number of shares was to be allotted to every or each individual who was invited to subscribe to those shares at \$20 a share?

Mr. WHITNEY. To the best of my knowledge and belief there was not.

The CHAIRMAN. How was this allotment arrived at, then?

Mr. WHITNEY. Well, Senator Fletcher, it is, perhaps, a little bit difficult for one to understand all these things without knowing the geography of our office. We all sit in one room, on the floor of our office, and we all move around, talking to each other—

The CHAIRMAN (interposing). Oh, well. But your partners would not go out and throw dice in order to determine the number of shares to allot to each individual.

Mr. WHITNEY. Oh, no. And if you would like to get the general procedure of one of those things, I can tell you that. That is what I tried to do.

Mr. PECORA. Give us the general procedure in the case of the Alleghany Corporation common stock.

Mr. WHITNEY. Well, we want to be as discreet as we can. Say, we decide to sell as a matter of policy a block of shares, but down to the exact number of shares, down to within 100 shares, probably is not determined. Then the partners generally converge upon a list, making suggestions of who they would personally like to suggest, like the Van Sweringen matter, who would be included in that list. And that is gradually brought together, and probably we would start out with a number of memoranda of the various partners making suggestions. Those memoranda are thrown into the list. That list is gone over by whoever made suggestions, and gradually—and there are some limits within which you work, but you gradually come to the list. That would be the general procedure. It may sound awfully vague and awfully sort of casual, but that is really the way it is done.

Mr. PECORA. Does it sound vague and casual to you?

Mr. WHITNEY. Not a bit.

Mr. PECORA. And was it the firm's policy to do it in a manner that might sound vague or casual to anyone else?

Mr. WHITNEY. No. But you appear so unsatisfied with my answer that I want to give a clear one, and I am afraid it must sound vague to you.

Mr. PECORA. No; I am not unsatisfied at all, but am simply perplexed.

Senator GORE. Mr. Whitney, was there any pool or concert or arrangement at that time by which this stock that was listed on the market and selling on the stock exchange should be handled?

Mr. WHITNEY. No. Certainly none in which we had the slightest interest. And to the best of my knowledge and belief there was none.

Senator GORE. If the stock had opened, say, at 15, instead of, say, at 35, would those men have been expected and obligated to take their allotments?

Mr. WHITNEY. Well, those who had accepted certainly would. Those who had heard about it afterward, I do not think we could have expected them to take it if it sold at 15. But if they had agreed to it, obviously, yes.

Senator GORE. There was some allotted after it was listed and was selling at thirty-odd.

Mr. WHITNEY. Well, Senator Gore, there has already been introduced in testimony a letter that was dated February 1, and your question was, I think, after February 1, if instead of selling at 35 it was selling at 15 would we have expected them to take it? I do not think it would be fair to anybody to expect a man who had not heard of it, to do so in that case. And obviously there were a certain number who heard of it after February 1, at least one that we know of.

Senator GORE. Certainly no one who had not agreed to take it would be obligated or expected to take it in that case.

Mr. WHITNEY. No.

Senator GORE. My point was, if it had opened at 15, those who had accepted it of course you would have expected to carry out their contract.

Mr. WHITNEY. Why, yes, sir; if they had a contract, I think so. And they were the type of people who would have expected to carry it out without any urging from us. It is a hard thing to imagine what might happen in a case like that, when it did not, but the people who had accepted these things were the type of people who would have wanted to fulfill their obligations.

Senator GORE. And some did receive allotments after it had gone on the market and was selling at 30-odd?

Mr. WHITNEY. Yes, sir; but how many I do not know.

Senator GORE. My point was, whether it was a business transaction.

Mr. WHITNEY. Oh, quite so.

Senator GORE. Or a sort of conversation in which it was understood to be one thing if it eventuated one way, and another thing if it eventuated another way.

Mr. WHITNEY. No, sir. It was a business transaction.

Mr. PECORA. Now, Mr. Whitney, your office was asked to furnish us with the details as to the disposition of 430,000 shares of common stock of the Fleishmann Co., and the disposition of 18,365 shares of the preferred stock of the Fleishmann Co., which were bought for your firm through Max C. Fleischmann and the Fleischmann Co., respectively, under the terms of agreements dated June 11, 1929, and July 2, 1929.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Do you recall that?

Mr. WHITNEY. Quite.

Mr. PECORA. And in connection therewith you were also asked to include in such information: First, the selected list showing to whom Standard Brands, Inc., preferred stock was allotted, with the number of shares and prices. Second: How the balance was disposed of after the above allotments, and through whom, and at what prices. Third: The dates and number of shares of Fleischmann Co. common and preferred deposited by J. P. Morgan & Co. under the plan in

exchange for Standard Brands, Inc., stock, and the number of shares received in exchange. Is that right?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Now, I show you this document, and I ask you if—

Mr. DAVIS [interposing]. Mr. Pecora, what is the number of the question?

Mr. PECORA. The answer to question 52.

Mr. DAVIS. All right. I thank you.

Mr. PECORA. And, Mr. Whitney, I ask you if that constitutes the information supplied to us in response to our request?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. I offer that in evidence and ask that it be spread on the record of the hearing.

The CHAIRMAN. It may be received.

(The answer supplied by J. P. Morgan & Co. to question 52 submitted by committee counsel, was received as a part of the record and marked "Committee Exhibit No. 14, May 25, 1933", and will be found at the end of the day's record.)

Senator GORE. Mr. Chairman, is there some way by which we could keep these people in the room quiet, and prevent them from moving around and making so much noise?

The CHAIRMAN. Well, Senator Gore, we have tried several times to do it.

Senator GORE. There is just a perpetual noise in the room.

The CHAIRMAN. When those in the room have to move will they try to avoid the noise made by moving chairs. Just do not move your chair. That is where the noise comes from. If you have to leave your chair, or to reoccupy it, try to let the chair remain silent if you can.

Senator KEAN. Let me see that exhibit, Mr. Pecora.

Mr. PECORA. Certainly.

Senator KEAN. I thank you. You may have it now.

Mr. PECORA. Mr. Whitney, how was the decision arrived at by your firm concerning the identity of the individuals who were to be invited and who were invited to subscribe for the shares of Standard Brands, Inc.?

Mr. WHITNEY. I should assume it was very much in the same way, Mr. Pecora.

Mr. PECORA. Well, there are various names on this list, which is the list offered in evidence and marked "Committee Exhibit No. 14", that do not appear—

Mr. WHITNEY (interposing). Which list are you now talking about?

Mr. PECORA. The Standard Brands list.

Mr. WHITNEY. All right.

Mr. PECORA. Which do not appear on the list of the gentlemen invited to subscribe to Alleghany Corporation common shares. Do you notice that?

Mr. WHITNEY. Oh, I would assume that would be true. They are entirely different types of companies. And as I have mentioned two or three times, there were various people shown on the Van Sweringen and other lists that were interested in railroads.

Senator COSTIGAN. Mr. Whitney, do you happen to know why the name of Mr. Claude Boettcher of Denver is on that list. My attention has just been drawn to the fact that his name is on it.

Mr. WHITNEY. He is; yes, sir.

Senator COSTIGAN. Was there any special reason known to you why he should be included?

Mr. WHITNEY. Frankly, up to this minute I did not know that he was on the list. No, I do not know; didn't even know him.

Senator COSTIGAN. All right.

Mr. PECORA. Mr. Whitney, upon whose suggestion or recommendation was Calvin Coolidge's name included on this list?

Mr. WHITNEY. I should assume—is it on the list?

Mr. PECORA. Yes.

Mr. WHITNEY. I should assume it was Mr. Thomas Cochran.

Senator GORE. Why?

Mr. WHITNEY. He was always a very close personal friend of his, and was advising him on investments after he left the White House.

Senator GORE. What was the date of this, Mr. Pecora?

Mr. PECORA. In July of 1929.

Senator COSTIGAN. Who is Mr. Cochran?

Mr. WHITNEY. He is one of our partners. Unfortunately, he is very ill at the present time.

The CHAIRMAN. Mr. Whitney, did you purchase this stock, or did your firm purchase this stock?

Mr. WHITNEY. We made an agreement to purchase it; yes, sir. It is quite a complicated matter, and——

Mr. PECORA (interposing). At what price?

Mr. WHITNEY. Well, we have the agreement here. You know, Mr. Pecora, this involved the purchase—and you spoke of the purchase of Fleischmann stock. It involved the purchase of Fleischmann stock pending the merger or creation of a company called Standard Brands, Inc. The agreement was that we would purchase the stock and turn it through to get Standard Brands stock. So that the price of Standard Brands, after the completion of all those arrangements, was \$32 a share for Standard Brands.

Mr. PECORA. That was the price to J. P. Morgan & Co.?

Mr. WHITNEY. That is the price in my mind. I do not remember just what the price was.

Mr. PECORA. It was also at that price of \$32 a share that these persons whose names are shown on the list offered in evidence——

Mr. WHITNEY (interposing). Yes, sir.

Mr. PECORA (continuing). Were invited to subscribe to it?

Mr. WHITNEY. Yes, sir.

Senator GORE. Was that Standard Brands or Fleischmann?

Mr. WHITNEY. Well, Fleischmann was merged with various other companies into Standards Brands, Inc. It is the same thing. Standard Brands is a successor company to Fleischmann.

Senator GORE. That and some other concerns?

Mr. WHITNEY. Yes, sir. That and Royal Baking Powder, Chase & Sanborn, and various others.

Senator GORE. This relates to Standard Brands?

Mr. WHITNEY. Yes, sir; but that is the contract. We were not called upon to buy stock in these various ramifications and legal

steps, except if Standard Brands went through. We made this contract in June and it did not become effective until September. There was a period of about 60 days that elapsed.

The CHAIRMAN. September of 1929?

Mr. WHITNEY. We made the contract in June.

The CHAIRMAN. And to take effect in September 1929?

Mr. WHITNEY. We had to pay for the stock September 5, I think it was.

Senator GORE. 1929?

Mr. WHITNEY. Yes, sir.

The CHAIRMAN. Was it listed on the stock exchange in September?

Mr. WHITNEY. I think that—well, Fleischmann, of course, had been listed. And I think after that, when Standard Brands was actually formed that that succeeding stock became listed, and I should think that by September it was listed.

Mr. PECORA. The opening trades, as I understand, according to committee exhibit 14, prepared by your office, were on September 6, 1929.

Mr. WHITNEY. Yes, sir. I think that question also said that it was sold on the stock exchange, or made no mention of it. Or was that another question? I am pretty sure it was listed.

The CHAIRMAN. How was it quoted then?

Mr. PECORA. According to committee exhibit no. 14, it was 40 $\frac{7}{8}$.

Mr. WHITNEY. Our commitment was to purchase, as I remember it, Senator Fletcher, on September 5 at 32, and we had entered into that commitment back some time in the latter part of June—or I mean July; no; it was June 11.

Mr. PECORA. Mr. Whitney, it is true, isn't it, according to committee exhibit 14 which has been introduced in evidence, and which was prepared by your firm, the sales in the market of the common stock of Standard Brands, Inc., were at 40 $\frac{7}{8}$?

Mr. WHITNEY. The opening sales?

Mr. PECORA. Yes.

Mr. WHITNEY. If that is what it says here, I guess it is right; 40 $\frac{7}{8}$ is right.

Mr. PECORA. And that within 4 days thereafter, or on September 10, 1929, the market price reached 43 $\frac{7}{8}$?

Mr. WHITNEY. Well, we sold 200 shares at that price, so it must have.

Mr. PECORA. Mr. Whitney, who recommended that an invitation to subscribe for these shares of Standard Brands, Inc., be extended to Mr. Bernard M. Baruch?

Mr. WHITNEY. I do not really know.

Senator GOLDSBOROUGH. Mr. Whitney, what is the present quotation on Standard Brands?

Mr. WHITNEY. About 19. Standard Brands has continued to pay dividends right through, and I think it is now about 19. But what has happened in the last couple of days I do not know.

The CHAIRMAN. It has been lower than that.

Mr. WHITNEY. Oh, yes, sir. It went down, I think, to 12, or perhaps 11.

Senator GOLDSBOROUGH. It has always paid dividends?

Mr. WHITNEY. Yes, sir.

Senator GOLDSBOROUGH. It has not skipped a dividend?

Mr. WHITNEY. No, sir. It is paying at the rate of \$1 a share now.

Senator GORE. Is it earning the dividend?

Mr. WHITNEY. Yes, sir; a little bit more than its dividend, I understand.

Mr. PECORA. Mr. Whitney, who recommended that Mr. Norman H. Davis be invited to subscribe for 500 shares of Standard Brands common stock at that time?

Mr. WHITNEY. I do not know, Mr. Pecora.

Mr. PECORA. Now, who is F. H. Ecker, whose name is included on the list of persons invited to subscribe for Standard Brands, Inc., at 32?

Mr. WHITNEY. He is the president of the Metropolitan Life Insurance Co., and I think he was at that time. He may have been vice president then.

Mr. PECORA. And his company is a very heavy buyer of securities at all times, isn't it?

Mr. WHITNEY. When things are going that way; yes. Not today, of course. They have not been for a good many years. But they are, of course, currently large holders of securities.

Mr. PECORA. Have you any notion as to whether or not that circumstance might have influenced the recommendation that he be invited to subscribe for those shares at 32?

Mr. WHITNEY. I know that it would not.

Mr. PECORA. You know it would not?

Mr. WHITNEY. It would not influence the suggestion.

Mr. PECORA. You do not think it would awaken any desire in his mind to reciprocate such courtesy, do you?

Mr. WHITNEY. No.

Mr. PECORA. By an investment of the funds of his company in issues that your firm is interested in?

Mr. WHITNEY. No, sir; I really do not. I have done a great deal of business with Mr. Ecker over the last 18 years, and I am sure you would agree with me if you knew him that it would not influence him at all.

Mr. PECORA. It would not offend him with your firm, would it?

Mr. WHITNEY. It would not make any difference to him.

Senator GORE. Mr. Pecora, I should like to ask a question or two so that I may go.

Mr. PECORA. All right.

Senator GORE. You may have covered some of these questions when I was absent.

The CHAIRMAN. Proceed, Senator Gore.

Senator GORE. Mr. Whitney, does your firm lend money on call like others?

Mr. WHITNEY. Is it doing it, or does it ever do it?

Senator GORE. Did it?

Mr. WHITNEY. Oh, yes, sir.

Senator GORE. Could you submit, Mr. Whitney, in connection with your testimony a statement showing the amount, the highest and lowest amounts, you had outstanding on call each month during 1929?

Mr. WHITNEY. Yes, sir. Of course, Senator Gore, in our general statement that was submitted here day before yesterday we showed—

Senator GORE (interposing). Was it included in that statement?

Mr. WHITNEY. That was only as of December 31 of each year. But we can certainly procure that information.

Senator GORE. On the 1st of each month during 1929.

Mr. WHITNEY. What do you mean by call loans? Straight call loans?

Senator GORE. Yes.

Mr. WHITNEY. Ordinary call loans?

Senator GORE. I should like to have the highest and lowest amounts each month unless that would be too much trouble to you.

Mr. WHITNEY. First, let us understand. You mean what is known as ordinary straight brokers' loans?

Senator GORE. Yes.

Mr. WHITNEY. All right. We have other demand loans. You are interested in the call market?

Senator GORE. Yes, sir. And state the rate of interest prevailing on each of those dates for which you furnish certificates.

Mr. WHITNEY. The high and the low for each month, or the amount on the 1st of each month, and the rate of interest prevailing?

Senator GORE. The call rate.

Mr. WHITNEY. Yes, sir.

Senator GORE. And the amount of other loans on that date, loans other than call loans.

Mr. WHITNEY. Do you mean to brokers, time loans?

Senator GORE. Yes; any loan that you carry in your ordinary banking business.

Mr. WHITNEY. All loans?

Senator GORE. Yes.

Mr. WHITNEY. Do you mean customers' loans and commercial loans and any evidence of indebtedness?

Senator GORE. Well, under two categories. Call loans in one, and the other one could be submitted in categories or groups of loans other than call loans.

Mr. WHITNEY. We can get that, Senator Gore. The second part of your question will take longer because it is carried in the office in an entirely different way. But we can get it for you if you wish it. We can get the first one very promptly, and the second one will take some time. But we will get it for you very quickly.

Senator GORE. If you can group the loans, other than call loans, in one category that would serve my purpose.

Mr. WHITNEY. On the first of each month in 1929?

Senator GORE. Yes, sir.

Mr. WHITNEY. All right, sir.

Senator GORE. Now, then, do you remember the rate of profit that was developed in the hearing about a year ago on your foreign loans?

Mr. WHITNEY. Yes, sir.

Senator GORE. What was that?

MR. WHITNEY. Well, our average profit on our foreign loans—and it is slightly less on our domestic loans—is just under one half of 1 percent. That is, before charging ourselves with any overhead, rent, interest on the money. I mean, that is our gross profit actually flowing from those transactions, from that department of the business.

SENATOR GORE. Did you make a substantial loan to Italy during that period of the last 10 years?

MR. WHITNEY. Yes.

SENATOR GORE. What was that amount?

MR. WHITNEY. \$100,000,000.

SENATOR GORE. And what was the date, approximately, do you remember?

MR. WHITNEY. We have got it right here, Senator Gore, and in just a second I will answer you. That is prior to the scope of this question of Mr. Pecora's, and I am advised it was in 1925.

SENATOR GORE. Yes. Of course, I would not want to ask you to submit any information not called for in this resolution, if you have any objection, of course.

MR. WHITNEY. Not the slightest.

SENATOR GORE. I want to stay within that.

MR. WHITNEY. All that information, Senator Gore, was furnished when Mr. Lamont appeared before the Senate committee in connection with foreign loans. I will be very glad to send you a report of that testimony which covers this point.

SENATOR GORE. Here was the additional point I wanted to develop. Could you show first the date on which that loan was made?

MR. WHITNEY. Yes.

SENATOR GORE. The amount that was advanced in cash to the Italian Government at the time?

MR. WHITNEY. Yes.

SENATOR GORE. Then the date at which further advances were made from time to time?

MR. WHITNEY. Further—

SENATOR GORE. On this Italian loan?

MR. WHITNEY. Well, to be sure I understand. We would have bought the bonds all in one lot. In other words, we would have made payment for the full amount at one date.

SENATOR GORE. But did you turn the entire purchase price over to the Italian Government at that time?

MR. WHITNEY. Yes, sir; certainly.

SENATOR GORE. The reason I was asking, Mr. Whitney, was this: I had been advised to the contrary. That the transaction was made, the sale was made, and that this was the agreement—and I use this by way of illustration—that, say, \$25,000,000 was advanced at the time to the Italian Government. The balance was carried by your firm and was loaned on call at a high rate of interest during the time.

MR. WHITNEY. Senator Gore, I am speaking—I haven't got the records before me, but I am very confident that they will support this statement of mine, that we contracted to purchase \$100,000,000 worth of bonds of the Italian Government at a certain price. We agreed to pay for those bonds on a certain date, and on that date we paid for those bonds in accordance with the terms of that contract.

Senator GORE. Yes. In accordance with the terms of the contract.

Mr. WHITNEY. And at one time, on one specific date, the full total payment was made in accordance with the terms of the contract on a specific date. We did not make, in other words, partial payment.

Senator GORE. Well, maybe this is the point then I had better bring out. You made the total payment to Italy, that is, you credited Italy with the entire amount. Did Italy carry a balance comprising a very substantial proportion of that for sometime in your bank?

Mr. WHITNEY. Do you mean on deposit with us?

Senator GORE. Yes.

Mr. WHITNEY. I do not know for a fact, but I should think very likely.

Senator GORE. Here is what I am trying to get at, Mr. Whitney. I have heard this criticism made, that your house as an investment banking house was represented on a number of industrial boards of directors and railroads and other concerns, for that matter. And that pressure was exerted by your house to get them to make loans with your company.

Mr. WHITNEY. Do you mean deposits?

Senator GORE. No, sir.

Mr. WHITNEY. Deposit or loan?

Senator GORE. No, sir; to borrow money from your house. Allow the money to stay on deposit. They would pay interest on the bonds of the amount that were issued, for instance, and the money was allowed to remain with your concern. Meantime, being loaned on call at high rates of interest. And that there was a virtual antagonism between your company as an investment banking house and the industrial concerns on which your members served as directors.

Mr. WHITNEY. Well, sir, of course the question of what we were loaning as a firm on call will be answered in your first question.

Senator GORE. Yes, sir.

Mr. WHITNEY. If it is true, as I think very likely, that we paid for these by paying the Italian Government money which they deposited with us, on which we paid them interest, the two things have no relation. If you mean that we loaned money for the account of the Italian Government in the call market, I can assure you that is not so, because—

Senator GORE. No; I did not mean that at all. But that the money was held by your bank.

Mr. WHITNEY. It was on deposit.

Senator GORE. On deposit.

Mr. WHITNEY. That is, yes; very probable.

Senator GORE. And loaned on call in the meantime. I have this concrete case which has been mentioned to me, and it might be illustrative, if true. The transaction of the Marland Oil Co., which I believe in 1927 borrowed some \$30,000,000 from your concern, or you handled bonds or gold notes for that company amounting to \$30,000,000 in 1927, is that not true?

Mr. WHITNEY. Yes, sir; we purchased \$30,000,000 Marland notes in 1927. I am not sure of the date, but I know we purchased \$30,000,000 Marland Oil Co. obligations; yes, sir.

Senator GORE. Yes. Now, I have been informed that the company never did get the money, but paid interest on the money.

Mr. WHITNEY. Well, I can assure you, Senator Gore, that your informant has informed you incorrectly.

Senator GORE. Well, that is what I am trying to get at—what the facts are.

Mr. WHITNEY. There is no question of doubt about it.

Senator GORE. When the Marland Co. was taken over, or when Mr. Marland was removed from the presidency of it, I have been informed that \$22,000,000 of that loan was still on deposit with your firm. I am speaking from memory.

Mr. WHITNEY. If you would care to, I would be very glad, if the committee would like to have a statement of the account of the Marland Oil Co., to furnish it. Mr. Marland finally retired or was not reelected to the board in the annual meeting of 1929. And I would be very glad to show you what the statement of the Marland Oil Co.'s account was at that time with us. They did have, and have had for many years, deposit relations with us, as has the Continental Oil Co., which is their successor company.

Senator GORE. Here is the point I want to bring out—

Mr. WHITNEY. But they got the money, Senator Gore; they got the money. That is the point. I do not have in my mind what they had on the date Mr. Marland finally severed his connections.

Senator GORE. Here is what I have in mind. The \$30,000,000 were borrowed.

Mr. WHITNEY. Were sold. They sold notes.

Senator GORE. Yes. When he retired as president \$22,000,000 of that were still on deposit in your bank, and, we will assume, being loaned on call?

Mr. WHITNEY. Well, we would not—

Senator GORE. And the company had not drawn the money out of the bank?

Mr. WHITNEY. We would not be able to identify any particular deposit in money we were loaning on call.

Senator GORE. Oh, certainly not.

Mr. WHITNEY. But, as I said, we would be very glad to give you the amount of money we did have loaned on call. While I hate to guess or try to remember anything like that, I think I am pretty safe in guessing that at the time Mr. Marland left the company they did not have anything like \$22,000,000 on deposit with us, but they had drawn out whatever deposits they had had which had been credited by the purchase of those notes a long, long time before that.

Senator GORE. Yes. Well, I spoke from memory.

Mr. WHITNEY. I am not denying either, Senator Gore, that Mr. E. W. Marland and some of his directors had a dispute. That has been a matter of almost public record.

Senator GORE. Yes. You know it has been discussed as to what limits ought to be placed on investment bankers, and how far they should be divorced from commercial banks. What I am trying to get at is this—and this is the criticism on which these questions are based. The house of Morgan has members of its firm serving as members of boards of directors of different concerns.

Mr. WHITNEY. Yes, sir.

Senator GORE. That pressure has been exerted by the bank on these industrial concerns and railroads to borrow money from the bank,

your bank; that the money has remained on deposit with the bank, and been used by the bank to lend on call at high rates of interest. The point being that there was an antagonism of relationship, and that really the men who were serving in these two capacities were serving two masters. Now that is the point I am getting at.

Mr. WHITNEY. Well, Senator Gore, I think I can safely say in complete reliance that the record would support it, that never has J. P. Morgan & Co. tried to influence any company to borrow a dollar that that company did not very definitely need in the conduct of its regular business.

Senator GORE. Well, I wanted to get what the facts were in the record.

Mr. PECORA. Mr. Whitney, referring to the list last offered in evidence, namely, exhibit 14, that is the Standard Brands subscribers. Who is John Marshall, whose name appears on that list?

Mr. WHITNEY. He is a partner in the law firm of Messrs. Covington, Burling & Rublee here in Washington.

Mr. PECORA. Is that the law firm with which Dean Acheson was connected?

Mr. WHITNEY. I am told so; yes.

Mr. PECORA. It is?

Mr. WHITNEY. I am told so; yes, sir.

Mr. PECORA. Now will you describe briefly for the benefit of the committee the transaction or transactions whereby the merger of Standard Brands, Inc., was effected? That is, the merger of the constituent companies into Standard Brands, Inc.?

Mr. WHITNEY. Do you mean with reference to this particular transaction?

Mr. PECORA. With reference to these stock transactions that you have been examined about.

Mr. WHITNEY. Well, of course, there were two collateral transactions going on here. The actual transaction that this question covers was, as you stated in your introduction of the subject, a personal transaction between the firm of J. P. Morgan & Co. and Max C. Fleischmann and certain of his relatives who were very large owners of Fleischmann stock. And he had been desirous for a long time of diversifying his investments and disposing of his shares. That is one transaction.

Parallel to that there had been these negotiations going on for the formation of Standard Brands, which involved the Fleischmann Co., the Royal Baking Powder, Chase & Sanborn, and a Canadian company whose name I do not remember. The theory of the consolidation being that the Fleischmann—

Mr. PECORA. Was that E. W. Gillette Co., the Canadian company?

Mr. WHITNEY. Yes, sir. I could not remember at the moment. It was a Canadian company. The theory of this combination or merger being that the Fleischmann organization had developed a very unique and very effective method of distribution, particularly for more or less perishable foodstuffs, and these other companies, coffee and baking powder—not so much baking powder, but coffee, were thought to fit in, we thought, very economically with the general set-up of Fleischmann's. So when the two transactions came together it was that we made this agreement with Max C. Fleischmann to buy—I think he said 430,000 shares of

Fleischmann stock from him when, as, and if this merger had gone through. We entered into that contract in the early part of—

Mr. PECORA. At what price, do you remember?

Mr. WHITNEY. I only remember what it was going to be when it came out of the hopper. But I can look that up; 80. The contract was made June 11, I think. It had to be ratified by all these various stockholders, and we made our commitment to buy the stock in the form of Standard Brands stock on September 5, and the net effective price to us on the proposed merger, under the terms of the merger, was \$32. That is where it went down to.

Now, the other part of your question about the preferred stock, may I bring that in now?

Mr. PECORA. All right.

Mr. WHITNEY. The Fleischmann Co. owned certain preferred shares of its own company—its own preferred shares. They did not want to continue to have that in the merged company. So we agreed to buy the preferred shares and after the merger to sell those shares, accounting to them for any profit beyond expenses that might be from the purchase price of the preferred stock of Fleischmann through the sale ultimately of the common shares of Standard Brands. So that that is what actually happened to that. That is quite a distinct trade from anything to do with Max Fleischmann. That was made with the Fleischmann Co. for the account of the Fleischmann Co., and we accounted to them for the profits, which I think were something around \$900,000.

Mr. PECORA. \$919,360. Shall we recess now?

Mr. DAVIS. Mr. Chairman, before we recess may Mr. Morgan have just 2 minutes to make a statement?

The CHAIRMAN. Mr. Morgan desires to make a statement in regard to some tax matters. You may do so, Mr. Morgan. We will have quiet in the room.

TESTIMONY OF J. P. MORGAN—Resumed

Mr. MORGAN. There was a question raised about my having paid income tax to the British Government yesterday. I was asked yesterday whether I had paid any income taxes to any foreign government and replied that I had paid income tax to the British Government. My memory was not entirely clear about it, so that I thought I would like to explain it a little.

My income tax to the British Government is paid upon the basis of the English income tax law, and it is fixed by the Inland Revenue Authorities, as they call them there. I paid an assessment during 1932 of 7,000 pounds, and approximately similar amounts for 1931 and 1932.

The English income tax includes a tax on the rental value of property owned which the owner uses and which would have increased his income had he rented it. And does not include any capital gains and losses.

The CHAIRMAN. You are referring now to your personal tax?

Mr. MORGAN. My personal income tax.

The CHAIRMAN. Not the firm's?

Mr. MORGAN. No. My personal income tax.

Mr. PECORA. The individual tax?

Mr. MORGAN. The individual tax. I want to make clear about it that I take great pains, and I have all my life, to pay the income taxes and other taxes I am called upon to pay by the various governments. And I get the best advice I can to find out that I do not underpay or overpay.

Senator KEAN. Mr. Morgan, I would like to ask you the difference between the tax there and in the United States. Ours is not an income tax. Ours is really a profit tax, is it not?

Mr. MORGAN. Well, it would seem that capital gains and losses could hardly be a part of an income.

Senator KEAN. So that as our tax is fixed on capital gains and losses, if there are no capital gains, why you do not have to pay any tax?

Mr. MORGAN. Well, except on what you have in the way of interest and income of that sort.

Mr. PECORA. Income?

Mr. MORGAN. Except on income.

Mr. PECORA. Yes.

Mr. MORGAN. I consider income to be what a man earns by his work; his salary or pay, or whatever it is; the income received from securities or from occupation.

The CHAIRMAN. Is the tax which you paid to the British Government deducted from your income tax in the United States?

Mr. MORGAN. That I do not know, sir. I think so, probably, but if the law allows it it is.

Senator KEAN. No.

Mr. MORGAN. It is no longer so?

Senator KEAN. No.

The CHAIRMAN. Does the partnership pay a tax in England?

Mr. MORGAN. Oh, yes; before you get the money over here, on which you pay tax again.

The CHAIRMAN. Yes.

Senator BARKLEY. Was the reason for your failure to pay taxes in 1931 and 1932—

Mr. PECORA. And 1930, Senator.

Senator BARKLEY (continuing). 1930, 1931, and 1932 due to the fact that your losses were greater than your gains?

Mr. MORGAN. Losses were greater than my income.

Senator BARKLEY. That is, charging off your losses against your income there was no tax due?

Mr. MORGAN. There was no tax to be paid. I am not responsible for these figures. I viewed them with great regret when they appeared.

I am very much obliged to you, Mr. Chairman.

The CHAIRMAN. Yes. That is all right, Mr. Morgan. If you have nothing further to say, we will take a recess until—2 o'clock or 2:30?

Mr. PECORA. May I ask Mr. Morgan just one question?

The CHAIRMAN. Yes.

Mr. PECORA. If the English system of income tax would have been adopted here and had been in effect here, you would have been required to pay income taxes for the past 3 years, would you not?

Mr. MORGAN. On quite considerable amounts, I expect.

Mr. PECORA. On considerable amounts?

Mr. MORGAN. On quite considerable amounts; yes.

Mr. PECORA. Yes.

Mr. MORGAN. We would have paid a lot less in 1928 and 1929.

Mr. PECORA. So that to the extent that capital losses may be deducted from taxable income our income tax is not an income tax, is it?

Mr. MORGAN. No. And also to the extent that capital gains could be added to income it ceases to be an income tax.

Senator BARKLEY. This English tax was based solely on the profits or the income derived by you or your concern in England?

Mr. MORGAN. Yes, sir.

Senator BARKLEY. It had no relation—

Mr. MORGAN. The English taxing authorities say that a man who owns a house has made an investment of that amount which, if you had not put it into the house and left in it, you would have to invest and receive an income on.

Senator BARKLEY. As though he had received it.

Mr. MORGAN. And they tax him on the amount that he would have got in rent for his house, as they estimate, and they change the value every 5 years. So that he cannot put a lot of money by earning no income.

Senator BARKLEY. Well, the tax that you paid over there had no relationship to your business or your income in the United States?

Mr. MORGAN. No; nothing at all. Thank you.

Senator KEAN. Mr. Morgan, the income tax over there is based on any income you receive from either your partnership over there or from—

Mr. MORGAN. Or from any investment that I have.

Senator KEAN. Or from any investment that you have over there?

Mr. MORGAN. Yes.

Senator KEAN. And the difference is merely that the English law says that if you have a house the rental value of that house would be so much, and therefore your income on that if you rented it would be so much; that is correct, is it not?

Mr. MORGAN. That is it. They do not say a house is worth so much. They say it would earn such an income. They do not place a capital valuation on real estate there.

Senator KEAN. They state it would earn so much.

Mr. MORGAN. Yes.

The CHAIRMAN. We will take a recess until 2:30. The witnesses who have been summoned will return at that time.

(Thereupon, at 12:55 p.m., a recess was taken until 2:30 p.m. the same day, Thursday, May 25, 1933.)

AFTERNOON SESSION

The hearing was resumed at the expiration of the recess.

The CHAIRMAN. The committee will come to order. Let there be quiet in the room.

Mr. Whitney, will you resume the stand?

**TESTIMONY OF GEORGE WHITNEY, A PARTNER IN THE FIRM
OF J. P. MORGON & CO., NEW YORK, N.Y.—Resumed**

Mr. PECORA. Mr. Whitney, I observe in reading over the printed copy of the statement you read into the record this morning the following sentence:

We are not opposed to, but are heartily in favor of publicity and disclosure of the gross profit or commission paid in respect to all securities offered to the public as is proposed by the legislation which you are now considering.

To which legislation does that statement refer?

Mr. WHITNEY. I said this morning, Mr. Pecora, that I understood that the legislation had already been passed—the securities bill.

Mr. PECORA. Did anyone in behalf of J. P. Morgan & Co. make any public announcement that your firm, before the enactment of that legislation, while it was under advisement by the Congress, were in favor of publicity and disclosure of the gross profit or commission?

Mr. WHITNEY. No, Mr. Pecora. We did not make any statement in that connection. It has always been known that we have always practiced the fullest kind of disclosure in all our public issues.

Mr. PECORA. Did you ever issue a circular or prospectus offering an issue to the public in which you set forth the spread to your firm?

Mr. WHITNEY. No, sir.

Mr. PECORA. And the first public statement of any kind of which you have knowledge that has been made in behalf of your firm with respect to its attitude of favoring such legislation is this one contained in this printed pamphlet which you read into the record this morning. Is that correct?

Mr. WHITNEY. As far as I know, we are not in the habit of making public statements, and I rather think this is the first one. Our opinion on the subject has never been asked before.

Mr. PECORA. You knew that committees of Congress were holding public hearings upon the securities bill that was very recently enacted, did you not?

Mr. WHITNEY. We did.

Mr. PECORA. And you knew that those hearings were open to representatives of your firm for an expression of their views or opinions with regard to the wisdom of such legislation, did you not?

Mr. WHITNEY. The question is, Did I know they were open for us to appear?

Mr. PECORA. Yes.

Mr. WHITNEY. I understood they were open hearings. I wish to correct the statement I made a minute ago, and that is that at the time of the Senate inquiry into foreign loans we did make a full disclosure of our spread.

Mr. PECORA. But that was back in December of 1931?

Mr. WHITNEY. Yes; that is correct.

Mr. PECORA. And you made that in response to questions put to representatives of your firm by the committee who examined the members of your firm as witnesses; is not that so?

Mr. WHITNEY. My recollection is, Mr. Pecora, that we volunteered the information at the time of the hearing; yes.

Mr. PECORA. But prior to that time, or, as a matter of fact, at any time up to the present time, your firm has never stated in any prospectus that you issued to the investing public with regard to any security that it had issued what your firm's spread was so that the investor or the prospective investor might have that information to help guide his judgment as to whether or not he would buy?

Mr. WHITNEY. The answer, Mr. Pecora, to your question is no; but as I pointed out in the statement which I read this morning, a great many of the securities which we have issued—as a matter of public knowledge the question of the disclosure of spread has never become a matter of public interest or even suggested, so far as I remember. The legislation just passed raised it. You asked me whether we have ever made a public statement, and the answer is no. We have always, on the other hand, been prepared to and have in practice given all information considered pertinent. This particular information, which we think is a good thing if it is deemed so, has never been a question of discussion until very recently.

Mr. PECORA. What do you mean when you say that it is a good thing if it is deemed so? That is a statement that I do not quite understand.

Mr. WHITNEY. I said, Mr. Pecora, that the question of the disclosure in prospectuses of spread has never been raised until very recently. The question having been raised, as I state there, we are heartily in favor of any and all disclosure which is deemed to be in the interest of the investor or purchaser of securities.

Mr. PECORA. This statement here merely relates to full publicity and disclosure of the gross profit or commission as is proposed by the legislation which you apparently thought was now under consideration but which you now know was enacted a few days ago?

The WITNESS. Since we have been in Washington; yes.

Mr. PECORA. While that legislation was pending in Congress there was not a word from the firm or any representatives which would have enlightened the committees of Congress considering the legislation, as to the firm's attitude?

Mr. WHITNEY. I do not know that I can speak absolutely accurately, but there was no case, to my recollection, where a member of the firm of J. P. Morgan & Co. has appeared before legislative committees for or against legislation, unless they have been requested so to do.

Mr. PECORA. So this statement simply means that you now are in favor of the law which has already been enacted, does it not?

Mr. WHITNEY. To that, Mr. Pecora, the answer is "Yes." As you so clearly brought out this morning, this statement was prepared last Friday. You took a little pains to bring out when it was written. It was written last Friday, and that clause was in it then.

Mr. PECORA. When I questioned you about this statement very briefly, immediately after you completed reading it into the record this morning, you did not know whose phraseology was embodied in this printed statement. Do you now know?

Mr. WHITNEY. I do not think that is quite what I said, Mr. Pecora. You asked who had prepared it. I said it was the collective effort of many of us; and that is still true.

Mr. PECORA. But I asked you specifically, as I rather distinctly recall, the question as to whose phraseology was employed or em-

bodied in this statement, and you said you did not know. Do you know, as a matter of fact?

Mr. WHITNEY. Have you the record of what was said this morning?

Mr. PECORA. I have it in my memory for the time being.

Mr. WHITNEY. My recollection is, Mr. Pecora—I don't think it is very important, but my recollection is that I did not know whose phraseology it was but that I amplified the answer by saying that it was the collective effort of many of us. That answer is just as true now as it was this morning. But you also then rather pursued the point and asked me when it was first thought of, and I said my recollection was that it was first begun to be worked on about last Friday or Saturday. My only point is that that clause has been in that statement since its inception, which was prior to the passage of this legislation which was pending last Friday.

Mr. PECORA. Was it about last Friday or Saturday—or perhaps a day or two prior to last Friday—that certain members of your firm had a conversation with a New York attorney at which the suggestion was made that your firm or its members come here prepared to present some sort of program for the consideration of this committee in recommending legislation to the Congress?

Mr. WHITNEY. I cannot tell you the conversation that members of my firm have had with respect to the many suggestions made by many people in regard to the purpose of this investigation that we should attempt to have some definite ideas as to things of this kind; but that has been a matter of the most—well, the greatest concern and consideration by us since we first understood we were to have the privilege of appearing before this committee.

Mr. PECORA. Did you have such conversations as I have indicated toward the latter part of last week with an attorney in New York?

Mr. WHITNEY. Whom do you refer to?

Mr. PECORA. Did you have with any attorney in New York?

Mr. WHITNEY. I do not know. I have seen so many attorneys in the last several weeks that I would hate to say that I did not.

Mr. PECORA. Perhaps Mr. Leffingwell can answer that.

Mr. LEFFINGWELL. Yes, indeed, Mr. Pecora. I have had conversations with attorneys. The man you have in mind is Mr. Ernst?

Mr. PECORA. Yes. He suggested that you come here prepared with some kind of a program, did he not?

Mr. LEFFINGWELL. I think he did. I think, Mr. Pecora that we have done quite a little thinking about these questions ourselves. I think that rather exaggerates the importance of that conversation if we assume that—

Mr. PECORA. I was just wondering, in view of Mr. Whitney's testimony, if this printed statement that was read into the record this morning represented the product of conferences that were had beginning on last Friday.

Mr. LEFFINGWELL. Not at all.

Mr. WHITNEY. It had nothing to do with that.

Mr. LEFFINGWELL. Not that conversation, at all.

Mr. PECORA. I do not know just why you brought in the date of last Friday in connection with this statement.

Mr. WHITNEY. I do not know why you think it has any connection with Ernst.

Mr. PECORA. I was simply wondering if this was the product or the result of the suggestions made by Mr. Ernst to Mr. Leffingwell that members of your firm should be prepared to present some sort of program to this committee for its consideration in the way of recommendation of legislation.

Mr. WHITNEY. The answer to that is, no. The answer is completely no.

Mr. LEFFINGWELL. May I confirm that, Mr. Pecora?

Mr. PECORA. All right.

The CHAIRMAN. In order to clear the record—I think we are spending too much time on this—as a matter of fact, the conference report on the securities bill was agreed to in the House on Monday.

Mr. PECORA. Of this week.

The CHAIRMAN. Of this week; and on Tuesday of this week it was agreed to in the Senate. So probably on Wednesday it went to the President. That is the situation with reference to that legislation.

Mr. PECORA. In the course of your testimony yesterday you referred to the loan made by J. P. Morgan & Co. to Mr. Norman H. Davis as a very small loan to enable him to buy some stock to qualify him as a director of a bank. Is that so? Do you recall giving any such testimony?

Mr. WHITNEY. Certainly; but not quite like that.

Mr. PECORA. Did you not refer to the loan as a very small loan?

Mr. WHITNEY. I did not say “was”; I said “is.” And you asked me about the dates, you remember, and I said you could identify the date by the time he became a director of this bank.

Mr. PECORA. As a matter of fact, what was the amount of that loan?

Mr. WHITNEY. \$50,000 it was; it is now \$10,000.

Mr. PECORA. Did \$50,000 represent the amount of the loan initially?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Was it increased in amount subsequently?

Mr. WHITNEY. My recollection is, without having the records before me, that it was increased in a very short time to \$75,000. I think that was stated by Mr. Davis this morning.

Mr. PECORA. No; I just heard somebody state it now; I just overheard the statement made by somebody sitting back of me.

Mr. WHITNEY. My hesitancy was as to whether it started at \$75,000 or at \$50,000.

Mr. PECORA. At the session of this committee which was held the day before yesterday, Mr. Morgan, among other things, testified to the directorships that were held in various corporations by different members of your firm, and he identified, as I recall it, this document as having been prepared by your firm and furnished to me in answer to my request for information showing the names of corporations in which any partner or representative of said firm is a director or officer. Will you please look at that document, Mr. Whitney, and tell me if the page thereof entitled and captioned “George Whitney” correctly and fully sets forth all the directorships held by you in the 5-year period 1927 to 1931, both inclusive? You may look at your own copy, if you wish.

Mr. WHITNEY. I think I remember them. With, of course, the qualification that we put in the preamble to all of this—except for various eleemosynary, educational, and other nonbusiness corporations—it does.

Mr. PECORA. Thank you. As I have totaled them, these corporations are 23 in number. That includes, of course, subsidiaries?

Mr. WHITNEY. Yes. For instance, the second one on the list—

Mr. PECORA. Has five subsidiaries?

Mr. WHITNEY. Yes; and the next to it has one. The Royal Exchange has three others. I have not counted them. Twenty-three is your figure?

Mr. PECORA. Yes.

Mr. WHITNEY. Right.

Mr. PECORA. These 23 corporations include railroad companies, insurance companies, financial corporations, public utilities companies, oil companies, metal-producing companies, and industrial and manufacturing companies, for instance, like the Johns-Manville Corporation, do they not?

Mr. WHITNEY. Yes, sir. I think it is proper to point out what you call finance companies. You have already been advised in response to the questionnaire the Foreign Finance Corporation, Willow Corporation, merely shows with whom they are doing their business.

Mr. PECORA. How about the American Securities Corporation? Is that a shell?

Mr. WHITNEY. No; not a bit. That was a company that was formed last June in an effort to assist in the bond market. That was a corporation formed of 35 banks, of which I am a director, which raised \$116,000,000, subscribed \$116,000,000, to buy bonds that we believed to be sound at a time when there was very little demand for those bonds.

Mr. PECORA. And with the exception of those two corporations, namely, the Foreign Finance Corporation and the Willow Corporation, all these corporations are active concerns, aren't they?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Very actively engaged in their various pursuits?

Mr. WHITNEY. Of course, the same qualification applies to certain subsidiaries of the Kennecott Copper Corporation, but generally speaking that statement is correct.

Mr. PECORA. Are you a regular attendant at various meetings of the boards of directors of these companies?

Mr. WHITNEY. I think I might; yes. I have not been very regular recently, but I generally am.

Mr. PECORA. And do you impart on occasion, whenever you deem it necessary, to your copartners information acquired by you concerning these corporations?

Mr. WHITNEY. The answer certainly is yes, with the qualification that obviously if there is anything confidential in the corporation, I do not.

The CHAIRMAN. How often do these boards meet?

Mr. WHITNEY. Well, they vary, Senator, very much. Probably the average would be about once a month, the boards. Some of them I notice meet only 3 or 4 times a year.

Senator COUZENS. The offices are located in New York?

Mr. WHITNEY. Well, United Corporation's office is not. Pullman Co. is not. Pullman, Inc., is not either. As a matter of fact, that company generally meets in New York. I think those are the only ones that do not except the Braden, a Kennecott subsidiary. Of course, General Motors, as you know, Senator, its head office is at Detroit.

Senator COUZENS. Do you go out there to the meetings?

Mr. WHITNEY. No. The meetings are held in New York. Their executives are in Detroit one week and the other in New York, and they meet in New York.

Mr. PECORA. By the way, Mr. Whitney, in the course of your testimony yesterday, or rather in your examination, I asked you if any of the members of your firm were indebted to the firm at the present time, and after some hesitation you said, "Yes; that you were either unable or unwilling, until you had further checked up on the fact, to state how many of your partners were so indebted to the firm."

Mr. WHITNEY. That was right.

Mr. PECORA. Have you checked up on that since yesterday?

Mr. WHITNEY. No. I didn't know you wanted me to. If you remember, that discussion followed through in which you asked questions to show that we carried such indebtedness as an asset of the firm; and I did not understand that that was something I was going to check up at all, but I thought you rather dropped the question when I stated that that was deducted from the net worth of the firm and that the question of the arrangement between the partners really was an entirely immaterial one. I have not checked up. I have had a great many other things to check up and have not checked that up.

Mr. PECORA. How long would it take to check up by conference with such of your officials as are seated behind you?

Mr. WHITNEY. Well, I don't know; but I think anything of that kind you would rather check accurately than by recollection.

Mr. PECORA. Can you check up as to the number of partners who were so indebted without reference to any records?

Mr. WHITNEY. Mr. Pecora, if you ask can I, of course the answer is yes.

Mr. PECORA. Will you please do so?

Mr. WHITNEY. Is that—

Mr. DAVIS. I should like, Mr. Chairman, the committee to rule whether it thinks that is pertinent or material information.

Senator COUZENS. I submit, Mr. Chairman, that there is not a quorum present. We will have to take it under consideration at some other time.

Mr. PECORA. Then I will pass the question at this time, Senator, but I suggest the witness check up anyway, so that he will have the information available when the committee decides whether or not it shall require him to present it here.

Mr. WHITNEY. Is that the pleasure of the committee, that I leave it in abeyance or that I get it ready? As I understand, it is my instruction that I get the data ready.

Mr. PECORA. That is my suggestion.

The CHAIRMAN. I am inclined to think you had better get it ready. There is not much trouble to do that.

Mr. WHITNEY. We will have to check up in the office, Senator.

The CHAIRMAN. Yes; I understand.

Mr. PECORA. As a director of these various corporations—I withdraw that question. Let me put this question first: Are the securities of these corporations in which you are a director or trustee listed on any public stock exchange?

Mr. WHITNEY. Well, will you run down the list with me and I can answer that?

Mr. PECORA. All right.

Mr. WHITNEY. General Motors is. Kennecott Copper is. I think Utah Copper still is. Kennecott Copper owns something like 98½ percent of it, and I don't know; it was, it used to be, and I think it still is. I don't know. Consolidated Gas Co. of New York, United Corporation, Texas Gulf Sulphur, Pullman, Inc., Johns-Manville, Continental Oil, and that is all that are listed.

Senator BARKLEY. Is Continental Oil a successor of the Marland Co.?

Mr. WHITNEY. Yes, sir. It is a merger of the Marland Oil and the Continental Oil of Maine.

Mr. PECORA. Now, you have told us that you attend the meetings of the boards of these companies with regularity, or with a fair degree of regularity?

Mr. WHITNEY. Yes; that is more accurate.

Mr. PECORA. That is a better way to put it. Don't you acquire, thereby, knowledge and information concerning the financial condition of these various corporations which is not acquired by stockholders of the corporation until long after you have acquired it as a director, which is not acquired by the investing public until long after you have acquired it?

Mr. WHITNEY. Well, Mr. Pecora, I never thought of the question from a point of view of chronology before. It obviously is my job to know as much about financial matters of these companies as I can. I think it is fair to say that in the case of all these publicly owned companies, for instance, those that I have mentioned, that they all pursue a policy of the greatest and the promptest disclosure of any facts that have to do with the companies.

Mr. PECORA. What do you mean by that? That is, do they issue financial statements to their stockholders or to the public at very frequent or regular intervals?

Mr. WHITNEY. I think I am prepared to say that each one of these companies now makes a quarterly statement to the New York Stock Exchange, which is what is known as the new listed companies. A lot of these are old listed and didn't used to do it except annually. I know in the last year and a half both the Kennecott Copper and Consolidated Gas changed their practice in order to make full disclosure.

Mr. PECORA. Did any of these corporations prior to the year 1930 make quarterly reports of financial condition to the New York Stock Exchange?

Mr. WHITNEY. I would not dare answer that question without checking it.

Mr. PECORA. Such of them as do now make quarterly reports of financial condition to the exchange do so in pursuance of a rule or

regulation that was adopted by the exchange within recent months, do they not?

Mr. WHITNEY. And welcomed by the corporation.

Mr. PECORA. They did not volunteer to do it before the adoption of this rule, which required them to do it, did they?

Mr. WHITNEY. I just told you I could not answer that question without checking. If you are implying that they had any objection to disclosure of the fact, my first statement, Mr. Pecora, still stands, that every one of these companies has made a practice of the fullest disclosure. Whether or not they made quarterly statements to the New York Stock Exchange before such statements were required, I do not know, but I don't quite see that that has anything to do with their general policy of full disclosure. One of my partners refreshes my memory to state that this policy of full disclosure was established 30 years ago in the case of the United States Steel Corporation, when Mr. J. P. Morgan, Sr., was instrumental in its organization, and our firm has consistently since then stood for full disclosure.

Mr. PECORA. I am very thankful for the information, Mr. Whitney, but it so happens that the United States Steel Corporation is not a company of which you are a director, and I am asking you about the companies of which you are a director.

Mr. WHITNEY. The same is true, sir.

Mr. PECORA. During the year 1929 did you trade very actively in the securities of the corporations of which you were a director, at least of those of them that were listed on the stock exchange?

Mr. WHITNEY. Will you define the word "trade", because it is very much used in many senses. If you mean by that purchases—

Mr. PECORA (interposing). What do you regard as the common acceptance of the term?

Mr. WHITNEY. My understanding of the term would be buying and selling and all that, in and out of the market. That would be my definition as it is used generally colloquially. Is that what you mean?

Mr. PECORA. Yes, sir.

Mr. WHITNEY. I did not.

Mr. PECORA. Did you make any extensive sales of securities during the year 1929 to those corporations of which you were a director?

Mr. WHITNEY. Well, when I was required to refresh my memory as to a question that you asked me late yesterday afternoon I find I did dispose of quite a good many shares of stock during 1929 and reported in my income tax.

Mr. PECORA. May I say to you that is the source of my information?

Mr. WHITNEY. I assumed it was.

Mr. PECORA. Have you a copy of your income-tax return for the year 1929 with you?

Mr. WHITNEY. No, sir; but you have as to the sales of securities.

Mr. PECORA. Now, one of the corporations of which you were a director in 1929 was the Alleghany Corporation, was it not?

Mr. WHITNEY. No, sir.

Mr. PECORA. Were you actively interested in the negotiations and transactions that led to the incorporation of the Alleghany Corporation and the financing thereof by your firm?

Mr. WHITNEY. Well, I suppose a fair answer is that I was fairly active in a good deal of those financing operations; yes.

Mr. PECORA. I am confining my question just to the Alleghany Corporation. I assume that you are active in all the matters affecting your firm, but I am only confining myself for the time being to the Alleghany Corporation.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Is it the fact that during the calendar year 1929 you disposed of 8,145 shares of the common stock of the Alleghany Corporation—

Mr. WHITNEY (interposing). It is—

Mr. PECORA (continuing). At a resulting profit to you of \$229,-411.32?

Mr. DAVIS. Now I submit, Mr. Chairman, that you got all the data in detail this morning.

Mr. PECORA. It was the only question I was going to ask on that, and then I was going to pass on to other securities.

Mr. DAVIS. Why ask it twice if it was all asked and answered this morning?

Mr. PECORA. Because I want to make this line of examination complete, Mr. Davis.

Mr. DAVIS. Do you make it more complete by repetition?

The CHAIRMAN. He can answer. We will save time by answering the questions.

Mr. WHITNEY. I already testified this morning that I had and did.

Mr. PECORA. Were you during the year 1929 a director of the Johns-Manville Co.?

Mr. WHITNEY. I was.

Mr. PECORA. Did you have many transactions in the common stock of that company during the calendar year 1929?

Mr. WHITNEY. I don't remember how many, but it is on that list what I sold.

Mr. PECORA. What list are you referring to?

Mr. WHITNEY. The one you showed me yesterday, which is a photostat.

Mr. PECORA. That is the list showing the sale of securities during the year 1929 attached to your income-tax return for that year?

Mr. WHITNEY. That is how you identified it yesterday; yes, sir; showing the profit that I made on sales of securities in 1929. My recollection is I sold 5,000 shares of Johns-Manville and I had 5 left.

Senator BARKLEY. Five what?

Mr. WHITNEY. Thousand.

Mr. PECORA. Those 5,000 shares of Johns-Manville Co. common stock were acquired by you, according to the schedule of sales of securities attached to your income-tax return for 1929, at a cost of \$237,500 and were sold by you for an aggregate of \$1,136,525, resulting in a profit to you of \$899,025. Have you any reason for challenging the authenticity or correctness of those figures?

Mr. WHITNEY. No, sir; now that I have checked them. That is quite correct. And I call attention to the fact that I had 5,000 shares left, which I still have.

Senator BYRNES. What is it selling at today?

Mr. WHITNEY. In the twenties—thirties.

Senator BYRNES. And what did you pay for it?

Mr. WHITNEY. Forty-seven and a half. It went up to two hundred and something.

Senator BYRNES. It went up to two hundred and something and is now down to 20?

Mr. WHITNEY. Yes. It went down to 14.

Senator COUZENS. And you sold those 5,000 shares up at the price then?

Mr. WHITNEY. I think somewhere around 230, Senator. That is a guess.

Mr. PECORA. Were these 5,000 shares sold at various times throughout the calendar year 1929?

Mr. WHITNEY. I haven't my records here, Mr. Pecora, but I rather assume they were sold in July 1929.

Mr. PECORA. All sold during that month?

Mr. WHITNEY. I don't remember. I haven't checked it. I haven't my books down here in Washington.

The CHAIRMAN. Did it pay dividends?

Mr. WHITNEY. It did then. It doesn't now.

The CHAIRMAN. They have been lower than they are now?

Mr. WHITNEY. Oh, yes, sir.

The CHAIRMAN. As a matter of fact, haven't most stocks gone up recently?

Mr. WHITNEY. They have gone up pretty steadily since the 31st of March. The low was during the winter.

Mr. PECORA. Do you recall a particular reason why you sold those 5,000 shares at that particular time?

Mr. WHITNEY. Because they were selling at two hundred thirty something.

Mr. PECORA. Is that the high for the year?

Mr. WHITNEY. I don't know, sir.

Mr. PECORA. What I am trying to get at, Mr. Whitney, is if you made a sale at that time because of any knowledge that you required concerning the financial condition of the company as a director of it which was not shared by other shareholders or by the public generally.

Mr. WHITNEY. I did not, Mr. Pecora. The company was doing exceedingly well.

Senator BARKLEY. Did you sell on the way up or on the way down?

Mr. WHITNEY. The sales were still on the way up. And it continued, if it is of any interest to the committee. Johns-Manville, like so many other companies that are primarily connected with the building trade, continued to do business long after other industries had started to go down. There is always that lag.

Mr. PECORA. Who has charge of the trading activities of J. P. Morgan & Co.?

Mr. WHITNEY. We do not do any, Mr. Pecora?

Mr. PECORA. Does not the firm buy and sell shares, either for its own account or for customers?

Mr. WHITNEY. Those are two quite different questions, aren't they?

Mr. PECORA. Well, does it? Let us separate them. Does it buy itself for its own account?

Mr. WHITNEY. With trade in the sense to buy and sell that we defined a few minutes ago; no.

Mr. PECORA. I didn't ask trade this time; I asked bought and sold for its own account.

Mr. WHITNEY. It buys at times and it sells at times, but it does not buy and sell in the sense of trading. You asked who manages the trading activities of the firm, didn't you?

Senator BYRNES. When you sell and when you buy, who does it? That will answer it.

Mr. WHITNEY. By mutual consent or advice. It is again a matter of policy, Senator. We don't ever trade in the sense the word is used. When we decide it is time to sell we sell through brokers, of course, through a stock department in our office, and through whatever brokers—we have already testified yesterday that we use some thirty-odd brokers for various reasons.

Mr. PECORA. Did you indicate which of the partners has charge of the buying and selling of securities for the account of the firm?

Mr. WHITNEY. I was not able to, Mr. Pecora, because there is no such partner charged with that responsibility.

Mr. PECORA. Who makes the decision—

Mr. WHITNEY (interposing). The firm.

Mr. PECORA (continuing). With regard to what securities it will buy and sell for its own account?

Mr. WHITNEY. The partners.

Mr. PECORA. All of them?

Mr. WHITNEY. Yes.

Mr. PECORA. Through what brokers are these transactions effected?

Mr. WHITNEY. Well, it depends what particular security you are talking about. It would depend upon the security, depend upon the—I don't know; there are some 30 brokers. I think Mr. Morgan testified yesterday—bonds is one set of brokers.

Mr. PECORA. Which broker in your opinion or according to your best recollection handles more of that business than any other broker?

Mr. WHITNEY. There is no such one in my recollection.

Mr. PECORA. Do you mean to say that that business is distributed equally among 30 or more brokers?

Mr. WHITNEY. No. No; but there is no favored broker.

Mr. PECORA. Well, whether it is intended that he should be a favorite broker, is there any one brokerage firm or office that handles more than any other brokerage firm?

Mr. WHITNEY. No, sir. You might—if I understand just what you want me—the answer you want, Mr. Pecora, it might be in 1 year one given stock we might be selling, and there might be some broker that would handle that transaction; so in any given month or year one broker might handle very much the largest proportion of the business, but if it is a different situation, different stock, it might well be another one.

The CHAIRMAN. Does the firm buy stocks or bonds as an investment, purely investment, not buy for the purpose of selling again?

Mr. WHITNEY. Well, when the firm buys securities for its own account, we buy them for the purpose of investing our funds and with the idea of disposing of them when it seems wise to do it. We do not practice trading in the sense as it is colloquially known.

Mr. PECORA. You mean you buy for investment as distinguished from trading?

Mr. WHITNEY. We buy, as I said, for the employment of funds, for the interest account.

Mr. PECORA. Mr. Whitney, reference has heretofore been made to the so-called "questionnaire" which I submitted to your firm on March 23 last, which contained 23 different requests for information. Now, in answer to the request known as "question 9"—

Mr. WHITNEY (interposing). Yes, sir.

Mr. PECORA (continuing). Did your firm—

Senator COUZENS (interposing). The committee would like to know what question 9 is.

Mr. PECORA. I am going to read it. Did your firm compile and render to me this document which I now show you?

Mr. WHITNEY. Yes, sir. I haven't time to go through all of that.

Mr. PECORA. Is this complete? Does this constitute a complete answer to that question?

Mr. WHITNEY. I guess I had better look at it again.

Mr. PECORA. Yes.

Mr. WHITNEY (after examining document). It was complete. As far as I can tell from a rather brief glance, it is all there.

Mr. PECORA. If it will be any comfort to you I will say that it is in the same shape—

Mr. WHITNEY (interposing). I am sure it is.

Mr. PECORA (continuing). In which I received it.

Mr. WHITNEY. I am sure it is.

Mr. PECORA. Wear and tear excepted.

Mr. WHITNEY. And a few notations.

Mr. PECORA. Well, the lead-pencil notations, of course, are ours. I will now read the question into the record. But first I offer that in evidence, Mr. Chairman.

The CHAIRMAN. All right, it will be received and made a part of the hearings.

(The paper furnished by J. P. Morgan & Co. in response to question 9 submitted by committee counsel, was received and ordered made a part of the record, and marked "Committee Exhibit No. 15, May 25, 1933", and will be found at the end of the day's proceedings.)

Mr. DAVIS. Do you want to instruct the committee reporter to omit the lead-pencil notations?

Mr. PECORA. Oh, yes. None of the lead-pencil notations are any part of the exhibits, and the committee reporters are instructed not to include them.

Mr. DAVIS. All right. I thank you.

The CHAIRMAN. While you are waiting, Mr. Pecora, and although it is not very material, I take it, yet I notice on this return 1,700 shares of Columbia Gas & Electric Co. common stock cost \$210,-337.50 and were sold for \$105,325, with a loss of \$100,000 in round figures, on September 24, 1929. That was before the crash, wasn't it?

Mr. WHITNEY. It sounds as if I bought it before the crash.

The CHAIRMAN. Yes; but it seems to have been sold before the crash, on September 24.

Mr. WHITNEY. I saw that transaction last night, Senator Fletcher.

The CHAIRMAN. Well, let me see—

Senator BARKLEY (interposing). That might have been what precipitated the crash.

Mr. WHITNEY. Well, hardly.

The CHAIRMAN. I thought you sold it on September 24, and I wondered why you came to do that and to lose money, because the market was going up, was going forward, until the latter part of October.

Mr. WHITNEY. I wish I could explain it.

The CHAIRMAN. Well, you bought it in September but did not sell it until later, I take it?

Mr. WHITNEY. Yes.

Mr. PECORA. The exhibit which is offered as no. 15 of this committee as of this date, consists of a statement in answer to a request for a list of all stock and bond issues in which either of said firms—that is, J. P. Morgan & Co. or Drexel & Co.—has participated during the 5-year period embraced in the calendar years 1927 to 1931, both inclusive, showing the following details:

(a) Whether such participation was in the original terms group, bankers, wholesale distributors, or any other group.

(b) All other detailed information similar to the classifications embodied in the report of the Morgan firm submitted to the Senate Finance Committee investigating foreign bond issues in 1931.

I won't attempt to read all that, Mr. Chairman, because of its very voluminous character.

Mr. DAVIS. Is that the schedule?

Mr. PECORA. Yes.

Mr. WHITNEY. May we explain how we answered it?

Mr. PECORA. You may make any explanation you want.

Mr. WHITNEY. You will see that that is a fairly comprehensive inquiry, and for purposes of clarity we put our answer under eight general headings, which were as follows:

Group 1 is a summary of all issues of stocks and bonds by the firm of J. P. Morgan & Co.

Group 2 is a summary of all issues of stocks and bonds by the firm of Drexel & Co.

Group 3 is a summary of all underwritings of stocks and bonds by the firm of J. P. Morgan & Co.

Group 4 is a summary of all underwritings of stocks and bonds by the firm of Drexel & Co.

Group 5 is a summary of transactions on the part of the firm of J. P. Morgan & Co. in which there was no public offering.

Group 6 is a summary of transactions on the part of the firm of Drexel & Co. in which there was no public offering.

Group 7 is a summary of all issues and underwritings of stocks and bonds by others, in which the firm of J. P. Morgan & Co. took a financial participation or commitment.

Group 8 is a summary of all issues and underwritings of stocks and bonds by others, in which the firm of Drexel & Co. took a financial participation or commitment.

Mr. PECORA. Now, Mr. Whitney—

The CHAIRMAN (interposing). That can be entered on our record.

Mr. PECORA. The statement just made by Mr. Whitney is part of the statement submitted and now made a part of the record as com-

mittee exhibit no. 15, May 25, 1933, and therefore will become a part of the record.

The CHAIRMAN. All right.

Mr. WHITNEY. Very well.

Mr. PECORA. Mr. Whitney, request no. 10 in that so-called questionnaire received by your firm from me on March 23, last, called for a list of all pools, joint accounts, and/or syndicates in which either of said firms—that is to say, J. P. Morgan & Co. or Drexel & Co., or representatives—participated, giving the name of security involved, names of all participants, and all details with respect to the amount of the participation and profits and losses therein. Now, I show you this document, Mr. Whitney, and I ask you if you recognize it to be the data compiled by your firm and submitted to me in answer to that request.

Mr. WHITNEY. Do you want me to check each one of these things?

Mr. PECORA. Satisfy yourself in any way that you may desire, Mr. Whitney.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Do the contents of this document represent a complete and correct answer to that request?

Mr. WHITNEY. To the best of my knowledge and belief it is.

Mr. PECORA. I now offer it in evidence.

The CHAIRMAN. It will be received and made a part of the record.

(The paper submitted by J. P. Morgan & Co. in response to question 10 submitted by counsel to the committee, was received in evidence and made a part of the record, being marked "Committee Exhibit No. 16, May 25, 1933," and will be found at the end of the day's proceedings.)

Senator BYRNES. Mr. Whitney, while the last exhibit is being looked over, let me ask you a question about Committee Exhibit No. 15 which contains the eight answers to which you referred. Among the other statements contained in it is a reference to some Alleghany Corporation stock, which we have been discussing at some length, and I notice this statement:

February 15, 1929, J. P. Morgan & Co. sold to the Guaranty Co. 500,000 shares at \$24 a share. J. P. Morgan & Co. paid to Guaranty Co. of New York a commission of \$4 per share on this stock.

J. P. Morgan & Co. sold to others 573,000 shares at \$20 a share. According to a letter which has been introduced in evidence, addressed to Mr. Woodin, and the date of that letter as I recall was about February 1, and it stated that there was a market on the stock and that the stock was selling on the market at something like \$35 a share. I am curious to know why on February 15 you were selling to the Guaranty Co. 500,000 shares at \$24 a share.

Mr. WHITNEY. Well, Senator,—

Senator BYRNES (interposing). Just look at this.

Mr. WHITNEY. I remember it. We contracted with or arranged with the Guaranty Co., I think either on the 28th or the 29th of January, to make the sale, and February 15 was the date when the sale was contemplated.

Senator BYRNES. Fifteenth of February was the date of delivery.

Mr. WHITNEY. The date of delivery and of payment. If you will remember, the letter which Mr. Pecora read on yesterday. The contracts with the Van Sweringens were for bonds and preferred stock.

Senator BYRNES. I can understand it if there was an agreement arrived at before that market price.

Mr. WHITNEY. Yes.

Senator BYRNES. But that statement as it stands in that list does not give such an explanation, and as it stands it shows on February 15 you were selling 500,000 shares at \$24 a share.

Mr. WHITNEY. Yes, sir. And this statement is right. We sold to the Guaranty Co. 500,000 shares on February 15. That is the date this was consummated. The actual contract was signed, however, on January 31.

Senator BYRNES. All right.

Mr. PECORA. Now, Mr. Whitney, in connection with the questions that have just been asked of you by Senator Byrnes, let me call your attention to what purports to be a photostatic copy of a letter addressed by your firm, or by someone in behalf of it, under date of February 1, 1921, to Mr. A. G. Milbank, at Pau, France, which is a photostat that was furnished to me by your firm, was it not?

Mr. WHITNEY. Yes, sir.

Senator COSTIGAN. While counsel is conferring for a minute, let me ask: Who is Mr. Milbank?

Mr. WHITNEY. Albert G. Milbank is the senior partner of the firm of Milbank, Tweed, Hope & Webb, lawyers in New York City.

Senator COSTIGAN. All right.

Mr. PECORA. Mr. Whitney, do you recognize this photostatic copy as the photostatic copy of such a letter furnished to me by your firm, do you?

Mr. WHITNEY. Of a carbon copy of such a letter.

Mr. PECORA. A photostatic copy of a carbon copy of the letter.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Now let me read to you the following from that letter:

Since that time we have put you down for 500 shares of common stock of the company formed by the Van Sweringens to take over their railroad holdings.

Does "that company" refer to the Alleghany Corporation?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Let me read further from that letter, from that point on:

We are placing a certain amount of this with close friends at cost to us of \$20 per share and we shall handle this \$10,000 debit in the same way as the United Corporation stock unless I hear from you to the contrary by cable.

And then it goes on:

It probably is unnecessary for me to add that I hope you will not make any mention of this operation. The Guaranty Co. are making the public offering of the Van Sweringen Co. stock at \$24 per share, and there are very few people who are getting it at any lower price.

That still relates to the Alleghany Corporation common stock, does it not?

Mr. WHITNEY. I assume it does; yes, sir.

Mr. PECORA. Now, Mr. Whitney, "Very few people who were getting it"—that is, Alleghany Corporation common stock, at \$20 per share, were the persons whose names were set forth on the list that was offered in evidence before this committee, I take it?

Mr. WHITNEY. Undoubtedly.

Mr. PECORA. And those were the "very few people" who got 574,000 shares; is that right?

Mr. WHITNEY. Well, there were not very many people. He did not say very few shares.

Mr. PECORA. I say, those were the "very few people" who got the total of 574,000 shares from your firm?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. I now offer that letter in evidence.

The CHAIRMAN. It will be received and made a part of the record. (The photostatic copy of carbon copy of letter furnished to committee counsel by J. P. Morgan & Co. was received in evidence and marked "Committee Exhibit No. 17, May 25, 1933", and is as follows:)

J. P. MORGAN & Co.,
February 1, 1929.

DEAR BERT: Following receipt of your cable, I talked with Walter Hope and told him it was quite agreeable for us to carry the United Corporation stock until your return.

Since that time we have put you down for 500 shares of common stock of the company formed by the Van Sweringen's to take over their railroad holdings. We are placing a certain amount of this with close friends at cost to us of \$20 per share and we shall handle this \$10,000 debit in the same way as the United Corporation stock unless I hear from you to the contrary by cable.

It probably is unnecessary for me to add that I hope you will not make any mention of this operation. The Guaranty Co. are making the public offering of the Van Sweringen Co. stock at \$24 per share, and there are very few people who are getting it at any lower price.

For your information I am enclosing copy of the bond circular which we issued in connection with the bond financing which will give you a general idea as to what it is all about.

With kindest personal regards.

Yours sincerely,

A. G. MILBANK, Esq.,
Gassion Hotel, Pau, France.

Mr. PECORA. Now, Mr. Whitney, why was it desired that Mr. Milbank make no mention of what is referred to in this letter which has just been offered in evidence as "this operation" and which relates to the Alleghany Corporation?

Mr. WHITNEY. I do not know, sir.

Senator COUZENS. Who signed the letter?

Mr. PECORA. This is a photostat of a carbon copy of a letter. The original is probably in the possession of Mr. Milbank, as it is addressed to him.

Senator BYRNES. What are the initials shown on that letter?

Mr. PECORA. There are no initials shown on here. Perhaps Mr. Whitney could tell us which member of his firm signed the original of that letter.

Mr. WHITNEY. Well, I rather think, as relating to other correspondence at that same time with Mr. Milbank, that Mr. Anderson signed it.

Mr. PECORA. He is one of your partners?

Mr. WHITNEY. Yes, sir.

Senator BARKLEY. Mr. Whitney, the phraseology used in that letter coming from an ordinary stock salesman or market booster would convey the impression that he was being let in on something a little unusual, would it not?

Mr. WHITNEY. Yes, sir. But as a matter of fact—

Senator BARKLEY (interposing). Was that the intention there?

Mr. WHITNEY. Not a bit. Mr. Milbank is a very close friend of Mr. Anderson's and many others of us. This is probably somewhat similar to the letter which Mr. Pecora has addressed to Mr. Milbank in connection with the United Corporation, and which came, roughly speaking, a month before this, and this letter ties in with the rest of the correspondence. Mr. Milbank, as you will notice in this letter, was abroad. In the case of the United Corporation, of which units were sold by us, it is my recollection that Mr. Anderson talked to Mr. Hope, one of Mr. Milbank's partners, and probably he communicated with Mr. Milbank by cable, and he may have made the request that if anything else like that came along to let him know.

Mr. PECORA. And was he subsequently communicated with in reply to that question of his?

Mr. WHITNEY. That is the next communication.

Mr. PECORA. Were there others after this one?

Mr. WHITNEY. I do not know. You have the list, and I do not remember. I do not try to carry them in my mind.

Senator BARKLEY. You thought this met the specifications, then, of his telegram?

Mr. WHITNEY. Perhaps Mr. Anderson did.

Senator BARKLEY. Well, that is what I meant.

Mr. PECORA. Mr. Whitney, request no. 11, which I addressed to your firm in behalf of the committee on March 23, called for the names of all governments, States, municipalities, and corporations for which J. P. Morgan & Co. or Drexel & Co. has acted as fiscal agent during the 5-year period for the calendar years 1927 to 1931, both inclusive, together with a statement of the services rendered for each of such governments, States, municipalities, and corporations. Do you recognize this document which I now hand you as the reply that was given to me in behalf of your firm in answer to that request?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. And to the best of your knowledge and belief is that a complete and correct answer to that question?

Mr. WHITNEY. Yes, sir; and the only worry we had about that was that we gave you more than you asked for.

Mr. PECORA. And if I have not expressed my gratitude heretofore for that excess information, I do it now.

Mr. WHITNEY. All right.

Mr. PECORA. I now offer that in evidence.

The CHAIRMAN. It may be received and incorporated in the record of our hearings.

(The document furnished by J. P. Morgan & Co. in response to request no. 11, made by the counsel to the committee, was received in evidence and marked "committee exhibit no. 18, May 25, 1933", and will be found at the end of the day's proceedings.)

Mr. PECORA. Mr. Whitney, request no. 12 on that so-called "questionnaire" called for a list of all bond or debenture issues, foreign or domestic, of which either of your firms was the syndicate manager and which issues have been or now are in default; and any issue floated prior to 1927 which were in default at any time during the period 1927 to 1931, both inclusive. I show you this document and ask you if it constitutes an answer to that request prepared by your firm and submitted to me?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. And to your knowledge and belief is it a complete and accurate statement in answer to that request?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. It will be received in evidence and spread on the record of our proceedings.

(The paper submitted by J. P. Morgan & Co. in response to question 12 submitted by counsel to the committee, was received in evidence and marked "Committee Exhibit No. 19, May 25, 1933", and will be found at the end of the day's proceedings.)

Mr. PECORA. I do not think there are any notations of any kind in that list, that last exhibit, but if there are let it be understood that they do not form a part of the record.

Mr. DAVIS. I thank you, Mr. Pecora.

Mr. PECORA. Mr. Whitney, request No. 17 of that so-called "questionnaire", called for the names of all issues in which either J. P. Morgan & Co. or Drexel & Co. had any participation, which are now or have been at any time during the period 1927 to 1931, both inclusive, in default; such information to include date of default, present market value of securities, and names and addresses of the secretaries of committees formed to protect the interests of investors or for reorganization purposes. In connection therewith I now show you this document, and ask you if you recognize it to be the answer to that request prepared by your firm or in its behalf.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Does that document constitute to your best knowledge and belief a complete and accurate answer to that request?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. It will be received in evidence and made a part of the record of our proceedings.

(The document furnished by J. P. Morgan & Co. in response to question 17 submitted by counsel to the committee was received in evidence and ordered made a part of the proceedings, being marked "Committee exhibit no. 20, May 25, 1933", and will be found at the end of the day's proceedings.)

The CHAIRMAN. Mr. Whitney, on this list of bonds in default as to interest or principal, I mean committee exhibit no. 19, I find Imperial Russian Government credit of 1916 issued June 1916, without any notation as to whether the default was in interest or in principal.

Mr. WHITNEY. To answer the second half of your question first, Senator Fletcher, it is both interest and principal. My recollection is that they defaulted back in 1917. There was an issue during the war and before the revolution in Russia and they defaulted immediately after the last revolution.

The CHAIRMAN. What was the amount?

Mr. WHITNEY. Isn't it on the paper?

The CHAIRMAN. I think not.

Mr. WHITNEY. I am trying to identify it. There were two issues. The amount is \$50,000,000.

The CHAIRMAN. And the Republic of Mexico 4's, 5's, and 6's of 1899, issued prior to July of 1913. Was that default interest or principal or both?

Mr. WHITNEY. We had a good deal of discussion as to whether we should include that issue, because we offered those bonds, my recollection is, long before the war, as agents in connection with certain arrangements made abroad. But we put them in as we stated further on in answer to question 17. There was a protective committee on the Mexican obligations, and we did have a connection with this issue, so we put it in. There were several issues. They defaulted somewhere in 1913, and they were still in default during this period. In the second part of Mr. Pecora's question it included issues prior to that. They were still in default.

The CHAIRMAN. Both as to interest and principal?

Mr. WHITNEY. Oh, yes. The occasion of the default was the revolution in Mexico. There had been certain payments made on account of certain bonds as a result of the protective committee's work. But they have been in default ever since, way back.

Mr. PECORA. Now, Mr. Whitney, request no. 13 in that questionnaire called for the names of all issues in which a member or representative of either of your two firms acted as a member of a protective or reorganization committee.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. Mr. Whitney, I show you this document, and I ask you if you recognize it as the document that was furnished to me by your firm in answer to that request.

Mr. WHITNEY. Yes, sir.

Mr. PECORA. And does that document constitute, so far as you know, a complete and correct answer to that request?

Mr. WHITNEY. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. It will be received in evidence and made a part of the record of our proceedings.

(The document furnished by J. P. Morgan & Co. in response to question 13 by committee counsel, is received in evidence and made a part of the record, being marked "Committee Exhibit No. 21, May 25, 1933", and will be found at the end of the day's proceedings.)

(Committee exhibit no. 14 and statement submitted by Mr. Whitney, are presented in the record in full at this point, as follows:)

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
New York, N.Y., May 10, 1933.

Mr. L. P. REED,
New York, N.Y.

DEAR SIR: May I have your client, Messrs. J. P. Morgan & Co., furnish my staff with details as to the disposition of the 430,000 shares, common stock of the Fleischmann Co., and the disposition of the 18,365 shares of preferred stock of the Fleischmann Co., bought from Max C. Fleischmann and the Fleischmann Co., respectively, under terms of the agreements dated June 11, 1921, and July 2, 1929, such information to include the following:

1. The selected list showing to whom Standard Brands, Inc., stock was allotted, with number of shares and price.
2. How balance was disposed of after the above allotments, and through whom, and at what prices.

3. The dates and number of shares of Fleischmann & Co. common and preferred deposited by J. P. Morgan & Co., under the plan in exchange for Standard Brands, Inc., stock, and the number of shares received in the exchange.

Yours very truly,

FERDINAND PECORA,
By FRANK J. MEEHAN.

1. List attached.

2. List attached.

3. J. P. Morgan & Co. purchased from the Fleischmann Co. 18,365 shares of the preferred stock of that company pursuant to an agreement entered into July 22, 1929, a copy of which has been furnished you. J. P. Morgan & Co. deposited these shares on July 26, 1929, and received on September 7, 1929, 73,460 shares of Standard Brands Inc. common stock in exchange therefor. On September 10, 1929, the 73,460 shares were sold in the market at prices ranging from 36½ to 39.

Under the terms of said agreement of July 22, 1929, J. P. Morgan & Co. agreed to pay over to Standard Brands Inc. the net profits resulting from the transaction, and on September 10, 1929, this amount, namely, \$919,360.64, was paid to Standard Brands Inc.

Standard Brands, Inc.

	<i>Shares</i>		<i>Shares</i>
Alamance Club.....	1,000	John W. Davis.....	5,000
W. H. Aldridge.....	1,000	Arthur V. Davis.....	1,000
Alta Corporation.....	2,000	Norman H. Davis.....	500
A. M. Anderson.....	10,000	H. P. Davison.....	2,500
Argonaut Securities Corpora- tion.....	1,000	Edward Dibrell.....	500
Asiel & Co.....	2,000	Dominick & Dominick.....	10,000
Chellis A. Austin.....	1,000	Wallace B. Donham.....	1,000
Bankers Co. of New York.....	10,000	Drexel & Co.....	42,000
Charles D. Barney & Co.....	2,000	F. H. Ecker.....	2,000
D. S. Barrett, Jr.....	500	Cornelius Cousins Egan.....	500
F. D. Bartow.....	11,000	Martin Egan.....	500
Bernard M. Baruch.....	4,000	Evans, Stillman & Co.....	3,000
Hernand Behn.....	1,000	Geo. B. Everitt.....	1,000
Sosthenes Behn.....	1,000	William Ewing.....	10,000
Julius Bergen.....	300	Marshall Field.....	2,000
J. J. Bernet.....	500	First Chicago Corporation.....	3,000
Stephen Birch.....	4,000	First Security Co.....	25,000
C. N. Bliss.....	2,000	H. A. Fortington.....	500
Claude K. Boettcher.....	1,000	P. A. S. Franklin.....	1,000
Bonbright & Co., Inc.....	20,000	W. E. Frew.....	1,000
Charles Bradley.....	500	Giovanni Fummi.....	500
Nicholas F. Brady.....	5,000	W. Tracy Gaffey.....	1,000
Brown Bros. & Co.....	5,000	A. L. Gates.....	5,000
Matthew Brush.....	2,000	Walter S. Gifford.....	1,000
E. G. Buchland.....	500	Mrs. S. Parker Gilbert.....	500
W. E. Burnett.....	1,000	Philip G. Gossler.....	2,500
Callaway, Fish & Co.....	1,000	Guaranty Co. of New York.....	10,000
F. L. Carlisle.....	2,000	Guggenheim Bros.....	5,000
Chicago Corporation.....	3,000	Perry E. Hall.....	1,000
Hendon Chubb.....	2,000	Reginald Halladay.....	2,000
Climax Corporation.....	2,500	W. J. Harahan.....	500
Clark, Dodge & Co.....	10,000	Albert H. Harris.....	500
Leon R. Clausen.....	500	The N. W. Harris Co.....	2,000
Thomas Cochran.....	25,000	The Harris Forbes Corpora- tion.....	5,000
Calvin Coolidge.....	3,000	Horace Havemeyer.....	1,000
C. C. Cooper.....	1,000	Haystone Securities Corpora- tion.....	5,000
C. A. Corliss.....	1,000	R. C. Hill.....	500
Corn Exchange Bank Trust Co.....	1,000	Charles D. Hilles.....	2,000
Walter Craig.....	100	Hitt, Farwell & Co.....	1,000
Clinton H. Crane.....	1,000	J. J. B. Hilliard & Sons.....	1,000
P. E. Crowley.....	500	George V. Holton.....	100

Standard Brands, Inc.—Continued

	<i>Shares</i>		<i>Shares</i>
Hornblower & Weeks.....	2,000	Gen. John J. Pershing.....	500
George H. Houston.....	1,000	Bernard E. Pollak.....	2,000
George H. Howard.....	2,000	Mrs. Bernard E. Pollak.....	2,000
Arthur Curtiss James.....	2,000	W. C. Potter.....	10,000
Jesup & Lamont.....	1,000	John W. Prentiss.....	1,000
P. H. Johnston.....	1,000	Seward Prosser.....	10,000
F. B. Keoch & Co.....	1,000	John J. Raskob.....	2,000
Cornelius F. Kelley.....	2,000	Stanley Resor.....	1,000
L. A. Keyes.....	4,600	S. W. Reyburn.....	1,000
Kidder, Peabody & Co.....	5,000	Arthur Reynolds.....	3,000
T. S. Lamont.....	2,000	John D. Ryan.....	2,000
T. W. Lamont.....	20,000	Salomon Bros. & Hutzler.....	1,000
Thomas W. Lamont, Vernon Munroe, and William B. Thompson, as trustees for the benefit of Phillips Ex- eter Academy.....	5,000	J. A. M. de Sanchez.....	100
Lee, Higginson & Co.....	5,000	Franz Schneider, Jr.....	1,000
J. S. Leech.....	200	Mrs. Florence S. Schuette.....	2,000
R. C. Leffingwell.....	10,000	A. P. Sloan.....	7,500
Augustine Legorreta.....	500	Matthew Sloan.....	1,000
Charles A. Lindbergh.....	500	Edward B. Smith & Co.....	2,000
A. L. Lindley.....	2,000	F. S. Smithers & Co.....	3,000
Robert O. Lord.....	500	Somerset Corporation.....	5,000
Luke, Banks & Weeks.....	2,000	Harold Stenley.....	9,970
Henry E. Machold.....	2,000	Charles Steele.....	5,000
C. H. Mackey.....	2,000	John N. Steele.....	500
John Marshall.....	500	John A. Stephens, Jr.....	500
Miss Mary Marshall.....	100	Frederick Strauss.....	1,000
William Gibbs McAdoo.....	1,000	Charles I. Sturgis.....	300
T. N. McCarter.....	1,000	Cornelius J. Sullivan.....	500
Usal H. McCarter.....	1,000	Myron C. Taylor.....	10,000
H. C. McEldowney.....	5,000	Walter C. Teagle.....	2,000
R. B. Mellon.....	5,000	Wm. Boyce Thompson.....	2,000
Stephen Mersolis.....	500	A. A. Tilney.....	2,000
Albert G. Milbank.....	500	Spencer Trask & Co.....	2,000
Edward G. Miner.....	500	O. P. Van Sweringen.....	5,000
Minsch, Monell & Co., Inc.....	1,000	F. T. Ward.....	1,000
C. E. Mitchell.....	10,000	Mrs. Marie M. Watkins.....	30
S. Z. Mitchell.....	3,000	Kenneth W. Watters.....	1,000
Daniel J. Moran.....	500	N. A. Weathers.....	1,000
H. S. Morgan.....	1,000	White, Case & Co.....	2,000
J. P. Morgan.....	28,750	White, Weld & Co.....	5,000
Morgan & Cie.....	20,000	George Whitney.....	20,000
Morgan Grenfell & Co.....	20,000	Richard Whitney & Co.....	5,750
M. Morize.....	100	A. H. Wiggin.....	8,500
J. R. Morron.....	1,000	Ira Wight.....	1,000
Frederick K. Morrow.....	1,000	A. H. Wigren, G. Jordan & L. A. Keyes as trustees for the benefit of Andover Acad- emy.....	5,000
F. S. Moseley & Co.....	2,000	Joseph Wilshire.....	50,000
Vernon Munroe.....	300	Daniel G. Wing.....	2,000
John P. Murphy.....	500	Winslow, Lanier & Co.....	1,000
The National City Co.....	20,000	Garrard Winston.....	500
Newmont Mining Corpora- tion.....	10,000	Wood, Struthers & Co.....	2,000
Old Colony Corporation.....	2,000	William H. Woodin.....	1,000
John E. Oldham.....	500	Arthur Woods.....	500
Robert E. Olds.....	500	Clarence M. Woolley.....	2,000
Miss Anne O'Rourke.....	100	Mrs. Noramae Wylie.....	200
Carlo Orsi.....	500	John M. Young.....	100
J. J. Pelley.....	500	L. Edmund Zacher.....	500
T. Nelson Perkins.....	500		
		Total.....	722,600

Standard Brands, Inc., common stock

Date	Shares purchased		Shares sold		Date	Shares purchased		Shares sold	
	Amount	Price	Amount	Price		Amount	Price	Amount	Price
Sept. 5, 1929	352, 400	\$32			Sept. 20, 1929			1, 000	42 $\frac{3}{4}$
Sept. 6, 1929			1, 600	\$40 $\frac{1}{2}$	Do.			200	42 $\frac{3}{8}$
Do.			2, 200	40 $\frac{1}{2}$	Do.			1, 900	42 $\frac{3}{4}$
Do.			400	40 $\frac{1}{2}$	Oct. 29, 1929	1, 000	29		
Do.			1, 500	40 $\frac{1}{2}$	Do.	1, 000	27		
Do.			1, 000	40 $\frac{1}{4}$	Do.	1, 000	28		
Sept. 9, 1929			3, 500	40	Oct. 31, 1929	6, 000	26		
Do.			1, 300	40 $\frac{1}{8}$	Do.	1, 000	25		
Do.			1, 200	40 $\frac{1}{8}$	Do.	2, 000	24		
Do.			200	40 $\frac{1}{8}$	Do.	2, 000	23		
Do.			1, 800	40 $\frac{1}{2}$	Do.	3, 000	22		
Sept. 10, 1929			1, 500	38 $\frac{1}{2}$	Do.	3, 000	21		
Do.			4, 900	38 $\frac{1}{2}$	Nov. 4, 1929			600	33
Do.			1, 700	38 $\frac{1}{2}$	Nov. 7, 1929	1, 000	29		
Do.			2, 000	39	Do.	1, 000	28		
Do.			3, 000	39 $\frac{1}{8}$	Do.	1, 000	27		
Do.			9, 000	39 $\frac{1}{8}$	Nov. 15, 1929	100	34		
Do.			3, 000	39 $\frac{1}{8}$	Dec. 18, 1929	100	34		
Do.			1, 300	39 $\frac{1}{8}$	May 21, 1930	2, 000	22		
Do.			1, 700	39 $\frac{1}{8}$	May 23, 1930	1, 000	21 $\frac{3}{4}$		
Do.			9, 700	39 $\frac{1}{8}$	Do.	700	21 $\frac{1}{2}$		
Do.			8, 000	40	June 10, 1930	1, 300	21 $\frac{1}{2}$		
Do.			3, 300	40 $\frac{1}{8}$	Do.	1, 000	21 $\frac{1}{2}$		
Do.			2, 200	40 $\frac{1}{2}$	June 11, 1930	1, 000	20 $\frac{1}{4}$		
Do.			2, 200	40 $\frac{1}{2}$	Do.	8, 000	20 $\frac{1}{4}$		
Do.			8, 900	40 $\frac{1}{2}$	June 13, 1930	2, 000	20 $\frac{1}{2}$		
Do.			13, 200	40 $\frac{1}{8}$	Do.	2, 100	20 $\frac{1}{4}$		
Do.			9, 400	41	June 17, 1930	2, 900	20 $\frac{1}{4}$		
Do.			2, 500	41 $\frac{1}{8}$	Do.	2, 000	20		
Do.			3, 000	41 $\frac{1}{4}$	Do.	1, 000	19 $\frac{3}{4}$		
Do.			2, 500	41 $\frac{1}{8}$	June 18, 1930	2, 000	19 $\frac{1}{4}$		
Do.			5, 000	41 $\frac{1}{2}$	Do.	2, 000	19 $\frac{1}{2}$		
Do.			100	41 $\frac{1}{8}$	Do.	3, 000	19		
Do.			1, 400	41 $\frac{1}{4}$	June 19, 1930	2, 000	17 $\frac{1}{2}$		
Do.			1, 300	42	Do.	2, 000	17 $\frac{1}{4}$		
Do.			2, 000	42 $\frac{1}{4}$	Do.	400	17		
Do.			200	42 $\frac{1}{2}$	Oct. 21, 1930	700	16 $\frac{1}{4}$		
Do.			900	42 $\frac{1}{2}$	Oct. 23, 1930	4, 300	16 $\frac{1}{4}$		
Do.			900	42 $\frac{1}{2}$	Oct. 31, 1930			2, 500	16 $\frac{1}{4}$
Do.			2, 700	42 $\frac{1}{2}$	Feb. 11, 1931			2, 300	18 $\frac{1}{4}$
Do.			400	42 $\frac{1}{2}$	Do.			2, 300	18 $\frac{1}{8}$
Do.			1, 000	43	Do.			600	18 $\frac{1}{2}$
Do.			600	43 $\frac{1}{8}$	Do.			2, 400	18 $\frac{1}{2}$
Do.			2, 100	43 $\frac{1}{4}$	Do.			1, 000	18 $\frac{1}{2}$
Do.			1, 000	43 $\frac{1}{8}$	Do.			300	18 $\frac{1}{2}$
Do.			500	43 $\frac{1}{2}$	Do.			700	18 $\frac{1}{2}$
Do.			200	43 $\frac{1}{2}$	Do.			1, 300	17 $\frac{1}{2}$
Do.			3, 500	37	Do.			100	17 $\frac{1}{2}$
Do.			5, 700	37 $\frac{1}{8}$	Do.			1, 800	17 $\frac{1}{2}$
Do.			17, 600	37 $\frac{1}{4}$	Do.			400	17 $\frac{1}{2}$
Do.			20, 000	37 $\frac{1}{2}$	Do.			1, 400	17 $\frac{1}{2}$
Do.			11, 100	37 $\frac{1}{2}$	Do.			1, 000	17 $\frac{1}{2}$
Do.			3, 700	37 $\frac{1}{2}$	Do.			1, 000	17 $\frac{1}{2}$
Do.			1, 300	37 $\frac{1}{4}$	Feb. 16, 1931			1, 300	19
Do.			6, 200	38	Do.			1, 800	19 $\frac{1}{2}$
Do.			2, 400	38 $\frac{1}{2}$	Do.			1, 000	19 $\frac{1}{4}$
Do.			500	38 $\frac{1}{2}$	Feb. 17, 1931			1, 700	19
Sept. 11, 1929			11, 000	44 $\frac{1}{2}$	Feb. 19, 1931			1, 000	19 $\frac{1}{4}$
Do.			1, 300	44 $\frac{1}{2}$	Feb. 24, 1931			3, 200	19 $\frac{1}{2}$
Do.			7, 600	44 $\frac{1}{4}$	Mar. 18, 1931			100	20
Do.			1, 000	44 $\frac{1}{2}$	Mar. 20, 1931			3, 700	20
Do.			4, 100	44	Do.			200	20 $\frac{1}{2}$
Sept. 12, 1929			900	42 $\frac{1}{2}$	Do.			2, 100	20 $\frac{1}{4}$
Do.			5, 000	42 $\frac{1}{2}$	Do.			3, 900	20 $\frac{1}{2}$
Do.			12, 000	42 $\frac{1}{4}$	Jan. 18, 1932			1, 000	13 $\frac{1}{2}$
Do.			1, 500	42 $\frac{1}{2}$	Jan. 29, 1932			1, 000	13
Do.			6, 300	43	Feb. 2, 1932			500	13
Do.			100	43 $\frac{1}{2}$	Feb. 15, 1932			3, 500	13
Do.			500	43 $\frac{1}{4}$	Feb. 18, 1932			500	13 $\frac{1}{4}$
Do.			2, 700	43 $\frac{1}{2}$	Feb. 23, 1932			600	13 $\frac{1}{4}$
Do.			2, 000	43 $\frac{1}{2}$	Mar. 1, 1932			2, 900	12 $\frac{1}{4}$
Do.			4, 200	43 $\frac{1}{2}$	Mar. 31, 1932			200	12 $\frac{1}{2}$
Do.			1, 900	43 $\frac{1}{2}$	Sept. 6, 1932			4, 100	17
Do.			4, 400	44	Do.			400	17 $\frac{1}{4}$
Do.			200	44 $\frac{1}{2}$	Do.			600	16 $\frac{1}{2}$
Do.			4, 000	44 $\frac{1}{4}$	Do.			300	16 $\frac{1}{4}$
Do.			1, 000	44 $\frac{1}{2}$	Sept. 7, 1932			600	17 $\frac{1}{2}$
					Sept. 8, 1932			500	16 $\frac{1}{4}$

Standard Brands, Inc., common stock—Continued

Date	Shares purchased		Shares sold		Date	Shares purchased		Shares sold	
	Amount	Price	Amount	Price		Amount	Price	Amount	Price
Sept. 9, 1932.			500	17½	Nov. 14, 1932.			2,000	16½
Sept. 22, 1932.			800	16	Nov. 16, 1932.			500	16
Sept. 23, 1932.			200	16	Nov. 17, 1932.			100	16¼
Do.			300	16¼	Do.			100	16½
Sept. 26, 1932.			700	16¼	Do.			300	16
Oct. 4, 1932.			200	15¼	Nov. 25, 1932.			3,500	15
Do.			4,800	15½	Do.			1,500	15½
Oct. 21, 1932.			500	15¼	Do.			1,700	15¼
Nov. 7, 1932.			500	15½	Do.			500	15½
Nov. 9, 1932.			800	16	Dec. 13, 1932.			400	15½
Do.			500	15½	Jan. 10, 1933.			400	15½
Nov. 10, 1932.			1,000	16¼	Mar. 16, 1933.			3,600	16¼
Do.			200	16½	Do.			1,200	16½
Nov. 11, 1932.			800	16	Do.			1,700	16¼
Nov. 14, 1932.			500	16¼	Do.			2,800	16½
Do.			200	16½	Do.			700	17
Do.			300	16½	Mar. 17, 1933.			1,300	17½
Do.			500	16¼	Do.			400	18

On Mar. 23, 1933, J. P. Morgan & Co. held the balance of 37,500 shares.

(A portion of this statement was read by Mr. Whitney during his testimony and is here printed in full as follows:)

STATEMENT TO SENATE COMMITTEE

It may be of interest to the committee to give a brief summary of the public offerings of securities, foreign and domestic, that J. P. Morgan & Co. have made since the World War.

For the period from January 1, 1919, to date, we have offered to the public, in almost every instance in association with others who have joined us in such financing, securities to the aggregate amount of \$6,024,444,200, of which \$2,098,953,400 have been retired. Manifestly, it would have been impossible for us alone to have handled such a tremendous volume but in every instance the public offering was made over our name and in most instances over the names of others as well. For convenience we have listed these public offerings under six groups:

GROUP I. OBLIGATIONS OF FOREIGN GOVERNMENTS AND FOREIGN CORPORATIONS

These public offerings aggregate \$2,232,757,000 in principal amount. Of these obligations 40 percent or \$883,854,400 have been retired either by payment at maturity, by redemption at prices ranging from 107½ percent to 115 percent, or by purchase at various prices through sinking funds. There remain outstanding bonds or obligations of foreign governments or foreign obligors to the aggregate principal amount of \$1,348,902,600.

Of these, even in these depressed times, \$446,690,500, or 33 percent, were on May 11, 1933, selling above the original public-offering price. The average offering price to the public of these obligations was 94.69 percent, and the average current market price on May 11, 1933, was 81.07 percent, a decline of less than 13¼ points. (The figures which I am giving in this group and in subsequent groups for public-offering prices and for current market prices is a weighted average based on the total amount of bonds remaining outstanding.) No investor, who in this period purchased any of these bonds which we offered to the public, has failed to receive the regular payment of interest at the full rate in United States currency or the regular payment of principal when due. The only German bonds that we have offered were the German Government 7 percent bonds and 5½ percent bonds, both of which were issued in pursuance of international plans for German reconstruction and under the auspices of the Great Powers.

GROUP II. RAILROAD CO. BONDS

The total principal amount offered to the public aggregates \$1,845,639,300. Of these about 29 percent or \$536,814,500 have been retired, substantially all by payment at maturity, by redemption, or by conversion, as few railroad issues have sinking-fund provisions. Of the balance, namely \$1,308,824,800, only 7.2 percent were on May 11, 1933, selling above their original issue prices. The average price at which these bonds were offered to the public was 96.58 percent; the average current market price on May 11, 1933, was 63.94 percent, a decline of 32.64 points, or about one third.

Of these issues, \$125,079,000 are in default in payment of interest or principal, namely, \$45,000,000 Florida East Coast Railway first and refunding mortgage 5-percent bonds; \$18,879,000 Mobile & Ohio Railroad Co. refunding and improvement 4½-percent bonds and secured 5-percent notes and \$61,200,000 Missouri Pacific Railroad first and refunding mortgage 5-percent bonds, series 1. This aggregate amount is 6.78 percent of all railroad bonds offered and is less than 2.1 percent of the total of all classes of securities offered by J. P. Morgan & Co. in this period.

GROUP III. PUBLIC UTILITY BONDS, INCLUDING OBLIGATIONS OF PUBLIC UTILITY HOLDING COMPANIES

The aggregate principal amount offered to the public is \$1,074,750,000. Of these \$268,269,800, or 25 percent, have been retired in the main, by conversion, by redemption at prices ranging from 105 percent to 110 percent or by payment at maturity. There remain outstanding of the bonds so publicly offered \$806,480,200 in principal amount. Of these bonds \$693,480,200 in principal amount or 86 percent, on May 11, 1933, were selling above the public offering price. The average price at which these bonds were offered to the public was 97.08 percent; the average current market price on May 11, 1933, was 95.68 percent, a decline of 1.4 points. None of these bonds is in default in the payment of principal or interest.

GROUP IV. INDUSTRIAL CO. BONDS AND INDUSTRIAL CO. PREFERRED STOCK

The aggregate public offerings in this group amount to \$578,297,900. Of these securities, \$397,046,700 or 69 percent have been retired, again, mainly by redemption at prices ranging from 100½ percent to 125 percent. There remain outstanding bonds and preferred stock to an aggregate amount of \$181,251,200. Of these \$123,208,000 or 68 percent on May 11, 1933, were selling above the public offering price and \$42,187,000 or 23 percent were selling within 10 points of the public offering price. Industrial company bonds and preferred stock now outstanding, which were offered to the public, were offered at the average price of 99.28 percent. The average current market price on May 11, 1933, was 99.07 percent, a decline of about two-tenths of a point. There has been no default in the payment of principal or interest on these bonds or in the regular payment of dividends on the preferred stock.

GROUP V. MUNICIPAL BONDS

The amount of public offerings in this group aggregates \$160,000,000. Of these, \$1,000,000 have been retired and the balance remains outstanding. The average public offering price was 101.64 percent. The average current market price on May 11, 1933, was 82.83 percent, a decline of about 18.8 points. None of these bonds is in default in the payment of principal or interest.

GROUP VI. RAILROAD HOLDING CO. BONDS

These aggregate \$133,000,000 or 2.21 percent of the total public offerings of securities made by my firm since January 1, 1919. Of these \$11,968,000 have been retired. The balance, namely \$121,032,000 are selling substantially below the public offering price. The average public offering price of these bonds was 97.25 percent and the average current market price on May 11, 1933, was 50.94 percent, a decline of about 46½ points. None of these bonds as yet is in default in the payment of principal or interest.

J. P. Morgan & Co. employ no bond salesmen and have never adopted any methods of high-pressure salesmanship. We have distributed these securities

through syndicates or selling groups consisting in cases of the largest issues of as many as 1,100 or 1,200 retail and distributing houses, large and small, scattered throughout the country and invited by us to join in the offering of these securities because of their distributing ability and their standing and reputation in their own communities. We have believed in this method of distribution and have consistently adhered to it.

Of the issues now in default, namely bonds of the Florida East Coast Railway, and of the Mobile & Ohio Railroad, and of the Missouri Pacific Railroad, we ourselves purchased and still hold bonds of those issues or of issues junior to them on which our aggregate losses, based upon the difference between our purchase price and the present market value, are greatly in excess of the profit that we made from these offerings.

In the case of securities of railroad operating companies and public utility operating companies, the price paid to the obligor is a matter of public record. In the case of the foreign issues offered by us since January 1, 1920, the price paid to the obligor was made public by us in the testimony submitted to the Senate Finance Committee on December 1931. In the case of all issues during the 5-year period from January 1, 1927, to January 1, 1932, the spread between the price paid to the obligor and the offering price to the public has been given in the detailed record which we have furnished the committee. We are not opposed to but are heartily in favor of publicity and disclosure of the gross profit or commission paid in respect to all securities offered to the public as is proposed by the legislation which you are now considering.

As to the group of bonds which have shown the greatest declines, namely, railroad and railroad holding companies, it may be pertinent to point out that in the case of the railroad issues every issue of bonds of a railroad operating company issued after June 27, 1920, was authorized by the Interstate Commerce Commission as being in the interest of the public and a minimum price fixed at which these bonds could be sold; and in the case of the railroad holding company issues, which were all collateral trust issues secured by stocks or bonds or obligations of railroad operating companies, the collateral behind the bonds at the time of the issue and the financial strength of the company making the issue seemed to afford more than ample security.

MEMORANDUM

Alleghany Corporation common stock was publicly offered by a group headed by the Guaranty Co. of New York on February 1, 1929.

Common shares of the Alleghany Corporation were admitted to trading on the New York Stock Exchange on February 1 on a when-issued basis. On February 19 transactions in Alleghany Corporation common shares were placed on a regular basis on the New York Stock Exchange.

Attached herewith find schedule showing high, low, and last sales, as taken from the New York Times, of the Alleghany Corporation common shares. The volume of transactions for each day is also indicated. The period covered in this schedule is from February 1 to March 30, 1929, inclusive.

Alleghany Corporation common stock

Date	High	Low	Last	Volume
Feb. 1, 1929, W.I.	37	32½	33	14,900
Feb. 2, 1929, W.I.	34½	33	33¾	10,700
Feb. 4, 1929, W.I.	33½	31¾	32¼	13,800
Feb. 5, 1929, W.I.	32½	31½	32½	19,400
Feb. 6, 1929, W.I.	33	32	32	17,800
Feb. 7, 1929, W.I.	31¾	31	31½	5,300
Feb. 8, 1929, W.I.	31½	31	31	6,500
Feb. 9, 1929 ¹				
Feb. 11, 1929, W.I.	31	30½	31	8,400
Feb. 13, 1929, W.I.	32½	30½	31¾	19,800
Feb. 14, 1929, W.I.	31½	31	31¼	11,100
Feb. 15, 1929, W.I.	31½	30½	31½	7,700
Feb. 16, 1929, W.I.	30½	29½	30½	7,000
Feb. 18, 1929, W.I.	30	29	30	7,900
Feb. 19, 1929	30	28½	29½	10,300
Feb. 20, 1929	31	29½	31	10,600
Feb. 21, 1929	31½	30½	31	8,700
Feb. 23, 1929 ¹				
Feb. 25, 1929	31½	30½	31	6,800
Feb. 26, 1929	31	30	30½	5,600

¹ Exchange closed.

Alleghany Corporation common stock—Continued

Date	High	Low	Last	Volume
Feb. 27, 1929.....	30 $\frac{1}{2}$	29 $\frac{1}{2}$	29 $\frac{3}{4}$	5,900
Feb. 28, 1929.....	30 $\frac{1}{2}$	29 $\frac{7}{8}$	30 $\frac{1}{2}$	5,200
Mar. 1, 1929.....	33 $\frac{1}{2}$	30 $\frac{1}{2}$	32 $\frac{3}{4}$	51,400
Mar. 2, 1929.....	34 $\frac{1}{2}$	33	34 $\frac{1}{4}$	37,800
Mar. 4, 1929.....	36 $\frac{1}{2}$	34 $\frac{1}{2}$	34 $\frac{1}{2}$	58,000
Mar. 5, 1929.....	37 $\frac{1}{2}$	34 $\frac{1}{2}$	36	50,200
Mar. 6, 1929.....	37 $\frac{1}{2}$	34 $\frac{1}{2}$	35 $\frac{1}{2}$	58,000
Mar. 7, 1929.....	36	34 $\frac{1}{2}$	35 $\frac{1}{4}$	28,000
Mar. 8, 1929.....	36	35 $\frac{1}{2}$	35 $\frac{1}{2}$	20,300
Mar. 9, 1929.....	35 $\frac{7}{8}$	35 $\frac{1}{2}$	35 $\frac{1}{4}$	6,400
Mar. 11, 1929.....	35 $\frac{1}{2}$	34 $\frac{1}{2}$	34 $\frac{1}{4}$	13,200
Mar. 12, 1929.....	34 $\frac{1}{2}$	34	34 $\frac{1}{2}$	12,500
Mar. 13, 1929.....	34 $\frac{1}{2}$	34	34 $\frac{1}{2}$	6,000
Mar. 14, 1929.....	34 $\frac{1}{2}$	33 $\frac{1}{2}$	33 $\frac{1}{4}$	13,800
Mar. 15, 1929.....	35	33 $\frac{1}{2}$	34	11,800
Mar. 16, 1929.....	34 $\frac{1}{4}$	33 $\frac{1}{2}$	34	5,000
Mar. 18, 1929.....	34 $\frac{1}{2}$	33 $\frac{1}{2}$	34	11,000
Mar. 19, 1929.....	34 $\frac{1}{2}$	33 $\frac{1}{2}$	33 $\frac{3}{8}$	10,000
Mar. 20, 1929.....	34	33 $\frac{1}{4}$	33 $\frac{3}{8}$	5,800
Mar. 21, 1929.....	34 $\frac{1}{2}$	33	33	9,900
Mar. 22, 1929.....	33 $\frac{3}{8}$	32 $\frac{1}{2}$	32 $\frac{1}{2}$	6,500
Mar. 23, 1929.....	33	31 $\frac{1}{2}$	32	2,500
Mar. 25, 1929.....	31 $\frac{1}{2}$	29 $\frac{1}{2}$	29 $\frac{1}{2}$	17,600
Mar. 26, 1929.....	30 $\frac{1}{2}$	27 $\frac{1}{2}$	30 $\frac{1}{2}$	21,000
Mar. 27, 1929.....	31 $\frac{1}{2}$	29 $\frac{1}{2}$	31 $\frac{1}{2}$	9,800
Mar. 28, 1929.....	31 $\frac{1}{2}$	30 $\frac{1}{2}$	31 $\frac{1}{4}$	7,100
Mar. 29, 1929 ¹	-----	-----	-----	-----
Mar. 30, 1929 ¹	-----	-----	-----	-----

¹ Exchange closed.

Mr. PECORA. Mr. Chairman, it is now about 4 p.m., and also in view of the fact that I have been informed a list of individual depositors who have maintained demand deposit accounts having average balances of \$10,000 or more with the firm of J. P. Morgan & Co., and Drexel & Co., is available and to be presented to the committee by representatives of the firm, may I respectfully suggest that the committee now recess until tomorrow morning, so that the committee may go into executive session to consider that list?

That also applies to the articles of copartnership of the firm of J. P. Morgan & Co.

Senator COUZENS. You do not mean to recess now, but to go into executive session now?

Mr. PECORA. Yes, Senator Couzens, to go into executive session now.

Senator BARKLEY. I move that the committee at the present time go into executive session.

Senator BYRNES. Mr. Chairman, if we are to pass upon it, there ought to be a quorum of the committee present.

The CHAIRMAN. We will call for a quorum.

Mr. PECORA. And I suggest that following the executive session the committee adjourn until 10 o'clock tomorrow morning.

The CHAIRMAN. The committee will now go into executive session and the hearing will be adjourned until 10 o'clock tomorrow morning. All witnesses under subpoena will appear at that time.

(Thereupon, at 4 p.m., Thursday, May 25, 1933, the committee went into executive session, and the open hearings were adjourned until 10 o'clock the following morning.)

APPENDIX

MAY 25, 1933

The following exhibits, a part of this day's proceedings of the Subcommittee on Banking and Currency, United States Senate, are to be printed as a part of the hearing:

- Exhibit 15, answer to question 9.
- Exhibit 16, answer to question 10.
- Exhibit 18, answer to question 11.
- Exhibit 19, answer to question 12.
- Exhibit 20, answer to question 17.
- Exhibit 21, answer to question 13.

COMMITTEE EXHIBIT No. 15 OF MAY 25, 1933

QUESTION 9

List of all stock and bond issues in which either of said firms has participated, together with the following details:

(a) Whether such participation was in the original terms group, bankers, wholesale distributors, or any other group.

(b) All other detailed information similar to the classifications embodied in the report of the Morgan firm submitted to the (Johnson) Senate Committee investigating the foreign bond issues.

Group 1. Is a summary of all issues of stocks and bonds by the firm of J. P. M. & Co.

Group 2. Is a summary of all issues of stocks and bonds by the firm of Drexel & Co.

Group 3. Is a summary of all underwritings of stocks and bonds by the firm of J. P. M. & Co.

Group 4. Is a summary of all underwritings of stocks and bonds by the firm of Drexel & Co.

Group 5. Is a summary of transactions on the part of the firm of J. P. M. & Co. in which there was no public offering.

Group 6. Is a summary of transactions on the part of the firm of Drexel & Co. in which there was no public offering.

Group 7. Is a summary of all issues and underwritings of stocks and bonds by others, in which the firm of J. P. M. & Co. took a financial participation or commitment.

Group 8. Is a summary of all issues and underwritings of stocks and bonds by others, in which the firm of Drexel & Co. took a financial participation or commitment.

GROUP 1.—SUMMARY OF ALL ISSUES OF STOCKS AND BONDS BY THE FIRM OF J. P. MORGAN & CO.

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Date of issue	Name of Government, municipality, or corporation	Title of issue	Amount of issue	Amount outstanding Mar. 24, 1933	Price to obligor	Issue price	Managing commission		
							Total	Our share	Number of participants in such managing commission
Feb. 1, 1928	Alabama Great Southern R.R.	1st cons. mtge. 4% "B" due Dec. 1, 1943.....	\$5,206,000	\$5,206,000	97	98½	Percent 0.0625	\$3,253.75	1
Jan. 31, 1929	Alleghany Corp.....	15-year coll. trust conv. 5% due Feb. 1, 1944.....	35,000,000	31,500,000	{ 93.07 con- tract. 97 effective.	100	.15	52,500.00	1
May 13, 1929	do.....	20-year coll. trust conv. 5% due June 1, 1949.....	25,000,000	21,900,000		95.79	100	.15	37,500.00
Mar. 10, 1930	do.....	20-year coll. trust conv. 5% due Apr. 1, 1950.....	25,000,000	24,500,000	94	97	.15	37,500.00	1
Jan. 13, 1930	Amer. Tel. & Tel.	35-year 5% debentures due Feb. 1, 1965.....	150,000,000	150,000,000	96½	99½	.15	168,750.00	2
Jan. 14, 1927	Argentine.	External S.F. 6% due Feb. 1, 1961.....	27,000,000	25,500,000	95	98½			
Apr. 28, 1927	do.....	Loan of 1927 external S.F. 6% due May 1, 1961.....	21,200,000	20,000,000	95½	99			
Nov. 7, 1928	Atlantic Coast Line R.R.	Gen'l unified 50-year 4½% "A" due June 1, 1964.....	2,800,000	2,800,000	97	99	.10	2,800.00	1
Apr. 6, 1927	do.....	do.....	8,809,000	8,809,000	96	96	.10	8,809.00	1
Aug. 24, 1927	Australia.....	External loan of 1927 30-year 5% due Sept. 1, 1957.....	40,000,000	38,300,000	95½	98	.125	25,000.00	2
May 8, 1928	do.....	External loan of 1928 4½% due May 1, 1956.....	50,000,000	49,700,000	90	92½	.125	31,250.00	2
July 15, 1930	Austrian.....	Intern'l loan of 1930 S.F. 7% due July 1, 1957.....	25,000,000	24,300,000	91	95	.20	50,000.00	1
June 27, 1930	Boston & Albany R.R.	Improvement bonds of 1928 4½% due Aug. 1, 1978.....	5,700,000	5,700,000	91	93	.10	5,700.00	1
Jan. 22, 1931	Buffalo Gen'l Electric Co.	Gen'l & ref. mtge. 4½% due Feb. 1, 1981.....	20,000,000	20,000,000	98½	101	.125	25,000.00	1
May 11, 1927	Chesapeake Corporation	Conv. coll. Tr. 20-year 5% due May 15, 1947.....	48,000,000	43,300,000	{ 90½ Con- tract 90 ef- fective.	94	.20	48,000.00	2
Jan. 28, 1929	Chesapeake & Ohio R.R.	Ref. & imp. mtge. 4½% due Oct. 1, 1993.....	24,784,000	24,084,000		95	.125	30,980.00	1
Jan. 15, 1930	do.....	Ref. & imp. mtge. 4½% due Jan. 1, 1995.....	35,088,000	35,088,000	91½	94	.125	43,860.00	1
Mar. 24, 1927	Chl., Burlington & Quincy R.R.	1st & ref. mtge. 4½% due Feb. 1, 1977.....	30,000,000	30,000,000	94½	97	.125	18,750.00	2
Nov. 19, 1931	Cincinnati Union Terminal Co.	1st mtge. 5% due July 1, 2020.....	12,000,000	12,000,000	95	97½	.125	7,500.00	2
Sept. 25, 1930	do.....	1st mtge. 4½% due July 1, 2020.....	12,000,000	12,000,000	100	102½	.1125	6,750.00	2
Jan. 18, 1928	Clev., Cinn., Chicago & St. L. Ry.	Ref. & imp. 4½% due July 1, 1977.....	15,000,000	15,000,000	98	100	.10	15,000.00	1
Jan. 8, 1931	Clev., Cinn., Chicago & St. L. Ry.	Ref. & imp. 4½% "E" due July 1, 1977.....	5,000,000	5,000,000	98	100	.10	5,000.00	1
June 18, 1930	do.....	do.....	24,000,000	24,000,000	96	98	.10	24,000.00	1

STOCK EXCHANGE PRACTICES

Mar. 25, 1930	Cleveland Union Terminals Co.	1st mtge. S.F. 4½% due Oct. 1, 1977	18,000,000	18,000,000	95¼	98	.1125	20,250.00	1
Feb. 2, 1928	do	1st mtge. S.F. 4½% "C" due Oct. 1, 1977	5,000,000	5,000,000	100	102	.10	5,000.00	1
June 26, 1930	Colorado & Southern Ry.	Gen'l mtge. 4½% "A" due May 1, 1980	20,000,000	20,000,000	93	95¼	.1125	11,250.00	2
July 1, 1927	Republic of Cuba	Serial 5½% due July 1, 1928/1937	9,000,000	4,500,000	100	{101.123 average.	.0541	5,049.00	1
May 9, 1927	Erie R.R.	Ref. & imp. mtge. 5% series of 1927 due May 1, 1967	50,000,000	50,000,000	91½	94½	.15	75,000.00	1
Apr. 8, 1930	do	Ref. & imp. mtge. 5% due Apr. 1, 1973	50,000,000	50,000,000	93½	95½	.10	30,000.00	1
Feb. 16, 1927	General Motors Corporation	7% preferred stock	25,000,000	Redeemed	117	120	.13	37,500.00	1
Sept. 24, 1930	do	\$5 preferred stock	15,856,200	15,856,200	{92.5926 effective.	99			
Jan. 31, 1927	General Motors Acceptance Corp.	10-year S.F. 6% gold debentures due Feb. 1, 1937	50,000,000	Redeemed.	97	100	.15	75,000.00	1
June 12, 1930	German	International 5½% loan of 1930 due June 1, 1965	98,250,000	95,500,000	86	90	.20	196,500.00	1
Oct. 24, 1927	Great Northern Ry.	Gen'l mtge. 4½% "E" due July 1, 1977	20,000,000	20,000,000	97	99	.10	10,000.00	2
May 15, 1930	do	do	20,000,000	20,000,000	95	97	.10	10,000.00	2
Apr. 1, 1927	Humble Oil & Refining Co.	10-year 5% debentures due Apr. 1, 1937	25,000,000	20,200,000	97½	100	.125	31,250.00	1
Jan. 31, 1930	International Tel. & Tel. Corp.	25-year 5% debentures due Feb. 1, 1955	50,000,000	50,000,000	93½	96½	.15	75,000.00	
June 15, 1927	do	25-year 4½% debentures due July 1, 1952	35,000,000	35,000,000	89	92	.15	52,500.00	1
Mar. 1, 1927	Italian credit consortium for public works.	External sinking fund 7% due Mar. 1, 1937	4,500,000	2,200,000	92½	96½	.20	24,000.00	1
Do	do	External sinking fund 7% due Mar. 1, 1947	7,500,000	6,300,000	91½	95½			
May 12, 1930	Japanese	External loan of 1930, 35-year S.F. 5½% due May 1, 1965	71,000,000	71,000,000	86	90	.20	142,000.00	1
Feb. 7, 1930	Louisville & Nashville R.R.	Unified 4% due July 1, 1940	5,000,000	5,000,000	92½	94½	.10	5,000.00	1
Sept. 15, 1931	do	10-year secured 5% due Oct. 1, 1941	10,000,000	10,000,000	95¾	98	.1125	11,250.00	1
Feb. 7, 1930	do	1st ref. mtge. 4½% "C" due Apr. 1, 2003	15,000,000	15,000,000	92½	95	.125	18,750.00	1
June 10, 1927	Marland Oil Co.	Serial 5% notes due serially to June 15, 1932	30,000,000	Redeemed.	96.6875	{98.6875 average	.10	30,000.00	1
July 2, 1930	Merchants Despatch, Inc.	5% Equipment Trust cts. due Oct. 1, 1930/43	3,392,000	2,776,000	100.50	{101.3255 average	.0409	1,389.34	1
Feb. 11, 1931	Michigan Central R.R.	Ref. & Imp. 4½% "C" due Jan. 1, 1979	4,000,000	4,000,000	100.50	102.50	.10	4,000.00	1
July 1, 1930	do	do	7,634,000	7,634,000	96½	98½	.10	7,634.00	1
Jan. 27, 1931	Missouri Pacific R.R. Co.	1st & ref. mtge. 5% "I" due Feb. 1, 1981	61,200,000	61,200,000	92½	95	.125	76,500.00	1
Nov. 6, 1930	Mobile & Ohio R. R. Co.	5% Secured gold notes due Sept. 1, 1938	5,000,000	5,000,000	96¾	98½	.0875	4,375.00	1
Sept. 19, 1927	do	Ref. & imp. 4½% due Sept. 1, 1977	13,879,000	13,879,000	92½	95	.125	17,348.75	1
Feb. 10, 1930	Morris & Essex R. R. Co.	Construction mtge. due Nov. 1, 1955 5% "A"	10,000,000	10,000,000	101¾	103¾	.1125	28,125.00	1
Do	do	Construction mtge. due Nov. 1, 1955, 4½% "B"	15,000,000	15,000,000	94¾	96¾			
Oct. 21, 1927	do	1st ref. 3½ due Dec. 1, 2000	9,871,000	9,871,000	83½	85			
Feb. 20, 1928	Nashville, Chattanooga & St. Louis Ry. Co.	1st mtge. 4% due Feb. 1, 1978	16,800,000	16,800,000	95½	97	.075	12,600.00	1
Mar. 10, 1931	New York Central R.R. Co.	Ref. & imp. 4½ due Oct. 1, 2013	75,000,000	75,000,000	97¾	100	.1125	84,375.00	1
Dec. 22, 1927	N.Y., New Haven & Hartford R.R. Co.	40-year 1st & ref. 4½% due Dec. 1, 1967	31,000,000	31,000,000	89¾	91¾	.10	31,000.00	1

GROUP 1.—Summary of all issues of stocks and bonds by the firm of J. P. Morgan & Co.—Continued

Date of issue	Name of Government, municipality, or corporation	Title of issue	Amount of issue	Amount outstanding Mar. 24, 1933	Price to obligor	Issue price	Managing commission		
							Total	Our share	Number of participants in such managing commission
Feb. 26, 1931	Pere Marquette Ry. Co.	1st mtge. 4½% due Mar. 1, 1930.....	\$8,000,000	\$8,000,000	97½	99½	<i>Percent</i> 0.10	\$8,000.00	1
Mar. 18, 1930	do	do	14,000,000	14,000,000	94¾	97	.1125	15,750.00	1
Apr. 28, 1927	Pirelli Co. of Italy.....	Convertible S.F. 7% due May 1, 1952.....	4,000,000	1,102,000	94	98	.20	8,000.00	1
Jan. 29, 1929	Railway Express Agency Inc.	Serial 5% due serially to Mar. 1, 1949.....	32,000,000	28,000,000	97¾	100	.1125	18,000.00	2
Feb. 23, 1928	Rochester Gas & Electric Corp.	Gen'l mtge. 4½% due Sept. 1, 1977.....	6,000,000	6,000,000	97	99½	.125	7,500.00	1
Mar. 29, 1927	City of Rome.....	Ext. loan of 1927 S.F. 6½% due Apr. 1, 1952.....	30,000,000	26,298,400	87	91	.20	30,000.00	2
July 7, 1931	St. Joseph Lead Co.....	10-year conv. deb. 5½% due May 1, 1941.....	7,187,000	7,187,000	{ 97.3872 effective.	99			
June 6, 1930	Southern Ry. Co.....	1st cons. mtge. 5% due July 1, 1944.....	3,106,000	3,106,000		108	.075	2,329.50	1
Oct. 18, 1929	Southern Bell Tel. & Tel. Co.	1st mtge. S.F. 5% due Jan. 1, 1941.....	32,000,000	2,000,000		97½	.1375	33,000.00	2
June 26, 1931	Taiwan Electric Power Co., Ltd.	40-year S.F. 5½% due July 1, 1971.....	22,800,000	2,800,000	90	93½	.175	39,900.00	1
Feb. 1, 1929	Terminal R.R. Ass'n of St. Louis.	Gen'l & ref. 4% due Jan. 1, 1953.....	8,000,000	8,000,000	87	89	.10	8,000.00	1
Aug. 1, 1930	Terminal R.R. Ass'n of St. Louis.	Gen'l & ref. 4% due Jan. 1, 1953.....	3,500,000	3,500,000	89	91	.10	3,500.00	1
Jan. 9, 1931	Texas & Pacific Ry. Co.	Gen'l & ref. 5% "D" due Dec. 1, 1930.....	13,000,000	13,000,000	96	98½	.125	16,250.00	1
Mar. 21, 1927	City of Tokyo.....	External loan of 1927 S.F. 5½% due Oct. 1, 1961.....	20,640,000	19,400,000	86	89½	.175	36,120.00	1
Jan. 16, 1928	State of Vermont.....	Loan of 1927, 3¾% gold bonds due serially to Dec. 1, 1938.....	5,000,000	4,000,000	100	100			
Mar. 28, 1927	Hocking Valley Ry. Co.	6-months 4½% notes dated Mar. 1, 1927, due Sept. 1, 1927.....	5,000,000	Redeemed.	99	99¾	.006	312.50	1
Mar. 22, 1928	Canadea Power Corporation.	1st mtge. 5% dated Apr. 1, 1928, due Apr. 1, 1958.....	2,000,000	2,000,000	102½	105	.125	2,500.00	1
Mar. 16, 1931	Southern Ry. Co.....	1st cons. mtge. 5% dated Oct. 2, 1894, due July 1, 1944.....	1,310,000	1,310,000	107	109	.10	1,310.00	1
Mar. 10, 1927	do.....	1st cons. mtge. 5% dated Oct. 2, 1894, due July 1, 1944.....	3,368,000	3,368,000	105	107	.10	3,368.00	1

Date of issue	Name of Government, municipality, or corporation	Title of issue	Original group						Intermediate group					
			Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants	Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants
Feb. 1, 1928	Alabama Great Southern R.R.	1st cons. mtge. 4% "B" due Dec. 1, 1943.	<i>Percent</i> 0.1875	\$2,603,000	\$4,880.63	-----	\$4,880.63	3	<i>Percent</i> 0.375	\$1,735,333	\$6,508.00	\$2,608.00	\$3,900.00	4
Jan. 31, 1929	Alleghany Corp.	15-year coll. trust conv. 5% due Feb. 1, 1944.	.85	13,125,000	111,562.50	-----	111,562.50	4	.50	9,187,500	45,937.50	-----	45,937.50	9
May 13, 1929	-----do-----	20-year coll. trust conv. 5% due June 1, 1949.	2.06	15,000,000	261,187.50	\$3,000.00	258,187.50	4	.50	6,562,500	32,812.50	-----	32,812.50	9
Mar. 10, 1930	-----do-----	20-year coll. trust conv. 5% due Apr. 1, 1950.	.85	9,375,000	79,687.50	-----	79,687.50	4	.50	6,562,500	32,812.50	-----	32,812.50	9
Jan. 13, 1930	Amer. Tel. & Tel.	35-year 5% debentures due Feb. 1, 1965.	.85	30,000,000	255,000.00	-----	255,000.00	9	-----	-----	-----	-----	-----	-----
Jan. 14, 1927	Argentine	External S.F. 6% due Feb. 1, 1961.	1.25	13,500,000	168,750.00	33,750.00	135,000.00	2	-----	-----	-----	-----	-----	-----
Apr. 28, 1927	-----do-----	Loan of 1927 external S.F. 6% due May 1, 1961.	1.50	10,600,000	159,000.00	26,500.00	132,500.00	2	-----	-----	-----	-----	-----	-----
Nov. 7, 1928	Atlantic Coast Line R.R.	Gen'l unified 50-year 4½% "A" due June 1, 1964.	.90	1,400,000	12,600.00	650.00	11,950.00	3	-----	-----	-----	-----	-----	-----
Apr. 6, 1927	-----do-----	-----do-----	.90	4,404,500	39,640.50	2,660.50	36,980.00	3	-----	-----	-----	-----	-----	-----
Aug. 24, 1927	Australia	External loan of 1927 30-year 5% due Sept. 1, 1937.	.375	15,000,000	56,250.00	15,000.00	41,250.00	3	.50	6,625,000	33,125.00	-----	33,125.00	124
May 8, 1928	-----do-----	External loan of 1928 4½% due due May 1, 1956.	.375	18,750,000	70,312.50	30,468.75	39,843.75	3	.50	15,375,000	76,875.00	9,609.37	67,266.63	14
July 15, 1930	Austrian	Intern'l loan of 1930 S.F. 7% due July 1, 1957.	.80	7,375,000	59,000.00	-----	59,000.00	11	1.00	3,175,000	31,750.00	6,667.50	25,082.50	134
June 27, 1930	Boston & Albany R.R.	Improvement bonds of 1928 4½% due Aug. 1, 1978.	.90	4,275,000	26,006.25	-----	26,006.25	2	-----	-----	-----	-----	-----	-----
Jan. 22, 1931	Buffalo Gen'l Electric Co.	Gen'l & ref. mtge. 4½% due Feb. 1, 1981.	.875	6,000,000	52,500.00	-----	52,500.00	5	.50	6,000,000	30,000.00	11,700.00	18,300.00	10

GROUP 1.—Summary of all issues of stocks and bonds by the firm of J. P. Morgan & Co.—Continued

Date of issue	Name of Government, municipality, or corporation	Title of issue	Original group					Number of participants	Intermediate group					Number of participants
			Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit		Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	
May 11, 1927	Chesapeake Corporation.	Conv. coll. Tr. 20-year 5% due May 15, 1947.	<i>Percent</i> 0.80	\$14,880,000	\$119,040.00	-----	\$119,040.00	5	<i>Percent</i> 1.00	\$13,440,00	\$124,325.00	-----	\$124,325.00	31
Jan. 28, 1929	Chesapeake & Ohio R.R.	Ref. & imp. mtge. 4½% due Oct. 1, 1939.	.375	6,443,840	24,164.40	-----	24,164.40	5	.50	5,477,264	27,386.32	-----	27,386.32	7
Jan. 15, 1930	do	Ref. & imp. Mtge. 4½% due Jan. 1, 1935.	.375	9,122,880	34,210.80	-----	34,210.80	5	.50	7,754,448	38,772.24	-----	38,772.24	7
Mar. 24, 1927	Chi., Burlington & Quincy R.R.	1st & Ref. Mtge. 4½% due Feb. 1, 1977.	.875	11,250,000	98,437.50	-----	98,437.50	3				-----		
Nov. 19, 1931	Cincinnati Union Terminal Co.	1st mtge. 5% due July 1, 2020.	.875	4,000,000	35,000.00	-----	35,000.00	4				-----		
Sept. 25, 1930	do	1st mtge. 4½% due July 1, 2020.	.8875	4,000,000	35,500.00	-----	35,500.00	4				-----		
Jan. 18, 1928	Clev., Cinn., Chicago & St. L. Ry.	Ref. & imp. 4¼% due July 1, 1977.	.90	11,250,000	68,437.50	\$225.00	68,212.50	2				-----		
Jan. 8, 1931	Clev., Cinn., Chicago & St. L. Ry.	Ref. & imp. 4¼% "E" due July 1, 1977.	.90	3,750,000	22,812.50	-----	22,812.50	2				-----		
June 13, 1930	do	do	.90	18,000,000	109,500.00	3,350.00	106,150.00	2				-----		
Mar. 25, 1930	Cleveland Union Terminals Co.	1st mtge. S.F. 4¼% due Oct. 1, 1977.	.3875	13,275,000	51,440.62	27,843.75	23,596.87	3				-----		
Feb. 2, 1928	do	1st mtge. S.F. 4¼% "C" due Oct. 1, 1977.	.40	3,687,500	7,015.63	-----	7,015.63	3				-----		
June 26, 1930	Colorado & Southern Ry.	Gen'l mtge. 4¼% "A" due May 1, 1980.	.8875	7,500,000	66,562.50	-----	66,562.50	3				-----		
July 1, 1927	Republic of Cuba.	Serial 5¼% due July 1, 1928/1937.	.316	1,800,000	5,688.00	2,748.00	2,940.00	8				-----		
May 9, 1927	Erie R. R.	Ref. & imp. mtge. 5% series of 1927 due May 1, 1967.	.85	37,500,000	209,375.00	-----	209,375.00	2				-----		

Apr. 8, 1930	-----do-----	Ref. & imp. mtge. 5% due Apr. 1, 1933.	.90	37,500,000	228,125.00	31,000.00	197,125.00	2	-----	-----	-----	-----	-----	-----
Feb. 16, 1927	General Motors Corporation.	7% preferred stock	.85	10,000,000	85,000.00	-----	85,000.00	4	-----	-----	-----	-----	-----	-----
Sept. 24, 1930	-----do-----	\$5 preferred stock..	5.4074	6,342,480	342,173.78	4,577.78	357,596.00	6	-----	-----	-----	-----	-----	-----
Jan. 31, 1927	General Motors Acceptance Corp.	10-year S.F. 6% gold debentures due Feb. 1, 1937.	.85	25,000,000	159,375.00	-----	159,375.00	3	-----	-----	-----	-----	-----	-----
June 12, 1930	German-----	International 5 1/4% loan of 1930 due June 1, 1965.	.80	28,983,750	231,870.00	-----	231,870.00	11	.50	18,300,000	91,500.00	-----	91,500.00	145
Oct. 24, 1927	Great Northern Ry.	Gen'l mtge. 4 1/2% "E" due July 1, 1977.	.90	7,500,000	67,500.00	-----	67,500.00	3	-----	-----	-----	-----	-----	-----
May 15, 1930	-----do-----	-----do-----	.90	7,500,000	67,500.00	2,062.50	65,437.50	3	-----	-----	-----	-----	-----	-----
Apr. 1, 1927	Humble Oil & Re- fining Co.	10-year 5% deben- tures due Apr. 1, 1937.	.875	12,500,000	109,375.00	-----	109,375.00	3	-----	-----	-----	-----	-----	-----
Jan. 31, 1930	International Tel. & Tel. Corp.	25-year 5% deben- tures due Feb. 1, 1955.	.35	18,750,000	65,625.00	-----	65,625.00	3	.50	15,000,000	75,000.00	-----	75,000.00	7
June 15, 1927	-----do-----	25-year 4 1/2% de- bentures due July 1, 1952.	.35	13,125,000	45,937.50	-----	45,937.50	3	.50	10,500,000	52,500.00	-----	52,500.00	7
Mar. 1, 1927	Italian credit con- sortium for pub- lic works.	External sinking fund 7% due Mar. 1, 1937.	1.30	4,500,000	58,500.00	14,565.00	43,935.00	3	-----	-----	-----	-----	-----	-----
-----Do-----	-----do-----	External sinking fund 7% due Mar. 1, 1947.	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
May 12, 1930	Japanese-----	External loan of 1930, 35-year S.F. 5 1/4% due May 1, 1965.	.80	22,666,667	265,136.14	2,394.36	262,741.78	5	.50	6,725,000	33,625.00	-----	33,625.00	92
Feb. 7, 1930	Louisville & Nash- ville R.R.	Unified 4% due July 1, 1940.	.90	2,500,000	22,500.00	2,900.00	19,600.00	3	-----	-----	-----	-----	-----	-----
Sept. 15, 1931	-----do-----	10-year secured 5% due Oct. 1, 1941.	.8875	5,000,000	44,375.00	800.00	43,575.00	3	-----	-----	-----	-----	-----	-----
Feb. 7, 1930	-----do-----	1st ref. mtge. 4 1/2% "C" due Apr. 1, 2003.	.875	7,500,000	65,625.00	-----	65,625.00	3	-----	-----	-----	-----	-----	-----
June 10, 1927	Marland Oil Co.	Serial 5% notes due serially to June 15, 1932.	.90	17,000,000	76,500.00	9,112.00	67,388.00	5	-----	-----	-----	-----	-----	-----
July 2, 1930	Merchants Des- patch Inc.	5% Equipment Trust cfs. due Oct. 1, 1930/43.	.2846	2,544,000	5,431.36	745.00	4,686.36	2	-----	-----	-----	-----	-----	-----
Feb. 11, 1931	Michigan Central R.R.	Ref. & Imp. 4 1/2% "C" due Jan. 1, 1979.	.40	3,000,000	8,250.00	-----	8,250.00	2	.50	2,000,000	10,000.00	-----	10,000.00	3
July 1, 1930	-----do-----	-----do-----	.90	5,725,500	34,825.75	-----	34,825.75	2	-----	-----	-----	-----	-----	-----

GROUP 1.—Summary of all issues of stocks and bonds by the firm of J. P. Morgan & Co.—Continued

Date of issue	Name of Government, municipality, or corporation	Title of issue	Original group						Intermediate group					
			Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants	Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants
Jan. 27, 1931	Missouri Pacific R.R. Co.	1st & ref. mtge. 5% "I" due Feb. 1, 1931.	<i>Percent</i> 0.375	27,540,000	57,375.00	-----	57,375.00	6	<i>Percent</i> 0.50	\$15,300,000	\$76,500.00	-----	\$76,500.00	10
Nov. 6, 1930	Mobile & Ohio R.R. Co.	5% Secured gold notes due Sept. 1, 1938.	.1625	2,500,000	3,750.00	-----	3,750.00	4	-----	-----	-----	-----	-----	-----
Sept. 19, 1927	-----do-----	Ref. & imp. 4½% due Sept. 1, 1977.	.875	6,939,500	23,420.63	-----	23,420.63	4	-----	-----	-----	-----	-----	-----
Feb. 10, 1930	Morris & Essex R.R. Co.	Construction mtge. due Nov. 1, 1955, 5% "A".	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Do-----	do-----	Construction mtge. due Nov. 1, 1955, 4½% "B".	.8875	\$25,000,000	\$85,156.25	-----	\$85,156.25	1	-----	-----	-----	-----	-----	-----
Oct. 21, 1927	-----do-----	1st ref. 3½% due Dec. 1, 2000.	.125	9,871,000	12,338.75	-----	12,338.75	1	-----	-----	-----	-----	-----	-----
Feb. 20, 1928	Nashville, Chattanooga & St. Louis Ry. Co.	1st mtge. 4% due Feb. 1, 1978.	.675	13,400,000	56,700.00	-----	56,700.00	3	-----	-----	-----	-----	-----	-----
Mar. 10, 1931	New York Central R.R. Co.	Ref. & imp. 4½% due Oct. 1, 2013.	.3875	56,250,000	147,656.25	-----	147,656.25	2	.50	25,500,000	127,500.00	-----	127,500.00	9
Dec. 22, 1927	N.Y., New Haven & Hartford R.R. Co.	40-year 1st & ref. 4½% due Dec. 1, 1967.	.40	10,332,000	41,328.00	-----	41,328.00	5	.50	9,300,000	46,500.00	-----	46,500.00	6
Feb. 26, 1931	Pere Marquette Ry. Co.	1st mtge. 4½% due Mar. 1, 1980.	.40	2,400,000	9,600.00	-----	9,600.00	8	.50	2,040,000	10,200.00	\$1,275.00	8,925.00	10
Mar. 18, 1930	-----do-----	do-----	.3875	4,200,000	16,275.00	-----	16,275.00	8	.50	3,570,000	17,850.00	-----	17,850.00	10
Apr. 28, 1927	Pirelli Co. of Italy	Convertible S.F., 7% due May 1, 1952.	1.80	2,000,000	32,250.00	\$12,071.40	20,178.60	3	-----	-----	-----	-----	-----	-----
Jan. 29, 1929	Railway Express Agency, Inc.	Serial 5% due serially to Mar. 1, 1949.	.8875	12,000,000	106,500.00	2,940.00	103,560.00	4	-----	-----	-----	-----	-----	-----
Feb. 23, 1928	Rochester Gas & Electric Corp.	Gen'l mtge. 4½% due Sept. 1, 1977.	.375	3,000,000	11,250.00	-----	11,250.00	3	1.00	2,000,000	20,000.00	2,820.00	17,180.00	6

Mar. 29, 1927	City of Rome.....	Ext. loan of 1927 S.F. 6½% due Apr. 1, 1952.	.80	11,250,000	90,000.00	-----	90,000.00	3	1.00	8,575,000	85,750.00	-----	85,750.00	29
July 7, 1931	St. Joseph Lead Co.	10-year conv. deb. 5½% due May 1, 1941.	.6128	3,593,500	22,013.15	2,773.15	19,250.00	3	-----	-----	-----	-----	-----	-----
June 6, 1930	Southern Ry. Co.	1st cons. mtge. 5% due July 1, 1994.	.425	2,329,500	6,988.51	650.00	6,338.51	2	-----	-----	-----	-----	-----	-----
Oct. 18, 1929	Southern Bell Tel. & Tel. Co.	1st mtge. S.F. 5% due Jan. 1, 1941.	.8625	6,400,000	55,200.00	-----	55,200.00	9	-----	-----	-----	-----	-----	-----
June 26, 1931	Taiwan Electric Power Co., Ltd.	40-year S.F. 5½% due July 1, 1971.	.825	6,933,000	57,200.00	-----	57,200.00	5	.50	5,100,000	25,500.00	2,014.50	23,485.50	-----
Feb. 1, 1929	Terminal R.R. Ass'n of St. Louis.	Gen'l & ref. 4% due Jan. 1, 1953.	.40	4,000,000	16,000.00	3,050.00	12,950.00	3	-----	-----	-----	-----	-----	-----
Aug. 1, 1930	Terminal R.R. Ass'n of St. Louis.	Gen'l & ref. 4% due Jan. 1 1953.	.90	1,750,000	15,750.00	900.00	14,830.00	3	-----	-----	-----	-----	-----	-----
Jan. 9, 1931	Texas & Pacific Ry. Co.	Gen'l & ref. 5% "D" due Dec. 1, 1980.	.375	3,250,000	12,187.50	-----	12,187.50	7	.75	3,250,000	24,375.00	-----	24,375.00	10
Mar. 21, 1927	City of Tokyo.....	External loan of 1927 S.F. 5½% due Oct. 1, 1961.	.825	6,547,000	54,012.75	-----	54,012.75	5	.50	5,340,000	26,700.00	-----	26,700.00	10
Jan. 16, 1928	State of Vermont.	Loan of 1927, 3¾% gold bonds due serially to Dec. 1, 1938.	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Mar. 28, 1927	Hocking Valley Ry. Co.	6-months 4½% notes dated Mar. 1, 1927, due Sept. 1, 1927.	.119	1,300,000	1,543.75	195.00	1,348.75	5	-----	-----	-----	-----	-----	-----
Mar. 22, 1928	Canadea Power Corporation.	1st mtge. 5% dated Apr. 1, 1928, due Apr. 1, 1958.	.875	1,000,000	8,750.00	900.00	7,850.00	2	-----	-----	-----	-----	-----	-----
Mar. 16, 1931	Southern Ry. Co.	1st cons. mtge. 5% dated Oct. 2, 1894, due July 1, 1994.	.40	982,500	5,975.00	387.21	5,587.79	2	-----	-----	-----	-----	-----	-----
Mar. 10, 1927	.....do.....	1st cons. mtge. 5% dated Oct. 2, 1894, due July 1, 1994.	.90	2,526,000	4,841.50	-----	4,841.50	2	-----	-----	-----	-----	-----	-----

GROUP 1.—Summary of all issues of stocks and bonds by the firm of J. P. Morgan & Co.—Continued

Date of issue	Name of Government, municipality, or corporation	Title of issue	Selling syndicate or group							Our total profit before overhead expenses, salaries, and taxes	
			Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Portion of our commission allowed dealers, etc.	Our net profit	Number of participants	In dollars	In percent of principal amount of the issue
Feb. 1, 1923	Alabama Great Southern R.R.	1st cons. mtge. 4% "B" due Dec. 1, 1943..	<i>Percent</i> 0.625	\$5,000	\$31.25	-----	\$6.25	\$25.00	32	\$12,059.38	<i>Percent</i> 0.231
Jan. 31, 1929	Alleghany Corp.	15-year coll. trust conv. 5% due Feb. 1, 1944.	1.50	3,809,000	60,930.00	\$6,475.30	3,062.50	51,392.20	661	261,392.20	.746
May 13, 1929	.....do.....	20-year coll. trust conv. 5% due June 1, 1949.	1.50	875,000	10,087.50	2,537.50	-----	7,550.00	692	336,050.00	1.344
Mar. 10, 1930	.....do.....	20-year coll. trust conv. 5% due Apr. 1, 1950.	1.50	1,410,000	17,737.50	2,820.00	-----	14,917.50	634	164,917.50	.659
Jan. 13, 1930	Amer. Tel. & Tel.	35-year 5% debentures due Feb. 1, 1965....	2.00	10,271,000	219,180.00	6,778.86	17,605.00	194,796.14	960	618,546.14	.412
Jan. 14, 1927	Argentina.....	External S.F. 6% due Feb. 1, 1961.....	2.00	1,750,000	20,430.00	2,992.50	655.00	16,782.50	645	151,782.50	.562
Apr. 28, 1927	.....do.....	Loan of 1927 external S.F. 6% due May 1, 1961.	2.00	1,010,000	18,060.00	2,646.20	2,015.00	13,398.80	623	145,898.80	.688
Nov. 7, 1928	Atlantic Coast Line R. R.	Gen'l unified 50-year 4½% "A" due June 1, 1964.	1.00	1,800,000	18,000.00	-----	6,125.00	11,875.00	10	26,625.00	.950
Apr. 6, 1927	.....do.....	.....do.....	1.00	7,059,000	70,590.00	-----	24,545.00	46,045.00	18	91,834.00	1.042
Aug. 24, 1927	Australia.....	External loan of 1927 30-year 5% due Sept. 1, 1957.	1.50	2,115,000	17,692.50	4,314.60	512.50	12,865.40	820	112,240.40	.280
May 8, 1928	.....do.....	External loan of 1928 4½% due May 1, 1956.	1.50	2,655,000	24,525.00	398.25	108.75	24,018.00	901	162,377.38	.324
July 15, 1930	Austrian.....	Intern'l loan of 1930 S.F. 7% due July 1, 1957	2.00	202,200	4,044.00	505.50	-----	3,538.50	726	137,621.00	.550
June 27, 1930	Boston & Albany R.R.	Improvement bonds of 1928 4½% due Aug. 1, 1978.	1.00	1,500,000	15,000.00	675.00	1,875.00	12,450.00	24	44,156.25	.774
Jan. 22, 1931	Buffalo Gen'l Electric Co.	Gen'l & ref. mtge. 4½% due Feb. 1, 1981..	1.00	2,686,000	26,860.00	-----	-----	26,860.00	294	122,660.00	.613
May 11, 1927	Chesapeake Corporation.	Conv. coll. Tr. 20-year 5% due May 15, 1947	2.00	3,610,000	59,593.63	3,521.83	2,365.00	53,706.80	786	345,071.80	.718
Jan. 28, 1929	Chesapeake & Ohio R.R.	Ref. & imp. mtge. 4½% due Oct. 1, 1993....	1.50	8,722,000	128,422.50	13,083.00	20,862.50	94,477.00	295	177,007.72	.714
Jan. 15, 1930	.....do.....	Ref. & imp. mtge. 4½% due Jan. 1, 1995....	1.50	3,733,000	40,935.00	5,226.20	5,375.00	30,333.80	474	147,176.84	.419
Mar. 24, 1927	Chi., Burlington & Quincy R.R.	1st & ref. mtge. 4½% due Feb. 1, 1977....	1.50	3,283,000	72,240.00	3,053.19	16,105.00	53,081.81	358	170,269.31	.567
Nov. 19, 1931	Cincinnati Union Terminal Co.	1st mtge. 5%, due July 1, 2020.....	1.50	1,530,000	22,950.00	3,519.00	2,137.50	17,293.50	159	59,793.50	.498
Sept. 25, 1930	.....do.....	1st mtge. 4½%, due July 1, 2020.....	1.25	2,500,000	31,250.00	4,500.00	5,000.00	21,750.00	82	64,000.00	.503

Jan. 18, 1928	Clev., Cinn., Chicago & St. L. Ry.	Ref. & imp. 4½% due July 1, 1977-----	1.00	2,500,000	25,000.00	3,125.00	2,662.50	19,212.50	200	102,425.00	.682
Jan. 8, 1931	do.	Ref. & imp. 4½% "E" due July 1, 1977----	1.00	190,000	1,900.00	345.80	-----	1,554.20	40	29,366.70	.587
June 18, 1930	do.	do.	1.00	2,045,000	20,450.00	2,556.25	5,000.00	12,893.75	293	143,043.75	.596
Mar. 26, 1930	Cleveland Union Terminals Co.	1st mtge. S.F. 4½% due Oct. 1, 1977-----	1.75	5,850,000	54,250.00	2,400.00	3,575.00	48,275.00	184	92,121.87	.511
Feb. 2, 1928	do.	1st mtge. S.F. 4½% "C" due Oct. 1, 1977----	1.50	1,625,000	28,125.00	1,440.00	2,500.00	24,185.00	16	36,200.63	.724
June 26, 1930	Colorado & Southern Ry.	Gen'l mtge. 4½% "A" due May 1, 1980----	1.25	3,025,500	37,818.75	6,958.65	6,500.00	24,360.10	262	102,172.60	.510
July 1, 1927	Republic of Cuba	Serial 5½% due July 1, 1928/1937-----	.75	-----	-----	-----	-----	-----	110	7,989.00	.088
May 9, 1927	Erie R. R.	Ref. & imp. mtge. 5% series of 1927 due May 1, 1967-----	2.00	3,435,000	38,126.62	4,472.17	1,088.75	32,565.70	791	316,940.70	.633
Apr. 8, 1930	do.	Ref. & imp. mtge. 5% due Apr. 1, 1973----	1.00	1,330,500	13,305.00	-----	1,655.00	11,650.00	791	258,775.00	.517
Feb. 16, 1927	General Motors Corporation.	7% preferred stock-----	2.00	4,100,000	43,102.00	5,412.00	-----	37,690.00	427	160,190.00	.640
Sept. 24, 1930	do.	\$5 preferred stock-----	1.00	1,225,000	12,250.00	-----	-----	12,250.00	264	349,846.00	2.206
Jan. 31, 1927	General Motors Acceptance Corp.	10-year S.F. 6% gold debentures due Feb. 1, 1937-----	2	5,140,000	57,050.00	5,705.40	370.00	50,974.60	743	235,349.60	.570
June 12, 1930	German	International 5½% loan of 1930 due June 1, 1965-----	2	7,295,000	159,030.00	20,790.75	21,413.75	116,825.50	1,011	636,695.50	.648
Oct. 24, 1927	Great Northern Ry.	Gen'l mtge. 4½% "E" due July 1, 1977----	1	4,525,000	45,250.00	3,801.00	5,968.75	35,480.25	310	112,980.25	.564
May 15, 1930	do.	do.	1	2,595,000	25,950.00	3,243.75	5,762.50	16,943.75	243	92,381.25	.461
Apr. 1, 1927	Humble Oil & Refining Co.	10-year 5% debentures due Apr. 1, 1937----	1.50	970,000	15,982.50	1,678.10	2,707.50	11,596.90	453	152,221.90	.608
Jan. 31, 1930	International Tel. & Tel. Corp.	25-year 5% debentures due Feb. 1, 1955----	2.00	2,585,000	33,050.00	4,136.00	1,532.50	27,381.50	804	243,006.50	.486
June 15, 1927	do.	25-year 4½% debentures due July 1, 1952----	2.00	2,790,000	47,007.50	4,063.10	512.50	42,431.90	681	193,369.40	.553
Mar. 1, 1927	Italian credit consortium for public works.	External sinking fund 7% due Mar. 1, 1937----	2.50	605,000	12,835.00	1,905.75	995.00	9,934.25	296	77,869.25	.648
Do.	do.	External sinking fund 7% due Mar. 1, 1947----	-----	-----	-----	-----	-----	-----	-----	-----	-----
May 12, 1930	Japanese	External loan of 1930, 35-year S.F. 5½% due May 1, 1965-----	2.50	2,262,000	39,405.00	6,220.50	2,572.50	30,612.00	898	468,978.78	.660
Feb. 7, 1930	Louisville & Nashville R.R.	Unified 4% due July 1, 1940-----	1.00	110,000	1,100.00	-----	275.00	825.00	26	25,425.00	.508
Sept. 15, 1931	do.	10-year secured 5% due Oct. 1, 1941-----	1.25	6,106,000	76,325.00	7,632.50	14,625.00	54,067.50	85	108,892.50	1.088
Feb. 7, 1930	do.	1st ref. mtge. 4½% "C" due Apr. 1, 2003----	1.25	2,610,000	36,350.00	3,132.00	4,232.50	28,955.50	165	113,360.50	.755
June 10, 1927	Marland Oil Co.	Serial 5% notes due serially to June 15, 1932----	1.00	-----	-----	-----	-----	-----	325	97,388.00	.324
July 2, 1930	Merchants Dispatch, Inc.	5% Equipment Trust cdfs. due Oct. 1, 1930/43-----	.50	2,266,000	11,330.00	-----	7,130.00	4,200.00	8	10,275.70	.302
Feb. 11, 1931	Michigan Central R.R.	Ref. & Imp. 4½% "C" due Jan. 1, 1979----	1.00	-----	-----	-----	-----	-----	27	22,250.00	.556
July 1, 1930	do.	do.	1.00	3,507,000	35,070.00	4,383.75	-----	30,686.25	27	73,146.00	.958
Jan. 17, 1931	Missouri Pacific R.R. Co.	1st & ref. mtge. 5% "I" due Feb. 1, 1981----	1.50	4,130,000	77,420.00	9,614.00	20,417.50	47,388.50	838	257,763.50	.421
Nov. 6, 1930	Mobile & Ohio R.R. Co.	5% Secured gold notes due Sept. 1, 1938----	1.50	2,250,000	8,750.00	3,125.00	-----	5,625.00	69	13,750.00	.275
Sept. 19, 1927	do.	Ref. & imp. 4½% due Sept. 1, 1977-----	1.10	6,245,550	84,762.75	6,602.65	8,505.00	69,655.10	104	110,424.48	.795

GROUP 1.—Summary of all issues of stocks and bonds by the firm of J. P. Morgan & Co.—Continued

Date of issue	Name of Government, municipality, or corporation	Title of issue	Selling syndicate or group							Our total profit before overhead expenses, salaries, and taxes	
			Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Portion of our commission allowed dealers, etc.	Our net profit	Number of participants	In dollars	In percent of principal amount of the issue
Feb. 10, 1930	Morris & Essex R.R. Co.	Construction mtge. due Nov. 1, 1955, 5% "A"	Percent 1.25	\$2,550,000	\$31,875.00	\$3,315.00	\$6,250.00	\$22,310.00	243	\$135,591.25	0.542
Do	do	Construction mtge. due Nov. 1, 1955, 4½% "B"									
Oct. 21, 1927	do	1st ref. 3¼% due Dec. 1, 2000	1.575	3,701,000	34,007.50	4,226.54	1,250.00	28,530.96	54	40,869.71	.414
Feb. 20, 1928	Nashville, Chattanooga & St. Louis Ry. Co.	1st mtge. 4% due Feb. 1, 1978	.75	3,100,000	23,250.00	3,844.00	4,475.00	14,931.00	133	84,231.00	.301
Mar. 10, 1931	New York Central R.R. Co.	Ref. & imp. 4½% due Oct. 1, 2013	1.25	4,582,000	57,275.00	6,873.00	9,530.00	40,872.00	823	400,403.25	.533
Dec. 22, 1927	N.Y., New Haven & Hartford R.R. Co.	40-year 1st & ref. 4½% due Dec. 1, 1967	1.00	2,935,000	29,350.00	2,846.95	3,437.50	23,065.55	603	141,893.55	.437
Feb. 26, 1931	Pere Marquette Ry. Co.	1st mtge. 4½% due Mar. 1, 1980	1.00	675,000	5,062.50			5,062.50	102	31,587.50	.394
Mar. 18, 1930	do	do	1.25	2,375,000	29,687.50	4,275.00	3,875.00	21,537.50	149	71,412.50	.510
Apr. 28, 1927	Pirelli Co. of Italy	Convertible S.F. 7% due May 1, 1952	2.00	1,100,000	22,000.00	5,896.00		16,104.00	9	44,282.60	1.107
Jan. 29, 1929	Railway Express Agency Inc.	Serial 5% due serially to Mar. 1, 1949	1.25	5,366,000	60,367.50		38,370.00	21,997.50	274	143,557.50	.448
Feb. 23, 1928	Rochester Gas & Electric Corp.	Gen'l mtge. 4½% due Sept. 1, 1977	1.00	2,935,000	29,350.00		3,531.25	25,818.75	20	61,748.75	1.029
Mar. 29, 1927	City of Rome	Ext. loan of 1927 S.F. 6½% due Apr. 1, 1952	2.00	2,005,000	45,078.00	4,010.00	2,515.25	38,552.75	742	244,302.75	.814
July 7, 1931	St. Joseph Lead Co.	10-year conv. deb. 5½% due May 1, 1941	1.00	425,000	4,250.00			4,250.00	159	23,500.00	.326
June 6, 1930	Southern Ry. Co.	1st cons. mtge. 5% due July 1, 1994	1.00	1,235,000	12,350.00		2,500.00	9,850.00	12	18,310.01	.596
Oct. 18, 1929	Southern Bell Tel. & Tel. Co.	1st mtge. S.F. 5% due Jan. 1, 1941	1.75	4,040,000	82,544.00	7,433.40	2,437.50	72,672.90	433	160,872.90	.502
June 26, 1931	Taiwan Electric Power Co., Ltd.	40-year S.F. 5½% due July 1, 1971	2.00	1,607,000	18,220.00	4,017.50	467.50	13,735.00	396	134,320.50	.589

Feb. 1, 1929	Terminal R.R. Ass'n of St. Louis.	Gen'l & ref. 4% due Jan. 1, 1953.....	1.00	4,599,000	68,985.00	-----	22,557.50	46,427.50	10	67,377.50	.842
Aug. 1, 1930	Terminal R.R. Ass'n of St. Louis.	Gen'l & ref. 4% due Jan. 1, 1953.....	1.00	3,500,000	38,000.00	-----	-----	35,000.00	1	53,350.00	1.524
Jan. 9, 1931	Texas & Pacific Ry. Co.	Gen'l & ref. 5% "D" due Dec. 1, 1980.....	1.25	1,447,000	18,087.50	3,038.70	2,562.50	12,486.30	212	65,298.80	.502
Mar. 21, 1927	City of Tokyo.....	External loan of 1927 S.F. 5½% due Oct. 1, 1961.	2.00	811,000	10,420.00	1,589.56	560.00	8,270.44	649	125,103.19	.606
Jan. 16, 1928	State of Vermont..	Loan of 1927, 3¾% gold bonds due serially to Dec. 1, 1938.	-----	-----	-----	3,376.62	-----	{ 3,376.62 loss }	-----	{ 3,376.62 loss }	.067 loss
Mar. 28, 1927	Hocking Valley Ry. Co.	6-months 4½% notes dated Mar. 1, 1927, due Sept. 1, 1927.	-----	-----	-----	-----	-----	-----	-----	1,661.25	.033
Mar. 22, 1928	Canada Power Corporation.	1st mtge. 5% dated Apr. 1, 1928, due Apr. 1, 1958.	1.50	2,000,000	30,000.00	-----	-----	30,000.00	1	40,350.00	2.017
Mar. 16, 1931	Southern Ry. Co..	1st cons. mtge. 5% dated Oct. 2, 1894, due July 1, 1994.	1.50	500,000	5,000.00	-----	1,250.00	3,750.00	6	10,647.79	.818
Mar. 10, 1927	-----do-----	1st cons. mtge. 5% dated Oct. 2, 1894, due July 1, 1994.	1.00	1,684,000	37,805.00	-----	6,820.00	30,985.00	3	39,194.50	1.163

GROUP 2.—SUMMARY OF ALL ISSUES OF STOCKS AND BONDS BY THE FIRM OF DREXEL & CO.

Date of issue	Name of government, municipality, or corporation	Title of issue	Rate	Maturity	Amount of issue	Amount outstanding Mar. 24, 1933, or Dec. 31, 1932	Managing commission			
							Issue price	Total	Our share	Number of participants in such managing commission
1927										
Jan. 17	Central Hudson Gas & Electric Corporation.	First and refunding mortgage.	5%	1937.....	\$8,000,000	All	101½.....	None	-----	-----
Mar. 1	Public Service Electric and Gas Co.	-----do-----	5	1965.....	19,800,000	None	99.....	None	-----	-----
9	Georgia Power Co.	-----do-----	5	1967.....	45,000,000	All	97.....	None	-----	-----
May 6	Philadelphia Suburban-Counties Gas & Electric Co.	-----do-----	4½	1957.....	10,000,000	\$19,032,000	95.....	None	-----	-----
18	Lehigh & New England Railroad Co.	General mortgage series B...	5	1954.....	750,000	All	103.....	None	-----	-----
26	City of Philadelphia, Pa.....	School district serial.....	4	Annually 1937 to 1956.	3,000,000	3,000,000	100.9004 (average)	None	-----	-----
July 7	Erie Railroad Equipment Trust..	Series NN equipment trust certificates.	4½	Semi-annually 1930 to 1942.	6,422,000	4,693,000	99.306 (average)	None	-----	-----
27	Atlantic City Gas Co.....	First lien and refunding mortgage.	5	1957.....	800,000	All	98.....	None	-----	-----
Oct. 10	Philadelphia Suburban Water Co.	First mortgage.....	4¼	1967.....	2,500,000	2,437,000	97.....	None	-----	-----
13	The Philadelphia Electric Co.....	First lien and refunding Mortgage.	4¼	1967.....	35,000,000	33,211,500	98½.....	\$52,500	\$52,500	1
20	Georgia Power Co.	-----do-----	5	1967.....	18,000,000	All	98.....	None	-----	-----
Nov. 3	Philadelphia Suburban-Counties Gas & Electric Co.	-----do-----	4½	1957.....	10,000,000	19,032,000	98.....	15,000	15,000	1
23	Public Service Electric & Gas Co.	-----do-----	4½	1967.....	45,000,000	45,000,000	98.....	None	-----	-----
Dec. 5	Electric Railway Equipment Securities Corporation.	Equipment trust certificates trust of Dec. 1, 1927.	4½	Quarterly 1928 to 1937.	1,325,000	353,000	99.31 (average)	None	-----	-----
28	Lehigh Valley Railroad Co.....	General consolidated mortgage.	4	2003.....	12,686,000	All	92¾.....	None	-----	-----
1928										
Jan. 4	Indianapolis Water Works Securities Co.	Secured.....		1958.....	3,800,000	3,694,500	99½.....	None	-----	-----
May 22	Debardelesen Coal Corporation...	First mortgage.....		1953.....	3,250,000	2,836,000	99½.....	None	-----	-----
Sept. 10	Georgia Power Co.....	First and refunding mortgage.	5	1967.....	15,000,000	All	98.....	None	-----	-----
Dec. 18	City of Philadelphia.....	Twenty-fifty year.....	4¼	1978/48.....	8,000,000	All	101.....	None	-----	-----
18	Delaware Electric Power Co.....	Debenture.....	5½	1959.....	8,000,000	8,000,000	96½.....	None	-----	-----
19	Delaware Power & Light Co.....	First mortgage.....	4½	1980.....	3,100,000	3,100,000	94½.....	None	-----	-----

Apr. 10	Indianapolis Water Co.....	First lien and refunding mortgage.	5%	1960.....	542,000	542,000	97.....	None	-----	-----
June 21	General Steel Castings Corporation	First mortgage series A with warrants.	5½	1949.....	20,000,000	17,150,000	100.....	40,000	40,000	1
Oct. 4	Philadelphia Suburban Water Co.	First mortgage.....	5	1969.....	2,500,000	2,464,500	98½.....	None	-----	-----
1930										
Jan. 22	Public Service Electric & Gas Co.	First and refunding mortgage.	4½%	1070.....	20,000,000	20,000,000	95½.....	None	-----	-----
29	Philadelphia Electric Co.....	Preferred stock.....	\$5	-----	¹ 86,658	All	97.50.....	None	-----	-----
Feb. 20	The United Gas Improvement Co.	Preferred stock.....	5%	-----	¹ 94,360	All	97.50.....	None	-----	-----
Mar. 11	The Baldwin Locomotive Works	3-year gold notes.....	5½%	1933.....	\$12,000,000	12,000,000	99¼%.....	12,000	12,000	1
Apr. 27	General Steel Castings Corporation	Cumulative convertible preferred stock.	\$6	-----	¹ 20,000	¹ 20,000	\$100.....	None	-----	-----
May 8	Harrisburg Gas Co.....	First mortgage.....	5%	1970.....	\$2,200,000	\$2,200,000	99½ percent.....	None	-----	-----
21	Indianapolis Water Co.....	First lien and refunding mortgage.	5%	1970.....	852,000	All	98.....	None	-----	-----
	Public Service Corporation of New Jersey.	Cumulative preferred stock.	\$5	-----	¹ 150,000	All	\$97.50.....	None	-----	-----
July 1	Erie R.R. equipment trust of 1930..	Equipment trust certificates.	4½	Semiannually, 1930 to 1945.	\$6,690,000	5,575,000	99.4153 percent (average).	None	-----	-----
Oct. 3	Lehigh Coal & Navigation Co.....	Consolidated mortgage sinking fund series C.	4½%	1954.....	6,000,000	3,919,000	99½.....	None	-----	-----
	Philadelphia Suburban Water Co.	First mortgage.....	4½%	1970.....	1,800,000	1,782,000	99.....	None	-----	-----
Nov. 25	Electric Railway Equipment Securities Corporation.	Equipment trust certificates, trust of Dec. 1, 1930.	4½%	Annually 1931/40.	2,177,000	1,608,000	97.8423 (average)	None	-----	-----
1931										
Jan. 14	The United Gas Improvement Co.	Preferred stock.....	\$5	-----	¹ 250,000	All	\$98 per share.....	None	-----	-----
19	Philadelphia Electric Co.....	First and refunding mortgage.	4%	1971.....	\$40,000,000	\$40,000,000	93½ per cent.....	60,000	60,000	1
Mar. 27	Alabama Power Co.....	.....do.....	4½	1967.....	8,000,000	8,000,000	98½.....	None	-----	-----
26	Public Service Electric & Gas Co..	.....do.....	4%	1971.....	26,000,000	26,000,000	93¾.....	None	-----	-----
May 21	.....do.....	Cumulative preferred stock.	\$5	-----	¹ 300,000	All	\$103.50 per share..	None	-----	-----
26	Public Service Corporation of New Jersey.	.....do.....	5%	-----	¹ 150,000	All	\$99.50 per share..	None	-----	-----
July 28	Delaware Power & Light Co.....	First mortgage.....	4½%	1971.....	\$6,000,000	6,000,000	100 percent.....	None	-----	-----

¹ Shares.

GROUP 2.—Summary of all issues of stocks and bonds by the firm of Drexel & Co.—Continued

Date of issue	Name of government, municipality, or corporation	Title of issue	Original group						Intermediate groups					
			Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants	Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants
1927														
Jan. 17	Central Hudson Gas & Electric Corporation.	First and refunding mortgage.	1½ per cent.	\$4,800,000	\$72,000.00	\$6,907.53	\$65,092.47	2	None.....	-----	-----	-----	-----	-----
Mar. 1	Public Service Electric and Gas Co.	-----do-----	1-----	\$9,900,000	99,000.00	None.	99,000.00	2	1 percent..	\$9,137,500	\$91,375.00	None.	\$91,375.00	13
9	Georgia Power Co.	-----do-----	1-----	\$18,000,000	180,000.00	None.	180,000.00	3	1-----	\$15,520,000	155,200.00	None.	155,200.00	16
May 6	Philadelphia Suburban-Counties Gas & Electric Co.	-----do-----	1-----	\$6,500,000	65,000.00	None.	65,000.00	3	1-----	\$5,947,500	59,475.00	None.	59,475.00	13
18	Lehigh & New England Railroad Co.	General mortgage series B.	No profit....	550,000	-----	-----	-----	1	None.....	-----	-----	-----	-----	-----
26	City of Philadelphia, Pa.	School district serial.	-----do-----	750,000	-----	-----	-----	4	None.....	-----	-----	-----	-----	-----
July 7	Erie Railroad Equipment Trust.	Series NN equipment trust certificates.	0.125-----	\$6,422,000	8,091.72	7,823.19	268.53	1	None.....	-----	-----	-----	-----	-----
27	Atlantic City Gas Co.	First lien and refunding mortgage.	No profit....	-----	-----	-----	-----	2	None.....	-----	-----	-----	-----	-----
Oct. 10	Philadelphia suburban Water Co.	First mortgage....	1	\$2,500,000	25,000.00	None	25,000.00	1	None.....	-----	-----	-----	-----	-----
13	The Philadelphia Electric Co.	First lien and refunding mortgage.	¼-----	\$15,555,000	38,887.50	23,331.95	15,555.55	3	1-----	\$14,155,000	141,550.00	None	141,550.00	15
20	Georgia Power Co.	-----do-----	¾-----	\$7,200,000	54,000.00	None	54,000.00	3	½-----	\$5,680,000	28,400.00	None	28,400.00	16
Nov. 3	Philadelphia Suburban-Counties Gas & Electric Co.	-----do-----	¼-----	\$6,500,000	16,250.00	9,750	6,500.00	3	1-----	\$5,947,500	59,475.00	None	59,475.00	13
23	Public Service Electric & Gas Co.	-----do-----	1-----	\$22,500,000	225,000.00	None	225,000.00	2	½-----	\$19,000,000	95,000.00	None	95,000.00	13

Dec. 5	Electric Railway Equipment Securities Corporation.	Equipment trust certificates trust or Dec. 1, 1927.	$\left\{ \begin{array}{l} 0.12 \text{ on } \$331,000 \\ 0.25 \text{ on } \$331,000 \end{array} \right\}$	$\left\{ \begin{array}{l} \$1,325,000 \\ \$6,343,000 \end{array} \right\}$	1,224.70	None.	1,224.70	1	None.....					
28	Lehigh Valley Railroad Co.	General consolidated mortgage.	$\frac{1}{2}$	\$6,343,000	31,713.00	None.	31,715.00	2	$\frac{1}{2}$	\$3,893,000	19,465.00	None.	19,465.00	33
1928														
Jan. 4	Indianapolis Water Works Securities Co.	Secured.....	$\left\{ \begin{array}{l} \frac{1}{2} \text{ on } \$3,300,000 \\ 1 \text{ on } \$500,000 \end{array} \right\}$	$\left\{ \begin{array}{l} \$3,350,000 \\ \$3,350,000 \end{array} \right\}$	19,000.00	None.	19,000.00	2	1.....	\$1,650,000	16,500.00	None.	16,500.00	2
May 22	Debardelesen Coal Corporation.	First mortgage.....	$\left\{ \begin{array}{l} \frac{1}{2} \text{ on } \$1,600,000. \\ 2 \text{ on } \$1,650,000. \end{array} \right\}$	$\left\{ \begin{array}{l} \$1,300,000 \\ \$1,300,000 \end{array} \right\}$	16,400.00	32	16,368.00	3	None.....					
Sept. 10	Georgia Power Co.	First and refunding mortgage.	1.....	\$6,000,000	60,000.00	None.	60,000.00	3	$\frac{1}{2}$	\$4,720,000	23,600.00	None.	23,600.00	15
Dec. 18	City of Philadelphia.	Twenty-fifty year.	0.4711.....	\$1,950,000	9,186.43	1,314.66	7,871.79	5	None.....					
	Delaware Electric Power Co.	Debenture.....	2.....	\$2,687,000	53,340.00	6,975.44	46,364.56	3	None.....					
19	Delaware Power & Light Co.	First mortgage.....	No profit.....					3	None.....					
Apr. 10	Indianapolis Water Co.	First lien and refunding mortgage.	No profit.....	271,000				2	None.....					
June 21	General Steel Castings Corporation.	First mortgage series A with warrants.	1.....	\$8,000,000	80,000	16,000	64,000.00	5	$\frac{1}{2}$	\$4,170,000	20,850.00	None.	20,850.00	40
Oct. 4	Philadelphia Suburban Water Co.	First mortgage.....	1.....	\$2,500,000	25,000	None.	25,000.00	1	None.....					
1930														
Jan. 22	Public Service Electric Gas Company.	First and refunding mortgage.	1 percent.....	\$10,000,000	100,000.00	200.00	99,800.00	2	$\frac{1}{2}$	\$8,350,000	41,750.00	100.00	41,650.00	12
29	Philadelphia Electric Co.	Preferred stock.....	\$1 per share..	1 43,329	43,329.00	None.	43,329.00	2	None.....					
Feb. 20	The United Gas Improvement Co.	.....do.....	\$1 per share..	1 47,180	47,180.00	11,794.63	35,385.37	2	None.....					
Mar. 11	The Baldwin Locomotive Works.	3-year gold notes..	$\frac{1}{2}$ percent.....	\$9,000,000	45,000.00	9,000.00	36,000.00	2	$\frac{1}{2}$	\$3,850,000	19,250.00	4,518.64	14,731.36	39
Apr. 27	General Steel Castings Corporation.	Cumulative convertible preferred stock.	\$2 per share..	1 20,000	40,000.00	7,941.25	32,058.75	1	None.....					
May 8	Harrisburg Gas Co.	First mortgage.....	$1\frac{1}{2}$ percent.....	\$1,100,000	16,500.00	None.	16,500.00	2	None.....					
21	Indianapolis Water Co.	First lien and refunding mortgage.	No profit.....					2	None.....					
27	Public Service Corporation of New Jersey.	Cumulative preferred stock.	\$1 per share..	1 75,000	75,000.00	None.	75,000.00	2	50 cents per share.	1 63,000	31,500.00	None.	31,500.00	12

¹ Shares

GROUP 2.—Summary of all issues of stocks and bonds by the firm of Drexel & Co.—Continued

Date of issue	Name of Government, municipality, or corporation	Title of issue	Original group						Intermediate groups					
			Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants	Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants
1930 July 1	Erie R.R. equipment trust of 1930.	Equipment trust certificates.	0.2002 per cent.	\$6,690,000	\$13,393.38	\$5,261.39	\$8,131.99	3	None					
Oct. 3	Lehigh Coal & Navigation Co.	Consolidated mortgage sinking fund series C.	¾	6,000,000	45,000.00	None.	45,000.00	1	½	\$2,700,000	\$13,500.00	\$5,421.40	8,078.60	8
8	Philadelphia Suburban Water Co.	First mortgage	1½	1,800,000	27,000.00	3,000.00	24,000.00	1	½	1,000,000	5,000.00	250.00	4,750.00	7
Nov. 25	Electric Railway Equipment Securities Corporation.	Equipment trust certificates trust of Dec. 1, 1930.	¼ on \$742,000	2,177,000	1,855.00	None.	1,855.00	1	None.					
1931 Jan. 14	The United Gas Improvement Co.	Preferred stock	\$1 per share	125,000	125,000.00	None.	125,000.00	2	50 cents per share.	112,500	56,250.00	250.00	56,000.00	10
29	Philadelphia Electric Co.	First and refunding mortgage.	1 percent	\$20,000,000	200,000.00	30,000.00	170,000.00	2	½ percent.	\$16,250,000	81,250.00	None.	81,250.00	14
Mar. 17	Alabama Power Co.	do	1	3,200,000	32,000.00	None	32,000.00	3	½	3,000,000	15,000.00	None	15,000.00	12
26	Public Service Electric & Gas Co.	do	1	13,000,000	130,000.00	None	130,000.00	2	½	10,550,000	52,750.00	None	52,750.00	13
May 21	Public Service Electric & Gas Co.	Cumulative preferred stock.	\$1 per share	150,000	150,000.00	None	150,000.00	2	50 cents per share.	123,750	61,875.00	None	61,875.00	15
26	Public Service Corporation of New Jersey.	do	\$1 per share	75,000	75,000.00	None	75,000.00	2	50 cents per share.	62,625	31,312.50	None	31,312.50	15
July 28	Delaware Power & Light Co.	First mortgage	2%	2,000,000	40,000.00	2,460.43	37,539.57	3	None					

¹ Shares.

Date of issue	Name of government, municipality, or corporation	Title of issue	Selling syndicate or groups						Our total profit before overhead expenses, salaries, and taxes	
			Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants	In dollars	In per cent of principal amount of the issue
1927										
Jan. 17	Central Hudson Gas & Electric Corporation.	First and refunding mortgage.	1½	\$535,000	\$9,789.67		\$9,789.67	97	\$74,882.14	0.9360
Mar. 1	Public Service Electric and Gas Co.	do	2	2,332,000	47,390.00	\$15,777.91	31,612.09	439	221,987.09	1.1211
9	Georgia Power Co.	do	2	3,992,000	79,940.00	15,857.12	64,082.88	652	399,282.88	.8872
May 6	Philadelphia Suburban-Counties Gas & Electric Co.	do	2	\$865,000	24,855.00	9,487.41	15,367.59	180	139,842.59	1.3984
18	Lehigh & New England Railroad Co.	General mortgage series B.	1	550,000	5,500.00	1,076.09	4,423.91	3	4,423.91	.5898
28	City of Philadelphia, Pa.	School district serial	0.494	750,000	3,711.00	2,566.63	1,144.37	4	1,144.37	.0381
July 7	Erie Railroad Equipment Trust	Series NN equipment trust certificates.	1	\$2,150,000	10,750.00	6,994.25	3,755.75	81	4,024.28	.0626
27	Atlantic City Gas Co.	First lien and refunding mortgage.	2	\$400,000	8,000.00	1,864.55	6,135.45	2	6,135.45	.7669
Oct. 10	Philadelphia Suburban Water Co.	First mortgage.	2	\$590,000	12,400.00	2,603.98	9,796.02	39	34,796.02	1.3910
13	The Philadelphia Electric Co.	First lien and refunding mortgage.	1¾	\$5,457,000	106,925.00	26,806.73	80,118.27	326	289,723.82	.8277
20	Georgia Power Co.	do	1¾	\$1,010,000	20,425.00	1,811.90	18,613.10	406	101,013.10	.5612
Nov. 3	Philadelphia Suburban-Counties Gas & Electric Co.	do	1¾	\$976,000	15,470.00	1,864.31	13,605.69	184	94,580.69	.9458
23	Public Service Electric & Gas Co.	do	1½	\$10,470,000	157,050.00	19,284.47	137,765.53	440	457,765.53	1.0172
Dec. 5	Electric Railway Equipment Securities Corporation.	Equipment trust certificates trust of Dec. 1, 1927.	1% on \$633,000. .88 on \$335,000. .75 on \$335,000.	\$663,000	6,630.00	1,744.14	4,885.86	3	6,110.56	.4611
28	Lehigh Valley Railroad Co.	General consolidated mortgage.	1	\$761,000	7,820.00	4,177.02	3,642.98	167	54,822.98	.4321
1928										
Jan. 4	Indianapolis Water Works Securities Co.	Secured.	2	\$1,300,000	26,000.00	8,366.60	17,633.40	4	53,133.40	1.3982
May 22	Debardelesen Coal Corporation.	First mortgage.	3	\$487,200	14,616.00	8,649.55	5,966.45	46	22,334.45	.6872
Sept. 10	Georgia Power Co.	First and refunding mortgage.	2¼	\$988,500	23,595.83	4,273.72	19,322.11	397	102,922.11	.6861
Dec. 18	City of Philadelphia.	Twenty-fifty year	½	\$2,284,000	11,420.00	4,389.12	7,030.88	5	14,902.67	.1862
18	Delaware Electric Power Co.	Debenture	2	\$575,000	11,500.00	947.73	10,552.27	247	56,916.83	.7114
19	Delaware Power & Light Co.	First mortgage.	3	1,034,000	31,000.00	6,409.17	24,590.83	3	24,590.83	.7932

1 Shares

GROUP 2.—Summary of all issues of stocks and bonds by the firm of Drexel & Co.—Continued

Date of issue	Name of Government, municipality, or corporation	Title of issue	Selling syndicate or groups						Our total profit before overhead expenses, salaries, and taxes	
			Gross spread	Amount of our interest	Our gross profit	Our share of expenses	Our net profit	Number of participants	In dollars	In percent of principal amount of the issue
1928										
Apr. 10	Indianapolis Water Co.....	First lien and refunding mortgage.	3.....	\$271,000	\$8,130.00	\$2,959.69	\$5,170.31	2	\$5,170.31	0.9540
June 21	General Steel Castings Corporation.	First mortgage series A with warrants.	2½.....	\$1,066,000	25,660.00	5,269.29	20,390.71	317	145,240.71	.7262
Oct. 4	Philadelphia Suburban Water Co.	First mortgage.....	2½.....	\$1,200,000	28,065.00	8,216.86	19,848.14	27	44,848.14	1.7980
1930										
Jan. 22	Public Service Electric & Gas Co.	First and refunding mortgage...	2 percent.....	\$1,682,500	27,618.75	6,641.27	20,977.48	416	162,427.48	.8121
29	Philadelphia Electric Co.....	Preferred stock.....	\$2 per share.....	1 18,979	37,958.00	5,976.81	31,981.19	87	75,310.19	.8690
Feb. 20	The United Gas Improvement Co.	Preferred stock.....	\$2 per share.....	1 15,680	32,110	5,557.26	26,552.74	135	61,938.11	.6564
Mar. 11	The Baldwin Locomotive Works	3-year gold notes.....	1%.....	\$1,359,000	13,590	220.00	13,370.00	152	76,101.36	.6341
Apr. 27	General Steel Castings Corporation.	Cumulative convertible preferred stock.	\$1 per share.....	1 4,900	4,900	221.25	4,678.75	73	36,737.50	1.8369
May										
8	Harrisburg Gas Co.....	First mortgage.....	1½ percent.....	\$510,000	7,650.00	2,162.72	5,487.28	33	21,987.28	.9994
21	Indianapolis Water Co.....	First lien and refunding mortgage	3.....	\$426,000	12,780.00	4,180.52	8,599.48	2	8,599.48	1.0093
27	Public Service Corporation of New Jersey.	Cumulative preferred stock.....	\$2 per share.....	1 9,700	17,720.00	5,817.14	11,902.86	375	118,402.86	.7893
July 1	Erie R.R. equipment trust of 1930.	Equipment trust certificates.....	0.375 percent.....	\$2,495,000	9,356.25	1,781.65	7,574.60	28	15,706.59	.2348
Oct. 3	Lehigh Coal & Navigation Co.....	Consolidated mortgage sinking fund series C.	1.....	\$1,776,000	17,450.00	7,261.25	10,188.75	80	63,267.35	1.0544
8	Philadelphia Suburban Water Co.	First mortgage.....	1.....	\$640,000	6,400.00	4,606.22	1,793.78	29	30,543.78	1.6968
Nov. 25	Electric Railway Equipment Securities Corporation.	Equipment trust certificates, trust of Dec. 1, 1930.	1.6723 on \$1,435,000 1.4223 on \$742,000	\$1,435,000	23,997.51	12,141.72	11,855.79	3	13,710.79	.6298

1931											
Jan. 14	The United Gas Improvement Co.	Preferred stock.....	\$2 per share.....	¹ 41,341	81,941.00	15,589.72	66,351.28	308	247,351.28	.9894	
29	Philadelphia Electric Co.	First and refunding mortgage.....	1½ percent.....	\$5,082,000	75,260.00	16,577.04	58,682.96	341	369,932.96	.9248	
Mar. 17	Alabama Power Co.	do.....	2%.....	\$1,220,000	24,400.00	5,540.72	18,859.28	124	65,859.28	.8232	
26	Public Service Electric & Gas Co.	do.....	1%.....	\$3,932,000	62,960.00	17,757.34	45,202.66	351	227,952.66	.8767	
May 21	do.	Cumulative preferred stock.....	\$1.50 per share.....	¹ 72,200	108,300.00	23,330.34	84,969.66	270	\$296,844.66	.9895	
26	Public Service Corporation of New Jersey.	do.....	\$2 per share.....	¹ 9,900	19,800.00	5,121.63	14,678.37	331	120,990.87	.8066	
July 28	Delaware Power & Light Co.	First mortgage.....	1 percent.....	\$1,774,000	17,740.00	3,450.00	14,290.00	28	51,829.57	.8638	

¹ Shares

GROUP 3.—SUMMARY OF ALL UNDERWRITINGS OF STOCKS AND BONDS BY THE FIRM OF J. P. M. & CO.

Feb. 24, 1927:

International Telephone & Telegraph Exchange of All America Cables stock:		
Amount of issue.....	shares.....	360, 407
Underwriting the exchange of International Telephone & Telegraph stock, J. P. M. & Co.'s profit.....		\$283, 137. 77

June 14, 1927:

International Telephone & Telegraph Corporation convertible 5½ percent bonds:		
Amount of issue.....		\$25, 000, 000
Underwriting the redemption of bonds, J. P. M. & Co.'s profit.....		211, 312. 00

Sept. 15, 1927:

New York, New Haven & Hartford R.R. 7 percent preferred stock:		
Amount of issue to be underwritten.....	shares.....	100, 000
Subscribed by stockholders.....	do.....	89, 501
Taken by underwriters.....	do.....	10, 499
Group took up stock at cost.		

Mar. 19, 1928:

E. E. du Pont de Nemours & Co. preferred stock:		
Amount of issue.....	shares.....	101, 575
Subscribed by stockholders.....	do.....	95, 476
Taken by underwriters.....	do.....	6, 099
J. P. M. & Co.'s profit.....		297, 701. 98

Dec. 21, 1928:

International Telephone & Telegraph Corporation convertible 4½ percent Jan. 1, 1939:		
Amount of issue.....		\$56, 911, 400
Subscribed by stockholders.....		56, 590, 560
Taken by underwriters.....		320, 840
J. P. M. & Co.'s profit.....		589, 663. 74

Mar. 13, 1930:

International Telephone & Telegraph:		
Amount of issue.....	shares.....	733, 967
Subscribed by stockholders.....	do.....	730, 967
Taken by underwriters.....	do.....	3, 000
J. P. M. & Co.'s profit.....		332, 147. 81

May 23, 1930:

General Motors Corporation \$5 preferred stock:		
Amount of issue.....	shares.....	1, 875, 366
Subscribed by stockholders.....	do.....	1, 710, 804
Taken by underwriters.....	do.....	158, 562
J. P. M. & Co.'s profit.....		840, 914. 70

June 2, 1930:

Hudson Bay Mining & Smelting Co., Ltd., 5 year 6 per cent convertible debenture July 15, 1935:		
Amount of issue.....		\$5, 000, 000
Subscribed by stockholders.....		3, 221, 200
Taken by underwriters.....		1, 778, 800
J. P. M. & Co.'s profit.....		16, 750. 00

Apr. 9, 1931:

St. Joseph Lead Company 10-year convertible 5½ per cent debenture, May 1, 1941:		
Amount of issue.....		\$9, 752, 300
Subscribed by stockholders.....		1, 161, 500
Taken by underwriters.....		8, 590, 800
J. P. M. & Co.'s profit.....		74, 816. 46

ALLEGHANY CORPORATION COMMON STOCK UNDERWRITING

May 11, 1929, J. P. Morgan & Co. agreed to purchase at \$30 per share, up to 525,000 shares Alleghany Corporation common stock, or any part thereof which should not be subscribed to by the common-stock holders of the corporation to whom these shares were to be offered.

The Guaranty Co. had a 40 percent interest in this underwriting on original terms.

Stockholders of the corporation subscribed to 524-626 shares of the total of 526,123 shares offered. One thousand four hundred and ninety seven shares were taken up by the underwriters.

Mar. 15, 1927:

American Cellulose & Chemical Mfg. Co., Ltd., stock.

Par value of offering, \$5,500,000.

Our one half interest in underwriting of \$2,750,000.

Profits received by J.P.M. & Co., 1,375 shares preferred.

Underwritten by Robert Fleming & Co. and J. P. Morgan & Co.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION COMMON STOCK UNDERWRITING (1929)

The American Radiator & Standard Sanitary Corporation offered to its common stockholders of record May 2, 1929, the right to subscribe to additional common stock to the extent of 10 per cent of their holdings. (The corporation had outstanding approximately 7,600,000 shares of common stock without par value.)

On April 5, 1929, J. P. Morgan & Co. and the First Security Company jointly agreed with the corporation to take up at \$25 per share all common stock not subscribed for by stockholders.

As a consideration for this undertaking, the corporation sold to us jointly 118,000 shares of common stock at \$30 per share. One thousand six hundred and forty-eight shares of common stock not subscribed by stockholders purchased at \$25 per share.

J. P. Morgan & Co.'s participation:

59,000 shares at \$30 per share	\$1, 770, 000
824 shares (unsubscribed for) at \$25 per share	20, 600

59, 824 shares	1, 790, 600
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June 25, 1927:

Celanese Corp. of America new common stock:

Par value of offering, \$6,000,000. Our one half interest in underwriting \$3,000,000, of which we ceded to Morgan, Grenfell & Co. a 20 per cent share.

Profits received by J. P. M. & Co., \$120,000.00.

Underwritten by Robert Fleming & Co. and ourselves.

CELANESE CORPORATION OF AMERICA 7 PERCENT CUMULATIVE SERIES PRIOR PREFERRED STOCK UNDERWRITING

February 4, 1928, J. P. Morgan & Co. and Robert Fleming & Co., London, underwrote subscription by stockholders of 114,818 shares prior preferred stock at \$100 per share.

April 5, 1928, account purchased the unsubscribed 361 shares at \$100 per share.

Account closed May 5, 1928. J. P. Morgan & Co.'s profit \$106,747.36.

GROUP 4.—SUMMARY OF ALL UNDERWRITINGS OF STOCKS AND BONDS BY THE FIRM OF DREXEL & CO.

UNDERWRITING OF THE PHILADELPHIA & READING COAL & IRON COMPANY TWENTY YEAR CONVERTIBLE 6% GOLD DEBENTURE BONDS DUE MARCH 1, 1949

On March 1, 1929, Drexel & Co. agreed to underwrite at par for a commission of 5% the subscription by stockholders of The Philadelphia & Reading Coal & Iron Corporation to \$30,800,000 of the above debentures.

On March 5, 1929, an Underwriting Syndicate of 58 participants was formed in which Drexel & Co. participated to underwrite the bonds at 96.

The subscription rights terminated April 8th and on April 11th a distributing syndicate with 291 participants in which Drexel & Co. participated was formed

to purchase at 96½ the bonds not taken by the stockholders, amounting to \$13,981,950.

The amount of \$2,676,000 was withdrawn by members of the underwriting syndicate, leaving a balance of \$11,305,950 to be disposed of by the distributing syndicate. In addition the Distributing Syndicate purchased \$1,784,000 of debentures at 96.50%.

Drexel & Co.'s profit, \$415,541.44.

Jan. 26, 1928:

Public Service Corp. of N.J. 20-year 4½% conv. debentures due 1948:	
Amount of issue.....	\$43, 689, 000
Subscribed by stockholders.....	39, 913, 000
Taken by underwriters.....	3, 676, 000
Drexel & Co.'s profit.....	\$383, 592. 65

Feb. 20, 1929:

Connecticut Electric Service Co. common stock:	
Amount of issue.....shares..	143, 000
Subscribed by stockholders.....do....	143, 000
Drexel & Co.'s profit.....	28, 125. 00

July 25, 1929:

Connecticut Electric Service Co., common stock:	
Amount of issue.....shares..	187, 200
Subscribed by stockholders.....do....	187, 200
Drexel & Co.'s profit.....	36, 796. 54

Aug. 28, 1929:

General Asphalt Company, conversion of 5% conv. preferred stock into common stock and subscription by stockholders to additional shares of common stock:	
Amount of issue.....shares..	200, 941
Subscribed by stockholders.....do....	176, 652
Taken by underwriters.....do....	24, 289
Drexel & Co.'s profit.....	172, 768. 59

GROUP 5.—SUMMARY OF TRANSACTIONS ON THE PART OF THE FIRM OF J. P. M. & CO. IN WHICH THERE WAS NO PUBLIC OFFERING

\$200,000,000. BRITISH GOVERNMENT ONE-YEAR REVOLVING CREDIT DUE AUGUST 28, 1932

August 28, 1931, opened a revolving credit for \$200,000,000 for one year.

We agreed to purchase British Government Treasury bills in amounts of \$10,000,000 or multiples thereof up to an aggregate of \$200,000,000 at any one time outstanding. Bills to be issued for 30, 60, or 90 days and discounted at the rate of 1% above the Federal Reserve Bank of New York official discount rate for 90-day commercial paper at date of discount, such discount to be not less than 4½% nor more than 6%, unless Federal Reserve bank's discount rate exceeded 6%, in which event bills to be discounted at same rate as Federal Reserve bank's rate.

All the Treasury bills issued were discounted at the agreed minimum rate of 4½%.

We formed a group of 108 banks and banking institutions to participate in this credit, the compensation being \$2,000,000, i.e., 1% on the \$200,000,000 credit. We received this compensation and paid it to all participants on August 31, 1931. We also received and retained for our services an additional commission of \$500,000.

At the time of the reduction of this credit from \$200,000,000 to \$50,000,000 on March 4, 1932, we requested and received from the participants a refund of their proportionate shares of the commission as follows:

1% commission, calculated from March 21st to August 28, 1932, on \$120,000,000.

1% commission, calculated from April 5th to August 28, 1932, on \$30,000,000,--000.

This refund, amounting to \$654,166.66, was credited to British Treasury special account on March 4, 1932.

SUMMARY

Our share of the 1% commission-----	\$111, 940. 39
In addition to this, we received an additional ¼% commission-----	500, 000. 00
Total commissions received by J. P. Morgan & Co.-----	611, 940. 39
Against the ¼% commission referred to above, we incurred expenses (including \$15,000 legal fee) amounting to-----	33, 560. 81
Net commissions to J. P. Morgan & Co.-----	578, 379. 58

\$25,000,000 (DOLLAR PORTION) ONE-YEAR REVOLVING CREDIT GRANTED TO THE BANCA D'ITALIA ROME, DATED DECEMBER 22, 1927

On December 22, 1927, Morgan Grenfell & Co., Baring Bros. & Co., Limited, Hambros Bank, Limited, and N. M. Rothschild & Sons, all of London, and J. P. Morgan & Co., New York, granted a revolving credit for one year to the Banca d'Italia, Rome, of \$25,000,000 and £5,000,000 sterling.

In conjunction with this credit, the Banca d'Italia also obtained a further credit for the approximate equivalent of \$75,000,000 from Federal Reserve banks, the Bank of England and several European central banks.

Advances under the dollar portion of the credit in amounts of \$500,000, or multiples thereof, to be made for a fixed period of thirty days; the Banca d'Italia to repay each advance at end of 30-day period and to have right to reborrow repaid advances.

Dollar and sterling lenders to provide equal amounts of each advance.

Interest on the dollar advances at 1% above the official rate of discount of Federal Reserve Bank of New York for 90-day commercial paper, discounted by member banks but with minimum of 5% per annum. Interest to be paid on each advance upon repayment.

As collateral for advances, Banca d'Italia to hypothecate and hold, subject to the order of Messrs. Morgan Grenfell & Co., London, for account of the lenders negotiable Treasury bills of the Italian Government.

1¼ percent commission to be paid on the dollar portion of credit (\$25,000,000), viz, \$312,500. J. P. Morgan & Co. to receive a separate commission of ¼ percent from the Banca d'Italia for services in arranging and managing the dollar credit.

On December 24, 1927, J. P. Morgan & Co. charged the National Institute of Exchange, Rome, \$325,000, and the Banca d'Italia Direzione Generale, Rome, Italy, \$50,000, and credited these amounts to an account designated as "Banca d'Italia Special Account," and in turn charged this latter account \$375,000, representing total commission of 1½ percent due in connection with the dollar portion of the credit.

On December 29, 1927, paid the participants their proportionate share of the 1¼ percent commission (\$312,500) on their participation in the dollar portion of the credit. J. P. Morgan & Co. also received ¼ percent commission (\$62,500) for services in arranging and managing the credit.

The credit expired by limitation on December 22, 1928, no drawings or advances having been made against the credit.

89 participants.

\$25,000,000 JAPANESE CURRENCY STABILIZATION CREDIT, DATED NOVEMBER 21, 1929

November 19, 1929: J. P. Morgan & Co., Kuhn, Loeb & Co., the National City Bank, First National Bank, New York, at the request of the Imperial Japanese Government and the Bank of Japan, entered into an agreement with the Yokohama Specie Bank, Ltd., to grant them a revolving credit for \$25,000,000 for one year from the date of promulgation, i.e., November 21, 1929.

The Yokohama Specie Bank, Ltd., had the right to call for advances of \$500,000 or multiples thereof for a period of 30 days, with the privilege of renewals in whole or in part, provided that the total advances outstanding at any one time did not exceed \$25,000,000. No advance was to be made later than 30 days prior to the expiration of the credit, i.e., November 21, 1930.

Interest payable on each original or renewal advance to be 1% above the Federal Reserve Bank of New York official discount rate for 90-day commercial paper rediscounted by member banks. The interest rate in no case was to be less than 5% per annum.

As security for the repayment thereof, the Yokohama Specie Bank, Ltd., agreed to deliver to J. P. Morgan & Co., Imperial Japanese Government external loan of 1924 thirty-year sinking fund 6½% gold bonds (issued in U.S.A.), dated January 1, 1924, and due February 1, 1954, and Imperial Japanese Government 4% sterling loan bonds of 1905, due January 1, 1931, in amounts with a market value equal to at least 120% of such advance or renewal.

On November 22, 1929, we received from the Yokohama Specie Bank, Ltd., \$250,000, being 1% commission for the participants and \$62,500, being ¼ of 1% managing commission for the group.

Number of participants, 85.

Interest	Original group		Banking group	
	¼% managing commission of \$62,500 less expenses of \$3,662.27 paid Dec. 6, 1929	Participation in banking group	1% commission of \$250,000 paid group on Nov. 22, 1929	Total commissions paid
J. P. M. & Co., 33¼%-----	\$19,612.58	\$3,000,000	\$30,000	\$49,612.58
Kuhn, Loeb & Co., 25%-----	14,709.43	2,250,000	22,500	37,209.43
The Natl. City Bk., 25%-----	14,709.43	2,250,000	22,500	37,209.43
First Natl. Bk. N. Y., 16¼%-----	9,806.29	1,500,000	15,000	24,806.29
100%-----	58,837.73	9,000,000	90,000	148,837.73

\$20,000,000 ONE-YEAR REVOLVING CREDIT GRANTED TO THE BANK OF SPAIN

August 5, 1928, J. P. Morgan & Co. and a group granted a 1-year revolving credit for \$20,000,000 to the Bank of Spain. The rate of interest charged was 1% above the rediscount rate for 90-day commercial paper prevailing in New York at the time of making each advance, but in no case to be less than 5%.

We received 1% commission, \$200,000, which was paid to participants. We received, in addition to our part of the above a managing commission of \$50,000, being 1¼%. According to the contract, all payments of principal and interest were to be made at our office.

Upon the expiration of the above credit, a new credit was formed under the same conditions, to run until August 5, 1930. At the request of the Bank of Spain, this credit was terminated April 5, 1930. We refunded to the Bank of Spain \$83,333.33, being one third of the \$200,000 and one third of our managing fee, of \$50,000.

\$38,000,000 BANK OF SPAIN REVOLVING CREDIT, DATED MARCH 27, 1931. DUE SEPTEMBER 27, 1932

On March 26, 1931, a revolving credit was granted to the Bank of Spain, Madrid, for \$38,000,000.

We received on March 28, 1931 as compensation, a commission of \$570,000, being 1 per cent per annum for 18 months, viz, 1½ percent on the full amount of the credit of \$38,000,000; but if the Bank of Spain should surrender the credit on March 27, 1932, \$95,000, being one half of the commission paid for 6 months beginning March 27, 1932, and ending September 27, 1932, shall be repaid to the Bank of Spain.

We also received on March 28, 1931, a managing commission of \$142,500, being one fourth of 1 percent per annum on the full amount of the credit, subject to a reduction of \$23,750 in event that the credit should be surrendered on March 27, 1932.

Commissions were paid to participants on March 30, 1931.

On April 23, 1931, we wrote to the participants in this credit requesting them to refund us the full amount of the commissions paid them, and, between April 17 and May 2, 1931, we received the refunded commissions from them and reimbursed the commission account.

The amount refunded by us was \$187,500, of which \$142,500 represented managing commission of one fourth of 1 percent and \$45,000 represented 1½ percent on our participation of \$3,000,000.

ARGENTINE GOVERNMENT TREASURY BILLS

1927-28 (three issues redeemed at maturity).

Total issues \$44,000,000.

Number of participants 68.

J. P. Morgan & Co. profit, \$35,668.01.

			Par value of offering	Par value outstand- ing Mar. 24	Gross profit	Expenses	Share of profit to J. P. M. & Co.
Hocking Valley Ry. Co.----- 6 months 4½ per cent notes dated Mar. 1, 1927, due Sept. 1, 1927; offering date Mar. 28, 1927; price paid obligor 99¾; issue price 99¾.			\$5,000,000	\$5,000,000	\$6,250	\$750	\$1,661.25
Group	No.	Com- mission					
		Per- cent					
Managers-----	1	0.006					
Original-----	5	.1187					
Intermediate-----							
Syndicate-----							
Canada Power Corp.----- First mortgage 6 percent: Dated Apr. 1, 1928; due Apr. 1, 1928; offering date Mar. 22, 1928; price paid obligor 102½; issue price 105.			2,000,000	2,000,000	50,000	1,800	40,350.00
Group	No.	Com- mission					
		Per- cent					
Managers-----	1	0.125					
Original-----	3	.875					
Intermediate-----							
Syndicate-----	1	1.5					
Southern Ry. Co.----- First cons. mtge. 5 percent, dated Oct. 2, 1894, due July 1, 1994; offering date Mar. 16, 1931; price paid obligor 107; issue price, 109.			1,310,000	1,310,000	26,200	3,447.21	11,897.70
Group	no.	Com- mis- sion					
		Percent					
Managers-----	1	0.10					
Original-----	2	.40					
Intermediate-----	3	.50					
Syndicate-----	6	1.00					
Southern Ry. Co.----- First cons. mtge. 5 percent, due July 1, 1994; of- fering date Mar. 10, 1927; price paid obligor 105; issue price, 107.			3,368,000	3,368,000	67,360	35,785	18,734.50
Group	no.	Com- mis- sion					
		Percent					
Managers-----	1	0.10					
Original-----	2	.90					
Intermediate-----							
Syndicate-----	3	1.00					

JOHNS-MANVILLE CORPORATION COMMON

In June 1927 J. P. Morgan & Co. acquired 400,000 shares of Johns-Manville Corporation common at 47½.

Three hundred and forty-three thousand seven hundred and fifty shares were disposed of to a selected list at 47½.

Fifty-six thousand two hundred and fifty shares were disposed of to a selected list at 57½.

UNITED CORPORATION UNITS

January 21, 1929, J. P. Morgan & Co. sold 600,000 units consisting of 1 share United Corporation preference stock and 1 share United Corporation common stock at \$75 per unit, as follows:

	Units
Through Bonbright & Co.....	202, 930
Through Drexel & Co.....	82, 000
Through 291 others.....	315, 070

ALLEGHANY CORPORATION COMMON STOCK

February 15, 1929, J. P. Morgan & Co. sold to the Guaranty Company 500,000 shares at \$24 a share. J. P. Morgan & Co. paid the Guaranty Co., of New York, a commission of \$4 per share on this stock.

J. P. Morgan & Co. sold to others 573,900 shares at \$20 a share.

NIAGARA HUDSON POWER CORPORATION COMMON STOCK ACCOUNT

August 19, 1929, the Niagara Hudson Power Corporation sold 2,000,000 shares of Common Stock (carrying one class A and one 5-year class C warrant, dated Dec. 2, 1929, with each share of stock) at \$25 per unit.

	Units
J. P. Morgan & Co. and Bonbright & Co. agreed to purchase.....	200, 000
Of this amount J. P. Morgan & Co. sold to selected list.....	56, 500
Leaving a balance of.....	143, 500
Divided equally:	
J. P. Morgan & Co.....	71, 750
Bonbright & Co.....	71, 750

STANDARD BRANDS INCORPORATED COMMON STOCK

On or about September 5, 1929, 722,600 shares were disposed of at 32 to a selected list.

GROUP 6.—SUMMARY OF TRANSACTIONS ON THE PART OF THE FIRM OF DREXEL & CO. IN WHICH THERE WAS NO PUBLIC OFFERING

PARTICIPATIONS IN REVOLVING CREDITS

(Arranged by J. P. Morgan & Co.)

BRITISH GOVERNMENT¹

Date, Aug. 28, 1931. Maturity, Aug. 28, 1932

Date	To	Total credit	Our participation	Our commission	
				Percent	
Sept. 1, 1931 -----	Apr. 5, 1932 -----	\$200,000,000	\$3,000,000	1	\$30,000

BANK OF SPAIN

Date, Aug. 5, 1928. Maturity, Aug. 5, 1929

Oct. 29, 1928 -----	July 24, 1929 -----	\$20,000,000	\$250,000	1	\$2,500
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Date, Aug. 5, 1929. Maturity, Aug. 5, 1930

Aug. 12, 1929 -----	Feb. 13, 1930 -----	\$20,000,000	\$250,000	1	\$2,500
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Date, Mar. 27, 1931. Maturity, Sept. 27, 1932²

-----	-----	\$38,000,000	\$250,000	1½	\$3,750
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BANCA D'ITALIA, ROME

Date, Dec. 22, 1927. Maturity, Dec. 22, 1928

-----	-----	\$25,000,000	\$500,000	Per cent 1¼	\$6,250
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No calls for advances were received.

JAPANESE CURRENCY STABILIZATION CREDIT GRANTED TO YOKOHAMA SPECIE BANK, LIMITED

Date, Nov. 19, 1929. Maturity, Nov. 19, 1930

-----	-----	\$25,000,000	\$250,000	Per cent 1	\$2,500
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No calls for advances were received.

	Par value of offering	Par value outstanding Mar. 24	Gross profit	Expenses	Share of profit to J. P. M. & Co.
Savannah Gas Co. 1st mtge. 5% "B", due 1956; offering date, Aug. 19, 1927; price paid obligor, 98½; issue price, 100 -----	\$200,000	\$200,000	\$3,000	None	\$3,000
Midland Valley R.R. 1st mtge. 5%, due 1943; offering date, Oct. 26, 1928; price paid obligor, 95; issue price, 97 -----	400,000	400,000	8,000	\$4,474.71	3,525.29

¹ On Mar. 4, 1932, the British Government reduced its original commitment of \$200,000,000 to \$50,000,000. Drexel & Co.'s participation was reduced accordingly from \$3,000,000 to \$750,000, and they refunded \$9,812.50 of the \$30,000 originally received as commission.

² Credit canceled by Bank of Spain Apr. 23, 1931. Drexel & Co. refunded entire commission of \$3,750.

GROUP 7.—SUMMARY OF ALL ISSUES AND UNDERWRITINGS OF STOCKS AND BONDS BY OTHERS IN WHICH THE FIRM OF J. P. MORGAN & CO. TOOK A FINANCIAL PARTICIPATION OR COMMITMENT

	Par value of offering	J. P. M. & Co.'s commitment	Profit to J. P. M. & Co.
Jan. 3, 1927: Porto Rican American Tobacco Co. 15-yr. secured 6% conv. bonds due June 1, 1942; National City Co.	\$8,000,000	\$900,000	\$6,525.00
Jan. 8, 1927: Dominican Republic 14-yr. customs admin. 5½% of 1926, first series, due 1940; National City Co., Dillon Read & Co., Brown Bros. & Co., Alex. Brown & Sons, Balt.	5,000,000	312,500	1,917.04
Jan. 10, 1927: Gulf Oil Corp. of Penn. 20-yr. S.F. 5% debentures due Feb. 1, 1947; National City Co.	35,000,000	500,000	4,250.00
Jan. 13, 1927: Southern California Edison Co. ref. mtge. 5% bonds series due 1951; Harris Forbes & Co., E. H. Rollins & Sons, Coffin & Burr, National City Co.	15,000,000	375,000	6,215.24
Jan. 19, 1927: Consolidated Gas Co. of N.Y. \$5 cumulative preferred stock; National City Co.	1,200,000	150,000	75,000.00
Jan. 31, 1927: Missouri Pacific 1st & ref. mtge. 5's series F due March 1, 1977; Kuhn, Loeb & Co.	95,000,000	1,000,000	6,598.60
Feb. 11, 1927: Chicago & North Western Ry. 1st & ref. 4½'s due May 1, 1937; Kuhn, Loeb & Co., National City Co.	20,572,000	1,028,600	12,510.87
Feb. 15, 1927: Chicago, North Shore & Milwaukee Co. 3-yr. 5½% notes due Feb. 1, 1930; National City Co., Halsey, Stuart & Co., Inc.	2,500,000	312,500	2,093.51
Mar. 1, 1927: Public Service Electric & Gas Co. 1st & ref. 5% series due 1965; Drexel & Co., Bonbright & Co.	19,800,000	400,000	8,407.91
Mar. 9, 1927: The Pennsylvania, Ohio & Detroit R. R. 1st ref. 4½% series A due 1977; Kuhn, Loeb & Co., National City Co.	22,000,000	437,000	3,828.12
Mar. 9, 1927: Georgia Power Co. 1st & ref. mtge. 5% series, due 1967; Drexel & Co., Bonbright & Co., Harris, Forbes & Co.	45,000,000	150,000	2,781.30
Mar. 11, 1927: City of Brisbane 3-yr. S.F. 5% gold bonds, due Mar. 1, 1957; National City Co.	7,500,000	3,750,000	18,750.00
Mar. 11, 1927: The Northern Central Railway Co. Gen. & ref. mtge. 4½% series A, due Mar. 1, 1974; Kuhn Loeb & Co., National City Co.	5,231,000	100,000	809.08
Mar. 16, 1927: Republic of Peru secured 7% S.F. gold bonds, due Sept. 1, 1959; J. W. Seligman & Co., National City Co.	15,000,000	1,000,000	2,856.25
Mar. 28, 1927: Lawrence Portland Cement Co. 15-yr. 5½% debentures, due Apr. 1, 1942; National City Co., Kean, Taylor & Co.	2,000,000	250,000	3,125.00
Feb. 5, 1927, and Apr. 5, 1927: New York Steam Corporation 1st & ref. mtge. 5% series due 1951; National City Co., Cassatt & Co.	4,000,000	1,000,000	9,812.50
Apr. 5, 1927: The Tennessee Electric Power Co. 1st & ref. mtge. bonds 5% series due 1956; National City Co.	2,000,000	2,000,000	1,600.00
Apr. 25, 1927: Illinois Central R.R. & New Orleans R.R. Co. joint 1st ref. mtge. 4½% bonds series C due Dec. 1, 1963; Kuhn, Loeb & Co.	17,350,000	575,000	5,031.25
Apr. 26, 1927: Duquesne Light Co. 1st mtge. 4½% gold bonds due Apr. 1, 1967.	55,000,000		
In original group.....		1,980,000	19,192.26
In purchase group.....		1,237,500	19,800.00
First National Bank.....			
Apr. 26, 1927: American Radiator Co. 20-year 4½% deb. due May 1, 1947; First National Bank	10,000,000	2,500,000	39,867.47
May 5, 1927: Remington Rand, Inc. 20 year 5½% debts. series A due May 1, 1947; National City Co.	25,000,000	3,324,000	41,042.97
May 16, 1927: Chicago Rapid Transit Co. 1st & ref. mtge. 6% bonds series A due 1953; National City Co., Halsey, Stuart & Co.	1,795,000	310,750	1,786.81
May 19, 1927: Union Pacific R.R. Co. 40-year 4½% gold bonds due July 1, 1967; Kuhn, Loeb & Co.	26,835,000	250,000	10,500.00
June 2, 1927: Cuba Northern Rys. 1st mtge. gold bonds 5% series of 1942; National City Co., Lee, Higginson & Co., Cassatt & Co.	20,000,000	3,000,000	10,500.00
June 2, 1927: Southern Pacific Co.-Oregon Lines 1st mtge. 4½% series A bonds due 1977	20,000,000		
In underwriting group.....		250,000	1,542.17
In original group.....		437,500	3,828.12
Kuhn, Loeb & Co.....			
June 7, 1927: The Hudson Coal Co. 1st mtge S.F. 5% series A. bonds due 1962.	35,000,000		
In original group.....		1,435,000	12,197.50
In syndicate group.....		575,000	3,727.62
First National Bank.....			
June 25, 1927: New York Steam Corp. 1st mtge. gold bonds 5% series due 1951; National City Co.	1,500,000	375,000	2,812.50
June 28, 1927: Northern Ohio Power & Light Co. gen. & ref. mtge. 5½% series A due 1951; National City Co.	1,434,000	358,500	2,062.74

GROUP 7.—Summary of all issues and underwritings of stocks and bonds by others, in which the firm of J. P. Morgan & Co. took a financial participation or commitment—Continued

	Par value of offering	J. P. M. & Co.'s commitment	Profit to J. P. M. & Co.
June 29, 1927: Western Maryland Ry. Co. 1st & ref. mtge. 5½% series A bonds due July 1, 1977; Kuhn, Leob & Co., Speyer & Co., National City Co.	\$12,000,000	\$600,000	\$5,100.00
Aug. 8, 1927: Consolidated Water Power and Paper Co. 1st mtge. series A 5½% due 1947; National City Co.	7,500,000	1,071,500	8,304.12
Aug. 26, 1927: Chicago, Rock Island & Pacific Ry. Co. 4½% series A due Sept. 1, 1952; Speyer & Co., National City Co., J. & W. Seligman & Co.	40,000,000	2,500,000	21,977.08
Aug. 29, 1927: Boston & Maine R. R. 1st mtge. 5% bonds series "A C" due Sept. 1, 1967	30,942,000		
Original		3,440,000	34,400.00
Selling syndicate		1,500,000	13,479.15
J. P. M. & Co.'s allotment:			
Selling syndicate		1,500,000	
Commission			11,250.00
J. P. M. & Co.'s profit on sale of allotment in selling syndicate			14,843.75
Kidder Peabody & Co.			
Harris Forbes & Co.			
Lee Higginson & Co.			
Sept. 12, 1927: Firestone Tire & Rubber Co. of California 15 year S.F. 5% bonds due Sept. 1, 1942; The Cleveland Tr. Co., Otis & Co., National City Co.	10,000,000	833,333.33	4,000.00
Sept. 16, 1927: Southern California Edison Co. ref. mtge. gold bonds series of 5% due 1952; Harris Forbes & Co., E. H. Rollins & Sons, Coffin & Burr, Inc., National City Co.	30,000,000	750,000	12,965.56
Sept. 21, 1927: Pacific Gas & Electric Co. 1st & ref. mtge series E 4½% due 1957; National City Co., American National Co., Blythe Witter & Co.	15,000,000		
Oct. 13, 1927: The Philadelphia Electric Co. 1st & ref. mtge. 4½% series due 1967; Drexel & Co., Brown Bros. & Co., Harris Forbes & Co.	35,000,000	250,000	3,845.08
Oct. 14, 1927: U.S. of Brazil bonds, due Oct. 15, 1957; Dillon, Read & Co., National City Co.	41,500,000	2,593,750	42,936.39
Oct. 19, 1927: The Edison Electric Illuminating Co. of Boston 3-yr. 4½% notes, due Nov. 1, 1930	30,000,000		
In original group		515,625	4,368.39
In selling group		500,000	2,500.00
Lee, Higginson & Co.			
National City Co.			
Oct. 25, 1927: Hershey Chocolate Corp. (of Delaware) 6% cum. prior pfd. stock; National City Co., Graham Parsons & Co., Cassatt & Co., Union Trust Co., Pittsburgh	15,000,000	2,625,000	45,937.50
Oct. 25, 1927: Continental Oil Co. 10-yr. 5½% gold debentures due Nov. 1, 1937; National City Co., Carl H. Pforzheimer & Co.	12,000,000	750,000	7,875.00
Nov. 5, 1927: International Match Corp., 20 yr. S.F. deb. due Nov. 1, 1947	50,000,000		
In banking group		1,000,000	4,431.35
In selling group		1,000,000	5,000.00
In original group		3,125,000	24,989.14
Lee, Higginson & Co.			
Guaranty Co.			
National City Co.			
Nov. 17, 1927: Norwegian Hydro Electric Nitrogen Corp. ref. & imp. mtge. gold bonds series A 5½% due Nov. 1, 1957; National City Co.	20,000,000	4,375,000	33,906.25
Nov. 18, 1927: Williamsport Wire Rope Co. 1st mtge. S.F. 6% bonds due Nov. 1, 1947; National City Co.	1,600,000	400,000	3,000.00
Nov. 23, 1927: Public Service Electric & Gas Co. 1st & ref. mtge. 4½% series due Nov. 1, 1967; Drexel & Co., Bonbright & Co. Inc.	45,000,000	1,000,000	14,103.50
Dec. 2, 1927: City of Vienna external loan S.F. 6% bonds due Nov. 1, 1952; National City Co., Dillon Read & Co.	30,000,000	4,200,000	12,600.00
Dec. 3, 1927: Missouri, Kansas & Texas R.R. prior lien series D 4½% due Jan. 1, 1978; Kuhn, Leob & Co., National City Co., Ladenburg, Thalmann & Co., J. & W. Seligmann & Co., Hallgarten & Co.	13,600,000	510,000	6,178.08
Dec. 6, 1927: Central Railroad Co. of New Jersey general mortgage 4% bonds due July 1, 1987; First National Bank	5,000,000	1,250,000	11,905.91
Dec. 16, 1927: Duquesne Light Co. 5% cumulative 1st preferred stock			
Original Group		755,000	7,550.00
Purchase Group		520,000	6,922.33
Ladenburg, Thalmann & Co.			
H. M. Bylesby & Co. Inc.			
Chase Securities Co.			
Lee, Higginson & Co.			

GROUP 7.—*Summary of all issues and underwritings of stocks and bonds by others, in which the firm of J. P. Morgan & Co. took a financial participation or commitment*—Continued

	Par value of offering	J. P. M. & Co.'s commitment	Profit to J. P. M. & Co.
Dec. 16, 1927: Philadelphia Co. 5% secured gold bonds due Dec. 1, 1967.	\$60,000,000		
Original group		\$2,160,000	\$21,600.00
Purchase group		1,350,000	20,250.00
Additional profit, purchase group			1,957.00
H. M. Byllesby & Co.			
Ladenburg, Thalmann & Co.			
First National Bank			
Dec. 22, 1927: Republic of Peru, Peruvian National Loan 6% ext. S. F. gold bonds 1st series due Dec. 1, 1960; J. & W. Seligman & Co., National City Co.	50,000,000	2,333,334	10,783.14
Dec. 22, 1927: Sinclair Crude Oil Purchasing Co. 10-yr. 5½% gold bonds, series A, due Jan. 1, 1938; National City Co., Chase Securities Corp., Blair & Co., Inc.	42,000,000	3,075,000	18,450.00
Jan. 25, 1928: Republic of Chile Railway refunding 6% S. F. ext. bonds, due Jan. 1, 1961, National City Co.	49,912,000	11,478,000	91,824.00
Feb. 1, 1928: Southern Pacific Co. 40-year 4½% gold bonds, due Mar. 1, 1968; Kuhn, Loeb & Co., National City Co.	29,400,000	650,000	5,687.50
Feb. 3, 1928: Savoy-Plaza Corp. 10-year 5½% S. F. gold debentures, due Feb. 1, 1938; Blair & Co., Inc., National City Co.	7,000,000	875,000	9,796.41
Feb. 3, 1928: Savoy-Plaza Corp. realty extension 1st mortgage 5½% S. F. loan certificates, due Feb. 1, 1945; Blair & Co., Inc., National City Co.	4,000,000	500,000	10,538.28
Feb. 7, 1928: Pacific Gas & Electric 1st & ref. mtge. gold bonds, series E, 4½%, due 1957; National City Co., American Nat. Co., H. M. Byllesby & Co.	20,000,000	1,625,000	9,750.00
Feb. 16, 1928: Republic of Finland 5½% est. loan S. F. gold bonds, due Feb. 1, 1958; National City Co., Guaranty Trust Co., Brown Bros. & Co., New York Trust Co., Continental National Co.	15,000,000	1,437,500	10,693.43
Feb. 28, 1928: Scranton Gas & Water Co. 1st mtge. 4½% bonds, due Mar. 1, 1958	11,000,000		
Original group		1,375,000	6,875.00
In purchase group		687,500	8,593.75
G. L. Ohrstrom & Co., Inc., First National Bank			
Feb. 28, 1928: The Firestone Cotton Mills 20-year 5% S. F. gold bonds, due Mar. 1, 1948; National City Co., Otis & Co., Cleve., Cleveland Trust Co.	12,000,000	1,000,000	4,979.04
Mar. 12, 1928: Dominican Republic customs administration 5½% gold bonds, due Oct. 1, 1940; National City Co.	5,000,000	312,500	1,567.08
Mar. 17, 1928: State of Minas Geraes (U. S. of Brazil) 6½% secured ext. S. F. gold bonds, due Mar. 1, 1958; National City Co.	8,500,000	1,338,750	10,859.34
Apr. 6, 1928: Wheeling Steel Corp'n. 1st & ref. mtge. 4½% series B, due Apr. 1, 1953; Lee Higginson & Co., National City Co., Dillon Read & Co., Redmond & Co.	21,000,000	1,050,000	3,937.50
Apr. 9, 1928: Cincinnati Gas & Electric Co. 1st mtge. 4's series A, due Apr. 1, 1958; Guaranty Company	35,000,000	1,000,000	3,622.44
Apr. 24, 1928: Cities Service Co. 5% debts., due Apr. 1, 1958; Harris Forbes & Co., Halsey Stuart & Co., National City Co., Bonbright & Co. Inc., E. H. Rollins & Sons	50,000,000	1,250,000	21,875.00
Apr. 26, 1928: American Commercial Alcohol Corp. 15-yr. mtge. S. F. 6's, Series A, due Apr. 1, 1943; National City Co.	4,000,000	1,000,000	4,500.00
Apr. 27, 1928: Chicago, Milwaukee & St. Paul genl. 4½'s, series E, due May 1, 1959; Kuhn, Loeb & Co., National City Co.	24,000,000	3,000,000	26,250.00
Apr. 28, 1928: New York Steam Corp'n. 1st mtge. 5% series, due May 1, 1951; National City Co., Cassatt & Co., Thayer, Baker & Co.	4,000,000	1,000,000	8,000.00
May 2, 1928: Mortgage Bank of Chile, guaranteed S. F. 6% gold bonds, due Apr. 30, 1961; Kuhn, Loeb & Co., National City Co., Guaranty Company of New York	20,000,000	1,500,000	18,950.68
May 24, 1928: Susquehanna Silk Mills 10-yr. 5% S. F. debentures due June 1, 1938; Lee, Higginson & Co., National City Co.	8,000,000	700,000	5,036.16
June 4, 1928: Tokyo Electric Light Co., Ltd., 1st mtge. 6% dollar series, due 1953, Guaranty Co.	70,000,000	7,000,000	89,731.42
June 7, 1928: Container Corp'n. of America 15-yr. 5% deb., due June 1, 1943; National City Co., E. H. Rollins, Spencer Trask & Co.	6,000,000	937,500	7,500.00
June 28, 1928: Abitibi Power & Paper Cp., Ltd., 1st mtge. series A 5% gold bonds, due 1953; National City Co.	50,000,000	5,375,000	14,781.25
July 3, 1928: Republic of Panama 35-yr. 5% ext. sec. S. F. bonds, series A due May 15, 1963; National City Co., Kissel, Kinnicutt & Co., Illinois Merchants Trust Co., Continental National Co.	12,000,000	1,912,500	1,855.00
July 11, 1928: State of Rio Grande do Sul 6% ext. S. F. gold bonds due July 1, 1968	23,000,000		
Original group		2,875,000	1,236.25
Purchase group		2,312,500	5,781.25
White Weld & Co., National City Co., Equitable Trust Co., Illinois Merchants Trust Co., Cassatt & Co., Anglo London Paris Co. Louis			

GROUP 7.—*Summary of all issues and underwritings of stocks and bonds by others, in which the firm of J. P. Morgan & Co. took a financial participation or commitment—Continued*

	Par value of offering	J. P. M. & Co.'s commitment	Profit to J. P. M. & Co.
Aug. 1, 1928: Southern Pacific Co. 4½% equip. tr., series K, due annually 1929 to 1933, incl.; Kuhn, Loeb & Co., National City Co.	\$4,815,000	\$112,500	\$243.82
Aug. 10, 1928: Chicago Rapid Transit Co. 1st & ref. mtg. gold bonds, 6%, series A, due 1953; National City Co.	3,122,000	540,340.15	4,592.89
Sept. 5, 1928: Republic of Chile ext. loan S.F. 6% gold bonds, due Sept. 1, 1991; National City Co.	16,000,000	3,200,000.00	21,600.00
Sept. 11, 1928: The Kendall Company 20-yr. 5½% deb., series A, due Sept. 1, 1948; National City Co., First National Corp. of Boston	6,500,000	1,218,750.00	5,132.81
Sept. 17, 1928: Gold Dust Corporation common stock V/T ctf's; Underwriting Syndicate; First Security Co.	193,855 shs.	11,611 shs.	19,299.88
Sept. 20, 1928: Kreuger & Toll Co., participating 5% deb. (American ctf's.) or Kroner 10,000,000	500,000 shs.		
In original group		31,250 shs.	7,825.78
In banking group		26,800 shs.	3,753.00
Lee Higginson & Co., Guaranty Co., National City Co.			
Oct. 1, 1928: Finland Residential Mortgage Bank 1st mtg. coll. S.F. 6's, due Sept. 1, 1961; National City Co., Lee Higginson & Co., Guaranty Co. of New York	10,000,000	978,750	2,263.36
Oct. 19, 1928: Cities Service Co. 5% gold deb., due 1933; Harris Forbes & Co., Halsey Stuart & Co., National City Co., Bonbright & Co., Inc., E. H. Rollins Sons	30,000,000	750,000	13,125.00
Oct. 25, 1928: Republic of Peru Peruvian natl. loan 6% ext. S.F., second series, due Oct. 1, 1961; J. & W. Seligman & Co., National City Co., Continental National Co., J. N. Schroeder & Co.	25,000,000 and £2,000,000	1,166,667 and £93,333	4,074.62
Oct. 30, 1928: The Oriental Development Co., Ltd., ext. loan 30-yr. 5½% gold deb., due Nov. 1, 1958; National City Co.	19,900,000	3,980,000	22,387.50
Oct. 31, 1928: American Thread Co. 1st closed mtg. 5½% 10-yr. gold bonds, due Nov. 1, 1938; National City Co.	4,000,000	1,000,000	3,625.00
Nov. 10, 1928: Pennsylvania Co. 35-yr. 4¾% sec. gold bonds, due Nov. 1, 1963; Kuhn, Loeb & Co., National City Co.	50,000,000	1,125,000	9,632.81
Nov. 15, 1928: Canadian Pacific Railway Co. 4% coupon cons. perpetual debenture stock; National City Co., Guaranty Co. of N.Y., Bank of Montreal	5,000,000	675,000	2,531.25
Dec. 1, 1928: Portland Electric Power Co. 1st lien & ref. mtg. gold bonds, series C, 5½%, due 1951; National City Co.	1,611,500	261,868.75	1,871.97
Dec. 7, 1928: The New York, Chicago & St. Louis R.R. Co. ref. mtg. 4½% series C, due Sept. 1, 1978	11,275,000		
In original group		2,255,000.00	2,818.75
In buying group		2,255,000.00	22,793.75
In banking group		417,000.00	1,198.84
In wholesale group		250,00.000	2,812.50
Guaranty Co. of N.Y., Lee, Higginson & Co.			
Dec. 8, 1928: Consumers Power Co. 1st lien & unifying mtg. 4½'s, series of 1928, due 1958; Bonbright & Co., Inc., National City Co., Bankers Trust Co.	11,415,100	713,443.75	8,713.80
Dec. 8, 1928: Duquesne Light Co. 5% cum. pfd. stock	7,500,000		
In original group		283,125.00	2,831.35
In syndicate		195,000.00	1,300.00
Ladenburg, Thalman & Co., H. M. Bylesby & Co., Chase Secs. Corp'n., Lee, Higginson & Co., Union Trust Co., Pittsburgh			
Dec. 11, 1928: City of Antwerp ext. loan S.F. 5% gold bonds, due Dec. 1, 1958; National City Co.	10,000,000	2,500,000.00	12,503.05
Dec. 15, 1928: Hahn Department Stores, common stock; Lehman Bros., Prince & Whitely	454,000 shs.	500 shs.	750.00
Jan. 4, 1929: Rossville Commercial Alcohol Corp. 20-year S.F. 6% conv. deb. & V/T ctf's representing common stock; National City Co., Bauer, Pogue Pond & Vivian, William Schall & Co.	3,250,000 16,250 shs.	402,187.50 units.	5,874.60
Jan. 11, 1929: Chicago & North Western Railway Co. general mtg. gold 4½'s due 1987; Kuhn Loeb & Co., National City Co.	3,577,000	178,850.00	1,699.98
Jan. 14, 1929: Fuller Building (G.A.F. Realty Corp.) 1st (closed) mtg. S.F. 5½% loan, due Jan. 1, 1949; National City Co., Blair & Co. Inc.	5,000,000	937,500	7,500.00
Jan. 14, 1929: Fuller Building (G.A.F. Realty Corp.) 15-year S.F. 6% gold deb., due Jan. 1, 1944; National City Co., Blair & Co., Inc.	3,000,000	562,500	4,359.37
Jan. 28, 1929: The Procter & Gamble Company 5% cumulative preferred stock (\$100 par value), First Security Co.	12,500,000	11,250 shs.	24,614.91

GROUP 7.—Summary of all issues and underwritings of stocks and bonds by others, in which the firm of J. P. Morgan & Co. took a financial participation or commitment—Continued

	Par value of offering	J. P. M. & Co.'s commitment	Profit to J. P. M. & Co.
Jan. 31, 1929: Alleghany Corporation cumulative 5½% pfd. stock, series A (with stock purchase warrants) -----	\$25,000,000		
Underwriting group -----		\$6,250,000	\$50,000.00
Special group -----		5,125,000	35,126.03
Banking group -----		1,497,500	9,585.52
Selling group -----		1,200,000	17,250.00
Guaranty Co.			
Mar. 7, 1929, Mar. 8, 1929: Kreuger & Toll Co. 5% S.F. secured gold debentures, due Mar. 1, 1959 (part of issue of \$50,000,000) -----	26,500,000		
Original group -----		1,656,250	15,492.19
Banking group -----		1,406,250	7,031.25
Syndicate group -----		50,000	941.00
Lee, Higginson & Co., National City Co., Guaranty Co. of N.Y.			
Mar. 11, 1929: Republic of Chile, ext. loan S.F. 6% gold bonds, due Mar. 1, 1962; National City Co. -----	10,000,000	2,000,000	13,500.00
Mar. 14, 1929: Cities Service Co. 5% gold debentures, due 1959, with warrants for common stock; Harris, Forbes & Co., Halsey Stuart & Co., National City Co. -----	50,006,000	1,250,000	18,750.00
Mar. 21, 1929: New York Steam Corp. 1st mtge. 5% series, due 1951; National City Co. -----	2,000,000	500,000	1,750.00
Mar. 21, 1929: Southern Pacific Co. 40-yr. 4½% gold bonds, due May 1, 1969; Kuhn, Loeb & Co., National City Co. -----	65,166,000	1,250,000	10,937.50
Apr. 24, 1929: Portland Electric Power Co. 1st lien & refunding mtge. 5½% bonds, due 1951, National City Co. -----	600,000	97,500	755.20
Apr. 26, 1929: Bethlehem Steel Corp., common stock -----	600,000 shs.		
Original group -----		1,530,000	17,095.23
Syndicate -----		1,012,350	15,168.97
Bankers Trust Co.; Guaranty Co. of N.Y., National City Co., Chase Securities Corp. J. & W. Seligman & Co.			
May 3, 1929: Central of Georgia Railway Co., ref. & genl. mtge. 5% bonds, series C, due Apr. 1, 1959; Kuhn, Loeb & Co., National City Co. -----	10,000,000	357,000	3,399.97
May 14, 1929: Alleghany Corporation cumulative 5½% pfd. stock, series A -----	25,000,000		
Underwriting group -----		6,250,000	45,450.07
Special group -----		5,125,000	25,625.00
Banking group -----		310,000	1,550.00
Selling group -----		100,000	1,375.00
Guaranty Co. of New York.			
June 10, 1929: Porto Rican American Tobacco Co. 15-yr. secured 6% conv. gold bonds, due Jan. 1, 1942; National City Co. -----	1,360,000	153,000	1,224.00
June 18, 1929: The Lautaro Nitrate Co., Ltd., 1st mtge. 6% conv. gold bonds, due July 1, 1954, with warrants -----	32,000,000		
Original group -----		7,200,000	53,100.00
Selling group -----		600,000	11,755.94
National City Co., Bankers Co. of N.Y., Brown Bros. & Co.			
June 21, 1929: General Steel Castings Corp. 1st mtge. bonds 5½%, series A, due July 1, 1949, with warrants -----	20,000,000		
Banking group -----		2,200,000	11,000.00
Syndicate -----		2,200,000	50,690.18
Drexel & Co.			
June 27, 1929: Mortgage Bank of Chile guaranteed S.F. 6% bonds of 1929, due May 1, 1962; Kuhn, Loeb & Co., Guaranty Co. of N.Y., National City Co. -----	20,000,000	1,500,000	
July 1, 1929: Canadian Pacific Railway 5% equip. trust ctf. due July 1, 1944; National City Co., Guaranty Co. of N.Y., Bank of Montreal -----	30,000,000	3,690,000	14,760.00
Aug. 19, 1929: Solvay American Investment Corp. 5½% cumulative preferred stock (with warrants for purchase of Allied Chemical & Dye Corp. stock) -----	25,000,000		
Original group -----		6,250,000	31,250.00
Intermediate group -----		4,843,750	36,328.12
Banking group -----		3,887,500	26,779.41
Selling group -----		2,000,000	30,000.00
Lee Higginson & Co., White, Weld & Co., Brown Bros. & Co., Union Trust Co., Pittsburgh.			
Aug. 21, 1929: The National Hotel of Cuba 30-year 6% income debenture, due Sept. 1, 1959, and common stock; National City Co. -----	6,250,000 62,500 shs.	1,562,500 15,625 shs.	10,156.25
Aug. 21, 1929: Pennsylvania Dock & Warehouse Co., leasehold mtge. 6% S.F. gold bonds with warrants, due Aug. 1, 1949; National City Co. -----	5,750,000	575,000	4,168.75
Aug. 31, 1929: Southern California Edison Co. ref. mtge. 5% bonds, due 1954; National City Co. -----	15,000,000	375,000	6,325.58

GROUP 7.—*Summary of all issues and underwritings of stocks and bonds by others, in which the firm of J. P. Morgan & Co. took a financial participation or commitment—Continued*

	Par value of offering	J. P. M. & Co.'s commitment	Profit to J. P. M. & Co.
Sept. 12, 1929: Bethlehem Steel Corp. common stock.....	795,000 shs.		
Original group.....		\$2,623,500 {23,850 shs. at 110 per sh.}	\$22,418.56
Underwriting syndicate.....		1,694,330 {15,403 shs. at 110}.	24,240.15
Guaranty Co., Bankers Co., National City Co., Chase Securities Co., J. & W. Seligman Co.			
Sept. 12, 1929: Chicago & Northwestern Co. 20-yr. 4¾% conv. gold bonds, series A, due Nov. 1, 1949; Kuhn, Loeb & Co., National City Co.	\$72,335,000	3,616,750	31,646.56
Sept. 13, 1929: Shell Union Oil Corp. 5% S.F. gold debentures due 1949 with warrants:			
Banking group.....		1,500,000	14,533.75
Selling group.....		1,100,000	18,975.00
Lee, Higginson & Co., Guaranty Co., National City Co., Hayden, Stone & Co., Dominick & Dominick, Clark, Dodge & Co.	50,000,000		
Sept. 16, 1929: State of Minas Geraes secured ext. loan of 1929 series A 6¼% bonds, due 1959 (United States of Brazil); National City Co., Kissel, Kinnicutt & Co., J. Henry Schroeder, Banking Corp.	8,000,000	1,300,000	9,673.09
Sept. 23, 1929: Frank C. Shattuck Co. common stock; Dominick & Dominick, Hitt, Farwell & Co.	135,000 shs.	500,000	9,846.15
Nov. 9, 1929: The New York, Chicago & St. Louis R.R. Co. 3-yr. 6% gold notes due Oct. 1, 1932:		(10,000 shs. at 50)	
Original group.....		4,000,000	5,000.00
Buying group.....		4,000,000	12,258.94
Banking group.....		229,000	858.75
Guaranty Co. of N.Y., Lee Higginson & Co.	\$20,000,000		
Dec. 10, 1929: Minneapolis, St. Paul & Sault Ste. Marie Railway Co. 1st mtg. 5½% bonds, series B, due July 1, 1978; Dillon Reed & Co., Inc., National City Co.	8,000,000	444,440	4,044.72
Dec. 23, 1929: Canadian Pacific Railway 5% collateral trust gold bonds, due Dec. 1, 1954; National City Co., Lee Higginson & Co., Guaranty Co. of New York.	30,000,000	875,000	7,109.07
Jan. 10, 1930: The Edison Electric Illuminating Co. of Boston 3-yr. 6% coupon gold notes, dated Jan. 15, 1930, due Jan. 15, 1933.	30,000,000		
In original group.....		515,625	4,825.40
In selling group.....		500,000	3,750.00
Lee Higginson & Co., National City Co.			
Jan. 23, 1930: Public Service Electric & Gas Co. 1st & ref. gold bonds 4½% series, due 1970	20,000,000		
In syndicate.....		300,000	6,146.79
Drexel & Co., Bonbright & Co., Inc.			
Jan. 29, 1930: Philadelphia Electric Co. \$5 dividend pfd. stock.	8,665,800 (or 86,658 shs.)		
In syndicate.....		700 shs.	1,308.94
Drexel & Co., Bonbright & Co., Inc.			
Feb. 7, 1930: The Baltimore & Ohio R.R. Co. 4½% conv. bonds due 1960; Kuhn, Loeb & Co., Speyer & Co., National City Co.	63,031,000	\$3,151,550	27,576.06
Feb. 8, 1930: General Italian Edison Corp. (American shares representing ordinary shares of capital stock).	140,000 shs.		
Participation in distributing group.....		1,262,500	12,579.50
We were allotted in selling group, 30,000 which we took up and paid for.		1,267,500	48,000.00
National City Co., Aldred Co., Dominick & Dominick.			
Feb. 17, 1930: Marshall Field & Co., Inc., common stock.	540,000 shs.		
Banking group.....		3,000 shs.	2,500.00
Selling group.....		3,000 shs.	5,625.00
Field, Gloré & Co., Inc., Lee, Higginson & Co.			
Feb. 19, 1930: The United Gas Improvement Co. \$5 dividend. Pfd. stock syndicate.	94,360 shs.	1,500 shs.	2,013.20
Drexel & Co., Bonbright & Co., Inc.			
Feb. 19, 1930: The European Electric Corp. Ltd. (of Canada), 35-yr. 6½% gold debentures, due 1965, with warrants; Bonbright & Co., Inc., Field, Gloré & Co., Inc.	12,900,000	500,000	11,819.63
Feb. 25, 1930: Chicago, Rock Island & Pacific Railway Co. 30-yr. 4½% conv. gold bonds, due May 1, 1960; Speyer & Co., National City Co., J. & W. Seligman & Co.	32,228,000	2,014,250	17,624.29

GROUP 7.—*Summary of all issues and underwritings of stocks and bonds by others, in which the firm of J. P. Morgan & Co. took a financial participation or commitment*—Continued

	Par value of offering	J. P. M. & Co.'s commitment	Profit to J. P. M. & Co.
Mar. 10, 1930: Allegheny Corporation 5½% pfd. stock, series A (additional issue) with stock purchase warrants detachable on and after July 1, 1930.	\$12,500,000		
Underwriting group.		\$3,125,000	\$25,000.00
Special group.		2,562,500	7,634.97
Banking group.		179,400	1,099.17
Selling group.		150,000	2,062.50
Guaranty Co. of New York.			
Mar. 10, 1930: The Baldwin Locomotive Works 3-yr. 5½% gold notes, due Mar. 1, 1933; Drexel & Co., White Weld & Co.	12,000,000	204,000	2,040.00
Mar. 12, 1930: The Pennsylvania Railroad Co. 40-yr. 4½% gold deb. bonds, due Apr. 1, 1970; Kuhn, Loeb & Co., National City Co.	60,000,000	1,250,000	10,937.50
Mar. 14, 1930: Missouri Pacific Railroad Co. 1st & ref. mtge. 5% gold bonds, series H, due Apr. 1, 1980; J. P. M. & Co.'s commitment ¼ ceded to First Natl. Bk., ¼ ceded to Natl. City Co., Kuhn, Loeb & Co.	25,000,000	*4,000,000	*43,733.19
Mar. 19, 1930: The Virginian Railway Co. 1st mtge. 50-yr. 4½% gold bonds, series B, due May 1, 1962; National City Co., Lee, Higginson & Co., Kidder, Peabody & Co.	5,000,000	468,750	4,101.56
Mar. 24, 1930: Boston & Maine Railroad 1st mtge. 5% gold bonds, series II, due May 1, 1955.	15,000,000		
Original group.		1,575,000	15,376.88
Kidder, Peabody & Co., Lee, Higginson & Co., Harris, Forbes & Co., First National Old Colony Corp.			
Mar. 25, 1930: The New York, Chicago & St. Louis R.R. Co. ref. mtge. 4½% bonds, series C, due 1978.	12,000,000		
Original group.		2,400,000	3,000.00
Buying group.		2,400,000	14,837.11
Banking group.		221,000	828.75
Selling group.		250,000	2,500.00
Guaranty Co. of New York, Lee Higginson & Co.			
Mar. 28, 1930: Chicago, Milwaukee & St. Paul Ry. Co. Genl. mtge. gold bonds, series F, due May 1, 1939; Kuhn, Loeb & Co., National City Co.	15,000,000	1,875,000	16,279.40
Apr. 15, 1930: Consumers Power Co. 1st lien & unifying mtge. gold bonds, series of 1928, 4½%, due 1958; Bonbright & Co., Inc., National City Co., Bankers Co.	20,000,000	1,250,000	4,062.50
Apr. 17, 1930: Southern Pacific Co. Oregon Lines 1st mtge. 4½% bonds, series A, due Mar. 1, 1977; Kuhn, Loeb & Co., National City Co.	41,294,000	875,000	7,656.25
Apr. 21, 1930: Niagara Share Corp. of Maryland 20-yr. 5½% conv. gold deb., due May 1, 1950, \$500,000 bonds allotted to us which were sold to a selected list; Lee Higginson & Co., Guaranty Co. of New York, Schoellkopf, Hutton & Pomeroy, Inc., The Marine Trust Co. of Buffalo.	15,000,000	500,000	
Apr. 23, 1930: The Delaware & Hudson Co., 1st & ref. mtge. 4% gold bonds due May 1, 1943; Kuhn Loeb & Co., First National Bank.	10,000,000	410,000	3,749.00
Apr. 23, 1930: Chicago & North Western Ry. Co., genl. mtge. gold 4¾% due 1987; Kuhn Loeb & Co., National City Co.	5,031,000	251,550	3,142.80
Apr. 24, 1930: Republic of Chile, external loan S. F. 6% gold bonds due May 1, 1963; National City Co., Guaranty Co. of New York Lee Higginson & Co.	25,000,000	5,000,000	33,750.00
Apr. 26, 1930: General Steel Castings Corp., \$6 cumulative pfd. stock (convertible).	20,000 shs.		
In selling group (no commitment).		100,000 1,000 shs. @ 100	1,000.00
Drexel & Co.			
May 2, 1930: United States Rubber Co., 6% 3-yr. secured gold notes due June 1, 1933; Kuhn Loeb & Co., National City Co.	15,000,000	506,250	3,856.28
May 13, 1930: The Mead Corporation, first mtge. 6% gold bonds series A due May 1, 1945 with warrants; National City Co. Field, Gloré & Co. Inc.	9,500,000	1,187,500	8,906.25
May 23, 1930: The Brooklyn Union Gas Co., 20-yr. 5% debentures due June 1, 1950; National City Co.	18,000,000	1,833,333	6,875.00
May 28, 1930: Public Service Corp. of N.J., \$5 cumulative pfd. stock; Drexel & Co., Bonbright & Co. Inc.	150,000 shs.	3,500 shs.	875.00
June 4, 1930: City of Brisbane, 20-yr. S. F. 6% gold bonds dated June 1, 1930, due June 1, 1950; Lee Higginson & Co., National City Co.	5,000,000	625,000	4,786.41
June 16, 1930: Union Gulf Corporation, collateral trust S. F. 5% gold bonds, due July 1, 1950; Union Tr. Co. of Pitts., Guaranty Co. of N. Y., Bankers Co. of N. Y., National City Co., Mellon National Bank, Pitts., Pa.	60,000,000	750,000	6,281.25

GROUP 7.—Summary of all issues and underwritings of stocks and bonds by others, in which the firm of J. P. Morgan & Co. took a financial participation or commitment—Continued

	Par value of offering	J. P. M. & Co.'s commitment	Profit to J. P. M. & Co.
July 11, 1930: Canadian Pacific Railway Co., 30-yr. 4½% collateral-trust gold bonds, due July 1, 1960; National City Co., Guaranty Co. of N.Y.	\$25,000,000	\$2,662,500	\$9,984.37
July 17, 1930: Crane Company, 10-yr. 5% S.F. gold notes, due Aug. 1, 1940; Continental Illinois Co., Lee Higginson & Co., First National Bank	12,000,000	300,000	4,500.00
July 29, 1930: Pacific Gas & Electric Co., 1st & ref. mtge. gold bonds series F 4½% due 1960; National City Co., Blyth & Co., American Sec. Co.	25,000,000	2,031,250	12,187.50
Aug. 1, 1930: Minneapolis, St. Paul & Sault Ste. Marie Railway Co., 1st ref. mtge. 5½% bonds, series B, due July 1, 1978; Dillon, Read & Co., National City Co.	4,106,000	213,850.75	1,797.75
Aug. 27, 1930: New York, Chicago & St. Louis Railroad Co. ref. mtge. 4½% gold bonds, series C, due Sept. 1, 1978.	36,600,000		
Original group		7,320,000	9,150.00
Buying group		7,320,000	64,050.00
Banking group		322,000	1,207.50
Selling group		550,000	5,500.00
Guaranty Co., Lee Higginson & Co.			
Sept. 13, 1930: Chicago & Northwestern Ry. Co., 1st & ref. mtge. series C 4½% due May 1, 1937; Kuhn, Loeb & Co., National City Co.	12,000,000	600,000	
Sept. 18, 1930: Consumers Power Co., first lien and unifying mtge. gold bonds series of 1928 4½% due 1958; Bonbright & Co., Inc., National City Co., Bankers Co. of N.Y.	20,000,000	1,250,000	4,060.50
Sept. 18, 1930: The Pittsburgh, Cincinnati, Chicago & St. Louis R.R. Co., genl. mtge. 4½% gold bonds series C due July 1, 1977; Kuhn, Loeb & Co., National City Co.	23,735,000	500,000	4,920.42
Sept. 18, 1930: The Cleveland & Pittsburgh R.R. Co., genl. ref. mtge. 4½% gold bonds series A due Feb. 1, 1977; Kuhn, Loeb & Co., National City Co.	7,182,000	150,000	1,523.12
Oct. 17, 1930: The Edison Electric Illuminating Co. of Boston, 2-yr. 4% coupon gold notes due Nov. 1, 1932; Lee Higginson & Co., First Old Colony Corp., National City Co.	20,000,000	343,750	1,361.54
Oct. 21, 1930: The American Rolling Mill Co., 3-yr. 4½% gold notes, due Nov. 1, 1933; Guaranty Co. of New York, National City Co.	15,000,000	375,000	2,283.90
Nov. 26, 1930: Washington Gas Light Co., 4½% gold notes due Apr. 1, 1933; Harris Forbes & Co., National City Co., Chase Securities Corp.	3,000,000	150,000	1,734.97
Nov. 28, 1930: Canadian Pacific Railway, equip. tr. 4½% gold cfs. C 1930 maturing \$475,000 semiannually from June 1, 1931 to Dec. 1, 1945; Union Trust Co., Pittsburgh Bankers Co., Brown Bros., Bank of Montreal.	14,250,000	600,000	5,415.00
Dec. 6, 1930: Toledo Light & Power Co., 5% secured gold notes due Dec. 1, 1932; Harris, Forbes & Co., National City Co.	35,000,000	2,843,750	10,664.06
Jan. 10, 1931: Pacific Gas & Electric Co., 1st ref. mtge. gold bonds "F" 4½% due July 1, 1960; National City Co., Blyth & Co., American Securities Co.	25,000,000	2,187,500	13,125.00
Jan. 13, 1931: The United Gas Improvement Co., 5% dividend preferred stock syndicate; Drexel & Co., Bonbright & Co., Inc.	250,000 shs.	2,500 shs.	2,640.68
Jan. 14, 1931: International Match Corp. 10-yr. 5% conv. deb. due Jan. 15, 1941; Lee Higginson & Co., Guaranty Co., National City Co.	50,000,000	3,125,000	27,343.75
Jan. 23, 1931: The Pennsylvania, Ohio & Detroit Railroad Co., first & ref. mtge. 4½% gold bonds series "A" due Apr. 1, 1977; Kuhn, Loeb & Co.	6,483,000		
Jan. 23, 1931: The Philadelphia, Baltimore & Washington R.R. Co., general mtge. 4½% gold bonds, due July 1, 1977; Kuhn, Loeb & Co.	11,301,000	375,000	3,282.55
Jan. 24, 1931: The United New Jersey R.R. & Canal Co. genl. mtgs. 4½% gold bonds, due Sept. 1, 1979; Kuhn, Loeb & Co., National City Co.	6,020,000	125,000	1,393.97
Jan. 29, 1931: Philadelphia Electric Co. 1st & ref. mtge. gold bonds 4% series due 1971, in Syndicate Drexel & Co., Bonbright & Co., Inc.	40,000,000	500,000	3,100.76
Mar. 10, 1931: The Pennsylvania R.R. Co. genl. mtge. 4½% gold bonds series D due Apr. 1, 1981; Kuhn, Loeb & Co., National City Co.	50,000,000	1,000,000	8,750.00
Mar. 11, 1931: Boston & Maine R.R. Co. 1st mtge. gold series J.J. 4¾% due Apr. 1, 1961; Lee Higginson & Co., Harris Forbes & Co., First Old Colony Corporation, Kidder Peabody & Co.	13,943,000	1,464,000	15,130.57
Mar. 23, 1931: The Youngstown Sheet & Tube Co., 1st mtge. series "B" S.F. 5% gold bonds due Apr. 1, 1970; Bankers Co. of N.Y., Guaranty Co. of N.Y., Union Trust of Pittsburgh, National City Co.	25,000,000	2,500,000	18,750.00

GROUP 7.—Summary of all issues and underwritings of stock and bonds by others, in which the firm of J. P. Morgan & Co. took a financial participation or commitment—Continued

	Par value of offering	J. P. M. & Co.'s commitment	Profit to J. P. M. & Co.
Mar. 26, 1931: Public Service Electric & Gas Co. 1st & ref. mtge. gold bonds 4% series due Apr. 1, 1971; in syndicate Drexel & Co., Bonbright & Co.-----	\$26,000,000	\$750,000	\$7,459.32
Mar. 26, 1931: Southern Pacific Co., 50-yr. 4½% gold bonds due May 1, 1961; Kuhn, Loeb & Co., National City Co.-----	50,000,000	1,000,000	8,750.00
Mar. 26, 1931: Hughes Tool Co., 1st mtge. 5½% gold bonds due Apr. 1, 1936; National City Co.-----	3,000,000	750,000	8,250.00
Apr. 1, 1931: National Steel Cor. 1st (Collateral) mtge. S.F. gold bonds 5% series due Apr. 1, 1950; National City Co., Bankers Co. of N.Y.-----	40,000,000	3,254,250	19,118.72
May 7, 1931: Illinois Central Railroad Co. 3-yr. 4½% gold notes due June 1, 1934; Kuhn, Loeb & Co., National City Co.-----	20,000,000	625,000	2,733.63
May 21, 1931: Public Service Electric & Gas \$5 cumulative pfd. stock; syndicate Drexel & Co., Bonbright & Co. Inc.-----	300,000 shs.	5,000 shs.	6,764.62
May 27, 1931: Consolidated Gas Co. of N.Y., 20-yr. 4½% gold deb. bonds due June 1, 1951-----	60,000,000	-----	-----
Original group-----	-----	11,400,000	96,900.00
Selling group-----	-----	1,200,000	15,000.00
National City Co.-----	-----	-----	-----
July 28, 1931: Delaware Power & Light Co., 1st mtge. gold bonds 4½% series due 1971; Drexel & Co., Bonbright & Co. Inc., A. C. Allyn & Co. Inc.-----	6,000,000	226,000	2,260.00
	\$3,631,501,600 5,646,373 shs.	\$344,226,035 318,500 shs.	\$2,877,043.91

GROUP 8.—SUMMARY OF ALL ISSUES AND UNDERWRITINGS OF STOCKS AND BONDS BY OTHERS IN WHICH THE FIRM OF DREXEL & CO. TOOK A FINANCIAL PARTICIPATION OR COMMITMENT

[Drexel—C]

	Par value of offering	Drexel & Co. commitment	Profit to Drexel & Co.
Jan. 6, 1927: General American Tank Car Corp. equipment trust certificates, series "18", 4½%, due annually Jan. 15, 1929-Jan. 15, 1937; C. D. Barney & Co.-----	\$1,270,000	\$635,000	\$13,332.16
Jan. 14, 1927: Government of the Argentine Nation external sinking fund 6's, due Feb. 1, 1961; J. P. Morgan & Co.-----	27,000,000	100,000	1,329.00
Jan. 31, 1927: General Motors Acceptance Corp. 10-year sinking fund debenture 6's, due Feb. 1, 1937; J. P. Morgan & Co.-----	50,000,000	250,000	4,722.50
Feb. 16, 1927: General Motors Corporation 7% preferred stock; J. P. Morgan & Co.-----	250,000 shs.	1,000 shs.	2,368.00
Mar. 21, 1927: City of Tokio external loan of 1927, sinking fund 5½'s, due Oct. 1, 1961; J. P. Morgan & Co.-----	20,640,000	100,000	1,804.00
Mar. 22, 1927: Italian Credit Consortium for Public Works, external loan sinking fund secured "A" 7's, due Mar. 1, 1937; J. P. Morgan & Co.-----	4,500,000	38,000	450.30
Mar. 22, 1927: Italian Credit Consortium for Public Works, external loan sinking fund secured series "B" 7's, due Mar. 1, 1947; J. P. Morgan & Co.-----	7,500,000	62,000	734.70
Mar. 24, 1937: Chicago, Burlington & Quincy Railroad Co., first & refunding mortgage, series "B" 4½'s, due 1977; J. P. Morgan & Co.-----	30,000,000	250,000	2,767.50
Mar. 29, 1927: City of Rome external loan of 1927 sinking fund 6½'s, due Apr. 1, 1952-----	-----	200,000	-----
Intermediate group-----	-----	200,000	-----
Syndicate-----	-----	-----	-----
J. P. Morgan & Co.-----	30,000,000	-----	5,740.00
Apr. 1, 1927: Humble Oil & Refining Co. 10-year gold debenture 5's, due Apr. 1, 1937; J. P. Morgan & Co.-----	25,000,000	200,000	1,904.00
Apr. 5, 1927: Atlantic Coast Line Railroad Co. general unified mortgage series "A" 4½'s, due June 1, 1964; J. P. Morgan & Co.-----	8,809,000	400,000	2,000.00
Apr. 28, 1927: Government of the Argentine Nation loan of 1927 external sinking fund 6's, due May 1, 1961; J. P. Morgan & Co. and National City Co.-----	21,200,000	100,000	2,238.00
Apr. 28, 1927: Pirelli Co. of Italy sinking fund convertible 7's, due May 1, 1952; J. P. Morgan & Co.-----	4,000,000	100,000	1,464.00

GROUP 8.—Summary of all issues and underwritings of stocks and bonds by others in which the firm of Drexel & Co. took a financial participation or commitment—Continued

	Par value of offering	Drexel & Co. commitment	Profit to Drexel & Co.
May 9, 1927: Erie Railroad Co. refunding & improvement mortgage 5's, due 5/1/1967; J. P. Morgan & Co.	\$50,000,000	\$200,000	\$4,094.00
May 11, 1927: The Chesapeake Corporation 20-year convertible collateral trust 5's, due 5/15/1947:			
Intermediate group		500,000	
Syndicate		500,000	
J. P. Morgan & Co.	48,000,000		12,690.00
June 10, 1927: Marland Oil Co. serial gold notes, 5%, \$7,500,000, due annually, 1929-1932; J. P. Morgan & Co.	30,000,000	300,000	3,000.00
June 15, 1927: International Telephone & Telegraph Co. 25-year debenture 4½'s, due 7/1/1952; J. P. Morgan & Co.	35,000,000	300,000	4,308.00
July 8, 1927: General American Tank Car Corp. equipment trust certificates, series "19," 4½%, due annually, 8/1/1929-8/1/1942:			
Original group		1,855,000	
Intermediate group		910,000	
Selling group		728,000	
C. D. Barney & Co.	3,710,000		23,161.86
Aug. 24, 1927: Commonwealth of Australia external loan of 1927, 30-year 5's, due 9/1/1957:			
Intermediate group		500,000	
Syndicate		250,000	
J. P. Morgan & Co.	40,000,000		4,802.50
Aug. 31, 1927: General Motors Corp. 7% preferred stock; J. P. Morgan & Co.	250,000 shs.	500 shs.	500.00
Sept. 19, 1927: Mobile & Ohio Railroad Co. Refunding & improvement mortgage 4½'s, due 9/1/1977; J. P. Morgan & Co.	13,879,000	100,000	1,315.00
Oct. 19, 1927: The Edison Electric Illuminating Co. of Boston 4½% 3-year notes, due 11/1/1930; Lee Higginson & Co.	30,000,000	100,000	500.00
Oct. 19, 1927: New York Power & Light Corporation first mortgage 4½'s, due 10/1/1967:			
Original group		5,000,000	
Intermediate group		2,644,000	
Selling group		1,000,000	
Bonbright & Co.	66,000,000		67,658.11
Oct. 24, 1927: Great Northern Railway Co. general mortgage series "E" 4½'s, due 7/1/1977; J. P. Morgan & Co.	20,000,000	150,000	1,374.00
Dec. 5, 1927: General American Tank Car Corporation equipment trust certificates, series "AA," 4½%, due annually 2/15/1929-2/15/1942:			
Original group		980,000	
Intermediate group		680,000	
Selling group		500,000	
C. D. Barney & Co.	1,860,000		21,451.04
Dec. 5, 1927: Alabama Power Co. first and refunding mortgage 4½'s due 12/1/1967:			
Intermediate group		1,000,000	
Selling group		1,000,000	
Harris, Forbes & Co.	40,000,000		17,500.00
Dec. 15, 1927: Duke Power Company first and refunding mortgage 4½'s, due 12/1/67:			
Purchase group		7,125,000	
Intermediate group		2,860,000	
Syndicate		1,350,000	
Stone & Webster and Blodget, Inc.	40,000,000		101,279.66
Dec. 22, 1927: The New York, New Haven & Hartford Railroad Co. first and refunding mortgage 4½'s, due 12/1/67:			
Selling group		350,000	
J. P. Morgan & Co.	31,000,000		3,160.50
Jan. 18, 1928: Cleveland, Cincinnati, Chicago & St. Louis Rwy. Co. refunding and improvement mortgage "E" 4½'s, due 7/1/77:			
Selling group		375,000	
J. P. Morgan & Co.	15,000,000		3,281.25
Feb. 1, 1928: The Alabama Great Southern Railroad Co. first consolidated mortgage series "B" 4's, due Dec. 1, 1943; J. P. Morgan & Co.	6,206,000	100,000	625.00
Feb. 1, 1928: The Cleveland Union Terminals Co. first mortgage sinking fund series "C" 4½'s, due Oct. 1, 1977; J. P. Morgan & Co.	5,000,000	200,000	1,856.00
Feb. 20, 1928: The Nashville, Chattanooga & St. Louis Railway Co. first mortgage series "A" 4's, due, Feb. 1, 1978; J. P. Morgan & Co.	16,800,000	610,000	3,818.60
Feb. 23, 1928: Rochester Gas and Electric Corp. general mortgage series "D" 4½'s, due Sept. 1, 1977; J. P. Morgan & Co.	6,000,000	65,000	650.00

GROUP 8.—*Summary of all issues and underwritings of stocks and bonds by others in which the firm of Drexel & Co. took a financial participation or commitment—Continued*

	Par value of offering	Drexel & Co. commitment	Profit to Drexel & Co.
Mar. 26, 1928: Engineers Public Service Co. convertible preferred \$5 stock: Intermediate group.....			
Selling group.....		1,000 shs.	
Stone & Webster and Blodget, Inc.....	320,000 shs.	1,000 shs.	2,750.00
May 8, 1928: Commonwealth of Australia external loan of 1928 4½'s, due May 1, 1956: Intermediate group.....		\$500,000	
Syndicate.....		150,000	
J. P. Morgan & Co.....	\$50,000,000		\$3,665.00
June 4, 1928: Tokyo Electric Light Co. Ltd. first mortgage 6% bonds, due June 15, 1953: Special group.....		500,000	
Intermediate group.....		500,000	
Guaranty Co. of New York.....	70,000,000		6,250.00
Sept. 5, 1928: Alabama Power Co. first and refunding mortgage 5% bonds, due 9/1/1968: Intermediate group.....		375,000	
Selling group.....		375,000	
Harris, Forbes & Co.....	15,000,000		9,375.00
Oct. 10, 1928: Engineers Public Service Co. cumulative preferred \$5.50 stock with warrants; Stone & Webster and Blodget, Inc.....	130,000 shs.	600 shs.	1,350.00
Nov. 7, 1928: Atlantic Coast Line Railroad Co. general unified mortgage series "A" 4½'s, due June 1, 1964; J. P. Morgan & Co.....	2,800,000	150,000	750.00
Dec. 6, 1928: The New York, Chicago & St. Louis Railroad Co. refunding mortgage series "C" 4½'s, due Sept. 1, 1978; Guaranty Co. of New York.....	11,275,000	250,000	718.73
Feb. 10, 1928: Alabama Power Company \$5 cumulative preferred stock; Estabrook & Co., Putnam & Co.....	20,000 shs.	750 shs.	1,125.00
Jan. 28, 1929: The Chesapeake & Ohio Railway Co. refunding & improvement mortgage series "A" 4½'s, due Oct. 1, 1993: Syndicate.....		150,000	
J. P. Morgan & Co.....	24,784,000		937.50
Jan. 29, 1929: Railway Express Agency Inc. serial "A" 5's, due 1929-1949; J. P. Morgan & Co.....	32,000,000	300,000	3,375.00
Jan. 30, 1929: Terminal Railroad Association of St. Louis general and refunding mortgage 4's, due Jan. 1, 1953; J. P. Morgan & Co.....	8,000,000	100,000	1,500.00
Jan. 31, 1929: Alleghany Corporation 15-year collateral, 1944 35,000,000	35,000,000	500,000	6,837.50
Feb. 1, 1929: Alleghany Corp. cumulative preferred series "A" 5½% stock with warrants: Intermediate group.....		3,000 shs.	
Selling group.....		3,000 shs.	
Guaranty Co. of New York.....	250,000 shs.		6,232.80
May 13, 1929: Alleghany Corp. 20-year collateral trust convertible 5's, due June 1, 1949; J. P. Morgan & Co.....	25,000,000	350,000	4,550.00
May 14, 1929: Alleghany Corp. cumulative preferred A 5½% stock with warrants: Intermediate group.....		3,000 shs.	
Selling group.....		3,000 shs.	
Guaranty Co. of New York.....	250,000 shs.		5,125.00
June 13, 1929: Southern Public Utilities Co. first & refunding mortgage 5's due 1943; Stone & Webster and Blodget, Inc.....	3,000,000	750,000	8,930.11
Oct. 10, 1929: The Texas Corp. convertible sinking fund debenture 5's, due Oct. 1, 1944; Continental-Illinois Co.....	100,000,000	100,000	1,187.50
Oct. 18, 1929: Southern Bell Telephone & Telegraph Co. first mortgage sinking fund 5's, due Jan. 1, 1941; J. P. Morgan & Co.....	32,000,000	225,000	3,523.50
Nov. 12, 1929: The New York, Chicago & St. Louis Railroad Co. 3-year 6% notes due Oct. 1, 1932; Guaranty Co. of New York.....	20,000,000	440,000	1,650.00
Jan. 10, 1930: The Edison Electric Illuminating Co. of Boston three-year 5% notes, due Jan. 15, 1933; Lee, Higginson & Co.....	30,000,000	100,000	750.00
Jan. 13, 1930: American Telephone & Telegraph Co. 35-year debenture 5's, due Feb. 1, 1965; J. P. Morgan & Co.....	150,000,000	1,000,000	22,590.00
Jan. 15, 1930: The Chesapeake & Ohio Railway Co. refunding and improvement mortgage "B" 4½'s, due Jan. 1, 1995; J. P. Morgan & Co.....	35,088,000	250,000	3,350.00
Jan. 31, 1930: International Telegraph & Telegraph Corp. 25-year debenture 5's due 2/1/1955; J. P. Morgan & Co.....	50,000,000	350,000	6,340.00
Feb. 7, 1930: Louisville & Nashville Railroad Co. first and refunding mortgage series "C" 4½'s due 4/1/2003; J. P. Morgan & Co.....	15,000,000	100,000	2,200.00
Feb. 10, 1930: The Morris & Essex Railroad Co. construction mortgage "A" 5's due 11/1/1955; J. P. Morgan & Co.....	10,000,000	80,000	896.00
Feb. 10, 1930: The Morris & Essex Railroad Co. construction mortgage "B" 4½'s, due 11/1/1955; J. P. Morgan & Co.....	15,000,000	125,000	1,400.00

GROUP 8.—Summary of all issues and underwritings of stocks and bonds by others in which the firm of Drexel & Co. took a financial participation or commitment—Continued

	Par value of offering	Drexel & Co. commitment	Profit to Drexel & Co.
Mar. 10, 1930: Alleghany Corp. 20-year collateral trust convertible series of 1930 5's due 4/1/1950; J. P. Morgan & Co.	\$25,000,000	\$350,000	\$5,675.00
Mar. 11, 1930: Allegheny Corporation cumulative preferred "A" (with warrants) 5½% stock:			
Intermediate group		4,000 shs.	
Selling group		4,000 shs.	
Guaranty Co. of New York	125,000 shs.		7,950.76
Mar. 17, 1930: The Pure Oil Company 10-year sinking fund 5½% notes, due 3/1/1940; Guaranty Co. of New York	20,000,000	250,000	1,930.31
Mar. 18, 1930: Pere Marquette Railway Co. first mortgage "C" 4½'s, due 3/1/1980; J. P. Morgan & Co.	14,000,000	165,000	1,765.50
Mar. 25, 1930: The Cleveland Union Terminals Co. first mortgage sinking fund "C" 4½'s, due 10/1/1977; J. P. Morgan & Co.	18,000,000	550,000	6,215.00
Mar. 26, 1930: The New York, Chicago & St. Louis Railroad Co. refunding mortgage "C" 4½'s, due 1978:			
Intermediate group		500,000	
Selling group		250,000	
Guaranty Co. of New York	12,000,000		4,375.00
Apr. 8, 1930: Erie Railroad Co. refunding and improvement mortgage 5's, due 4/1/1975; J. P. Morgan & Co.	50,000,000	400,000	4,000.00
Apr. 24, 1930: Van Sweringen Corp. 5-year 6% notes (with warrants), due 5/1/1935; Guaranty Co. of New York	30,000,000	500,000	3,125.00
May 12, 1930: Imperial Japanese Government external loan of 1930, 35-year sinking fund 5½'s, due 5/1/1965:			
Intermediate group		1,000,000	
Syndicate		500,000	
J. P. Morgan & Co.	50,000,000		16,125.00
May 15, 1930: Great Northern Railway Co. general mortgage "E" 4½'s, due 7/1/1977; J. P. Morgan & Co.	20,000,000	350,000	3,500.00
May 22, 1930: General American Tank Car Corporation equipment trust certificates series "20" 4½%, due annually June 1, 1931, to June 1, 1945:			
Original group		2,025,000	
Intermediate group		1,100,000	
Selling group at 96.07		750,000	
C. D. Barney & Co.	4,050,000		34,983.39
May 22, 1930: General American Tank Car Corp. equipment trust certificates, series "21" 4½%, due annually June 1, 1931–June 1, 1944; C. D. Barney & Co.	456,000	378,000	7,852.33
May 22, 1930: American Smelting & Refining Co. 6% cumulative second preferred stock; Guaranty Co. of New York	75,000 shs.	1,500 shs.	763.83
June 4, 1930: Electric Bond & Share Co. \$5 cumulative preferred stock:			
Intermediate group		1,500 shs.	
Selling group		1,500 shs.	
Bonbright & Co., Inc.	200,000 shs.		3,375.00
June 12, 1930: German Government international loan of 1930, 35-year 5½%, due 6/1/1965:			
Intermediate group		3,000,000	
Syndicate		1,000,000	
J. P. Morgan & Co.	98,250,000		39,162.50
June 18, 1930: The Cleveland, Cincinnati, Chicago & St. Louis Railway Co. refunding improvement mortgage 4½%, due 7/1/1977, series "E"; J. P. Morgan & Co.	24,000,000	250,000	2,187.50
June 26, 1930: The Colorado & Southern Railway Co. general mortgage "A" 4½'s, due 5/1/1980; J. P. Morgan & Co.	20,000,000	250,000	2,550.00
June 26, 1930: Boston & Albany Railroad Co. improvement bonds of 1928 4½'s, due 8/1/1978; J. P. Morgan & Co.	5,700,000	50,000	477.50
July 1, 1930: The Michigan Central Railroad Co. refunding and improvement mortgage "C" 4½'s, due 1/1/1979; J. P. Morgan & Co.	7,634,000	152,000	1,330.00
July 10, 1930: Reading Co. general and refunding mortgage "B" 4½'s, due 1/1/1997; First National Bank of the city of New York	15,000,000	1,000,000	8,750.00
July 15, 1930: Austrian Government international loan of 1930 sinking fund 7's, due 7/1/1957:			
Intermediate group		250,000	
Selling group		50,000	
J. P. Morgan & Co.	25,000,000		2,850.00
Aug. 28, 1930: The New York, Chicago & St. Louis Railroad Co. refunding mortgage "C" 4½'s, due 9/1/1978:			
Intermediate group		1,500,000	
Selling group		500,000	
Guaranty Co. of New York	36,600,000		10,625.00
Sept. 24, 1930: General Motors Corporation \$5 preferred stock; J. P. Morgan & Co.	158,197 shs.	2,950 shs.	2,950.00

GROUP 8.—*Summary of all issues and underwritings of stocks and bonds by others in which the firm of Drexel & Co. took a financial participation or commitment—Continued*

	Par value of offering	Drexel & Co. commitment	Profit to Drexel & Co.
Sept. 25, 1930: The Cincinnati Union Terminal Co. first mortgage series "A" 4½'s, due 7/1/2020; J. P. Morgan & Co.	\$12,000,000	\$540,000	\$5,778.00
Oct. 1, 1930: Engineers Public Service Co. \$6 cumulative dividend preferred; Stone & Webster and Blodgett, Inc.	75,000 shs.	1,000 shs.	2,000.00
Oct. 2, 1930: The Philadelphia Inquirer Co. 10-year 6% notes, due 9/1/1940; the Philadelphia National Co.	6,000,000	250,000	4,375.00
Aug. 28, 1930: The New York, Chicago & St. Louis Railroad Co. refunding mortgage "C" 4½'s, due 9/1/1978:			
Intermediate group		1,500,000	
Selling group		500,000	
Guaranty Co. of New York	36,600,000		10,625.00
Sept. 24, 1930: General Motors Corporation \$5 preferred stock; J. P. Morgan & Co.	158,197 shs.	2,950 shs.	2,950.00
Sept. 25, 1930: The Cincinnati Union Terminal Co. first mortgage series "A" 4½'s, due 7/1/2020; J. P. Morgan & Co.	12,000,000	540,000	5,778.00
Oct. 1, 1930: Engineers Public Service Co. \$6 cumulative dividend preferred; Stone & Webster and Blodgett, Inc.	75,000 shs.	1,000 shs.	2,000.00
Oct. 2, 1930: The Philadelphia Inquirer Co. 10-year 6% notes, due 9/1/1940; the Philadelphia National Co.	6,000,000	250,000	4,375.00
Oct. 16, 1930: The Edison Electric Illuminating Co. of Boston 4% 2-year notes, due 11/1/1932; Lee, Higginson & Co.	20,000,000	100,000	375.00
Nov. 6, 1930: Mobile & Ohio Railroad Co. 5% secured notes, due 9/1/1938; J. P. Morgan & Co.	5,000,000	150,000	1,500.00
Nov. 19, 1930: General American Tank Car Corporation equipment trust certificates series "23" 4½'s, due annually 11/1/1931–11/1/1945:			
Original group		1,500,000	
Intermediate group		1,035,000	
Selling group		663,000	
C. D. Barney & Co.	3,000,000		19,077.12
Jan. 8, 1931: The Cleveland, Cincinnati, Chicago & St. Louis Railway Co. refunding and improvement mortgage series "E" 4½'s, due July 1, 1977:			
Selling group		300,000	
J. P. Morgan & Co.	5,000,000		2,454.00
Jan. 9, 1931: The Texas & Pacific Railway Co. general refunding mortgage series "D" 5's due Dec. 1, 1980:			
Selling group		400,000	
J. P. Morgan & Co.	13,000,000		4,024.80
Jan. 14, 1931: Columbia Gas and Electric Corp. debenture 5's, due 1961:			
Intermediate group		1,500,000	
Selling group		250,000	
Guaranty Co. of New York	50,000,000		8,375.00
Jan. 22, 1931: Buffalo General Electric Co. general and refunding mortgage series "B" 4½'s, due Feb. 1, 1981:			
Selling group		310,000	
J. P. Morgan & Co.	20,000,000		3,080.00
Jan. 26, 1931: Kansas City Power & Light Co. first mortgage 4½'s due Feb. 1, 1961:			
Intermediate group		500,000	
Selling group		250,000	
Guaranty Co. of New York	27,000,000		5,625.00
Jan. 27, 1931: Missouri Pacific Railroad Co. first and refunding mortgage series "T" 5's, due Feb. 1, 1981; J. P. Morgan & Co.	61,200,000	300,000	3,810.00
Feb. 11, 1931: The Michigan Central Railroad Co. refunding and improvement mortgage series "C" 4½'s, due Jan. 1, 1979; J. P. Morgan & Co.	4,000,000	225,000	2,025.00
Feb. 26, 1931: Pere Marquette Railway Co. first mortgage series "C" 4½'s, due Mar. 1, 1980; J. P. Morgan & Co.	8,000,000	250,000	1,875.00
Mar. 10, 1931: New York Central Railroad Co. refunding and improvement mortgage series "A" 4½'s, due Oct. 1, 2013; J. P. Morgan & Co.	75,000,000	975,000	10,175.00
Apr. 1, 1931: Northern States Power Co. refunding mortgage 4½'s, due Apr. 1, 1961; Harris, Forbes & Co.	35,000,000	200,000	2,500.00
Apr. 7, 1931: Pennsylvania Power & Light Co. first mortgage 4½'s, due Apr. 1, 1981:			
Special group		6,000,000	
Intermediate group		2,500,000	
Selling group		2,500,000	
Guaranty Co. of New York	100,000,000		88,689.06
May 27, 1931: Consolidated Gas Co. of New York 20-year debenture 4½'s, due June 1, 1951:			
Intermediate group		250,000	
Selling group		250,000	
National City Co.	60,000,000		4,669.77

GROUP 8.—*Summary of all issues and underwritings of stocks and bonds by others in which the firm of Drexel & Co. took a financial participation or commitment—Continued*

	Par value of offering	Drexel & Co. commitment	Profit to Drexel & Co.
June 26, 1931: Taiwan Electric Power Co., Ltd., 40-year sinking fund 5½'s, due July 1, 1971; J. P. Morgan & Co.-----	\$22,800,000	\$200,000	\$4,510.00
July 7, 1931: St. Joseph Lead Co., 10-year convertible debenture 5½'s, due May 1, 1941; J. P. Morgan & Co.-----	9,752,300	250,000	2,500.00
Aug. 12, 1931: Electric Bond & Share Co., \$5 cumulative preferred stock:			
Intermediate group-----		1,500 shs.	
Selling group-----		1,500 shs.	
Bonbright & Co., Inc.-----	100,000		3,187.50
Sept. 15, 1931: Louisville & Nashville Railroad Co., 10-year secured 5's due Oct. 1, 1941; J. P. Morgan & Co.-----	10,000,000	100,000	1,125.00
Nov. 19, 1931: The Cincinnati Union Terminal Co., first series "B" 5's, due July 1, 1920; J. P. Morgan & Co.-----	12,000,000	575,000	7,188.20

COMMITTEE EXHIBIT No. 16 OF MAY 25, 1933

QUESTION 10

Lists of all pools, joint accounts, and/or syndicates in which either of said firms or representatives participated, giving the names of security involved, names of all participants, and all details with respect to the amount of the participation and profits and losses therein

Allied Power and Light Corporation common and Commonwealth and Southern Corporation common and option warrants joint arbitrage account

[Feb. 3, 1930, Joint Arbitrage Account formed by J. P. Morgan & Co. and Asiel & Co.]

For Allied Power and Light Corp.	Received, Commonwealth and Southern Corp.
1 share 1st preferred-----	¾ share preferred \$6 series.
1 share \$3 preferred-----	¼ share preferred \$6 series.
1 share common-----	2½ shares common and option warrant for 1¼ shares.

February 28, 1930, the account was closed.

Summary

Bought----- 1,000 shares Allied Power & Light Corp. common.
Sold----- 100 shares Allied Power & Light Corp. common.

Balance—bought-- 900 shares Allied Power & Light Corp. common.

Sold----- 2,250 shares Commonwealth & Southern Corp. common.

Sold----- 1,125 Commonwealth & Southern Corp. option warrants.

Five percent interest, amounting to \$79.94, charged on debit balances.

Profit \$393.86, our share \$196.93, the balance of \$196.93 paid Asiel & Co. on February 28, 1930.

The American Superpower Corporation Common "A" and "B" "Old" and common "New" and rights—United Corporation common stock joint arbitrage account

May 2, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

American Superpower Corporation common-stock holders of record May 8, 1929, were entitled to purchase United Corporation common @ \$30 per share, at the rate of 1 share of United Corporation common for each 4 shares of American Superpower Corporation common (both "A" and "B"). Also to change two

classes of American Superpower Corporation common into one class of common, the class "A" and "B" common to be exchanged for new common on a ratio of 5 new common for each share of class "A" and "B".

On June 15, 1929, the account was closed:

SUMMARY

AMERICAN SUPERPOWER CORPORATION		Shares
"Old":		
Bought	-----	7, 800
Sold	-----	300
Balance—Bought	-----	17, 500
"New":		
Sold	-----	40, 400
Bought	-----	2, 900
Balance—Sold	-----	37, 500
Rights:		Rights
Received free on purchases	-----	5, 700
Bought	-----	143, 700
		149, 400
Sold	-----	21, 400
Balance—Bought	-----	128, 000

UNITED CORPORATION COMMON		Shares
Sold	-----	38, 100
Bought	-----	6, 100
Balance—Sold	-----	32, 000

May 7th to 15th, 1929, the account borrowed from J. P. Morgan & Co. 32,000 shares of United Corporation common.

May 24, 1929, the account subscribed to 32,000 shares United Corporation common, through the exercise of the 128,000 rights mentioned above. May 29, 1929, the 32,000 shares borrowed were returned to J. P. Morgan & Co.

Eight and one half percent interest, amounting to \$13,778.84, was charged on debit balances.

Profit \$60,684.53; our share \$30,342.26, the balance of \$30,342.27 paid Asiel & Co. on June 15, 1929.

American Superpower Corporation rights, Commonwealth and Southern Corporation common, joint arbitrage account

June 6, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

American Superpower Corporation common stockholders of record on June 18, 1929, were granted the right to purchase common stock of the Commonwealth and Southern Corporation at \$15 per share, at the rate of 1 share Commonwealth and Southern Corporation common for each 10 shares of American Superpower Corporation common.

On July 18, 1929, the account was closed:

SUMMARY

AMERICAN SUPERPOWER CORPORATION RIGHTS		Rights
Bought	-----	45, 700
Sold	-----	6, 000
Balance—bought	-----	39, 700

11,800 exrights.

COMMONWEALTH AND SOUTHERN CORPORATION COMMON STOCK

	Shares
Sold.....	4, 470
Bought.....	500
Balance—sold.....	3, 970

July 2, 1929, we subscribed to 3,970 shares of Commonwealth and Southern Corporation common stock, using the 39,700 American Superpower Corporation rights and \$59,550 (\$15 per share).

Seven percent interest, amounting to \$180.36, was charged on debit balances.

Profit \$1,257.59; our share \$628.79, the balance \$628.80 paid Asiel & Co., July 18, 1929.

Anaconda Copper Mining Company capital stock, joint arbitrage account

March 7, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

Stockholders of record on April 30, 1929, were entitled to subscribe, at \$55 per share, for 2 shares of additional stock for each 5 shares then held.

On May 27, 1929, the account was closed.

SUMMARY		Shares "old"
Bought.....		26, 100
Sold.....		1 3, 400
Balance—Bought.....		22, 700
		Shares "new"
Sold.....		23, 510
Bought.....		810
Balance—Sold.....		22, 700
		Rights
Bought.....		56, 650
Received free.....		23, 700
Total.....		80, 350
Sold.....		80, 350

Eight percent interest, amounting to \$65,923.28, was charged on debit balances.

Profit \$113,765.07, J. P. Morgan & Co.'s share \$56,882.53, the balance of \$56,882.54 paid Asiel & Co. on May 27, 1929.

J. I. Case Company: common stock, joint arbitrage account

September 20, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

Stockholders of record on October 4, 1929, were entitled to subscribe to 65,000 additional common shares at \$150 per share, in the ratio of 1 new share for each 2 shares of old then held.

On December 6, 1929, the account was closed:

SUMMARY		
Shares "old" bought.....		400
Shares "new" sold.....		400
Rights:		
Bought.....		700
Received free.....		400
Sold.....		1, 100

¹ 1,000 sold ex rights.

Eight percent interest, amounting to \$689.76, was charged on debit balances.
 Loss \$5,723.51, our share \$2,861.75, the balance \$2,861.76 paid by Asiel & Co.
 on December 6, 1929.

The Celluloid Corporation rights and first participating preferred stock arbitrage account

Account formed August 27, 1927.	Percent
J. P. Morgan & Co.....	37½
Clark, Dodge & Co.....	37½
J. S. Rippel & Co.....	25

SUMMARY		100
Rights bought.....		23, 708
Rights sold.....		12, 136
Balance.....		11, 572
Shares subscribed with balance of 11,572 rights.....		2, 893
Shares sold.....		2, 893

Account closed October 27, 1927. J. P. Morgan & Co.'s profit \$10,105.42.

Columbia Graphophone Co., Ltd., American shares, joint arbitrage account

On June 10, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

Stockholders of record at the close of business June 14, 1929, were entitled to subscribe to new shares on the basis of 1 new share for every 5 shares held, subscription price \$24.28 per share.

On October 10, 1929, the account was closed.

SUMMARY		Rights
Bought.....		21, 200
*Less.....		1 2, 200
		19, 000
		Shares
Sold.....		4, 000
Bought.....		200
Balance—sold.....		3, 800

On July 10, 1929, the account subscribed to 3,800 shares of stock, using the 19,000 rights which were bought and \$92,264.

Eight percent interest, amounting to \$4,327.68, was charged on debit balances.

Profit \$2,885.15, J. P. Morgan & Co.'s share \$1,442.58, balance \$1,442.57 paid Asiel & Co. on December 10, 1929.

Commonwealth and Southern Corporation common stock; Commonwealth and Southern Corporation option warrants; Commonwealth Power Corporation common stock; Southeastern Power and Light Company common stock; Southeastern Power and Light Company option warrants; Penn-Ohio Edison Company common stock; Penn-Ohio Edison Company option warrants "A"; and Penn-Ohio Edison Company option warrants "B"; joint arbitrage account

On June 13, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co. The United Corporation also had an interest in this account.

Under the plan and deposit agreement, dated May 24, 1929, the offer of the Commonwealth and Southern Corporation to exchange its common shares and option warrants entitling the holders to purchase additional common stock at \$30 per share, was made on the following basis:

¹ Account 2,200 shares sold cum rights.

Deposit	Receive in exchange Commonwealth & Southern Corp.	
	Common stock	Option warrants
	<i>Shares</i>	
1 share Commonwealth Power Corp. common stock.....	8	4
1 share Southeastern P. & L. Co. common stock.....	4 $\frac{1}{2}$	2 $\frac{1}{4}$
1 share Southeastern P. & L. Co. common stock, voting trust.....	4 $\frac{1}{2}$	2 $\frac{1}{4}$
1 share Southeastern Power & Light Co. common stock, option warrant.....	2	1
1 share Penn-Ohio Edison Co. common stock.....	3 $\frac{1}{4}$	1 $\frac{3}{4}$
1 share Penn-Ohio Edison Co. common stock, option warrant A.....	2 $\frac{1}{4}$	1 $\frac{1}{4}$
1 share Penn-Ohio Edison Co. common stock, option warrant B.....	$\frac{3}{4}$	$\frac{3}{8}$

On July 9, 1929, the account was closed.

Summary

	Shares
Commonwealth Power Corporation common stock (bought).....	11, 400
Southeastern Power & Light Co. common stock (bought).....	5, 200
Penn-Ohio Edison Co. common stock (bought).....	22, 300
Southeastern Power & Light Co. warrants (bought).....	4, 200
Penn-Ohio Edison Co warrants A (bought).....	3, 400
Penn-Ohio Edison Co. warrants B (bought).....	7, 700
Commonwealth & Southern Corporation, new:	
Sold.....	250, 600
Bought.....	200
Balance, sold.....	250, 400
Sold.....	125, 200

Seven percent interest, amounting to \$7,660.14, charged on debit balances.

The account borrowed from the United Corporation 50,000 shares of Commonwealth & Southern Corporation common stock and 25,000 Commonwealth & Southern Corporation common stock option warrants, and deposited with the corporation on account of this loan \$1,450,000 being at the rate of \$24 per share and \$10 per option warrant.

Profit \$78,228.99: J. P. Morgan & Co. share, \$31,291.59; the United Corporation share \$15,645.80; and \$31,291.60 to Asiel & Co.

CONSOLIDATED GAS COMPANY OF NEW YORK COMMON STOCK JOINT ARBITRAGE ACCOUNT

July 26, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

Stockholders of record on September 13, 1929, entitled to subscribe for 1 new share of common stock at \$75 per share for 10 shares of common stock then held.

October 22, 1929, the account was closed.

Summary

	Rights
Bought (9,700 received free).....	120, 127
Sold.....	120, 127
	Shares
Bought.....	10, 700
Sold.....	10, 700

Eight percent interest, amounting to \$19,953.32, was charged on debit balances.

Total profit \$39,243.54, of which our share was \$19,621.77, and the balance of \$19,621.77 was paid to Asiel & Co. on October 22, 1929.

E. I. DU PONT DE NEMOURS & Co.

COMMON STOCK JOINT ARBITRAGE ACCOUNT

November 20, 1928; joint arbitrage account in E. I. du Pont de Nemours & Co. common stock, "old" and "new", formed by Asiel & Co. and J. P. Morgan & Co.

Each share of "old" stock exchangeable for $3\frac{1}{2}$ shares of "new" stock.

The Grasselli Chemical Co. common stock was also exchangeable for E. I. du Pont de Nemours & Co. common stock "old" on the basis of five shares of Grasselli Co. common for each one share of Du Pont "old."

January 29, 1929, the account was closed.

Summary

	Shares		
Sold, common new-----	15, 855	\$2, 210, 846. 25	
Bought, common new-----	1, 575	223, 000. 00	
			1, 987, 846. 25
Balance, sold (net)-----	14, 280		
Bought, common old-----	1, 900	935, 775. 00	
Bought, common old, received in ex- change for 10,900 shares The Gras- selli Chemical Co. common-----	2, 180	1, 026, 787. 50	
	4, 080		1, 962, 562. 50
			25, 283. 75
Less:			
Interest, 7 percent-----		21, 606. 46	
Commissions-----		1, 553. 75	
Tax-----		126. 84	
Advertising-----		544. 80	
			23, 831. 85
			1, 451. 90
Plus:			
Interest, 7 percent-----		77. 61	
Dividend-----		27, 405. 00	
			27, 482. 61
Net profit-----			28, 934. 51

January 29, 1929, one half of profit paid Asiel & Co., \$14,467.26, and \$14,467.26 was paid J. P. Morgan & Co.

THE FLEISCHMANN COMPANY COMMON STOCK JOINT ARBITRAGE ACCOUNT

June 21, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

	Receive in exchange Standard Brands Inc. com- mon stock Shares
For, old company:	
1 share Fleischmann Co. common-----	2½
1 share Royal Baking Powder Co. common-----	1
1 share E. W. Gillett Co., Ltd., common-----	10
For:	
1 share Fleischmann Co. pre-ferred.	4 shares Standard Brands, Inc., common stock or, at option of holder, 1 share Standard Brands, Inc., cumulative preferred series A.
1 share Royal Baking Powder Co. preferred.	1 share Standard Brands, Inc., cumulative preferred series A.

On September 25, 1929, the account was closed.

Summary

The Fleischmann Co. common:	Shares
Bought-----	71, 400
Sold-----	8, 900
Balance, bought-----	62, 500
Royal Baking Powder Co. common:	
Bought-----	49, 500
Sold-----	5, 500
Balance, bought-----	44, 000
E. W. Gillett Co., Ltd., common, bought-----	25
Standard Brands, Inc., common:	
Sold-----	200, 950
Bought-----	450
Balance, sold-----	200, 500

Eight percent interest, amounting to \$79,235.81, was charged on debit balances. Total profit \$124,613.48, of which J. P. Morgan & Co.'s share was \$62,306.74, and \$62,306.74 was paid to Asiel & Co. on September 25, 1929.

GENERAL ELECTRIC COMPANY COMMON STOCK JOINT ARBITRATE ACCOUNT

December 9, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Stokes, Hodges & Co.

January 15, 1930, the General Electric Co. stockholders authorized the change of 7,400,000 shares (no par value) into 29,600 shares (no par value), (4 shares of new for 1 share of old).

January 31, 1930, the account was closed.

Summary

	Shares
Bought (old)-----	45, 000
Sold (old)-----	20, 000
Balance bought (old)-----	25, 000
Sold (new)-----	153, 800
Bought (new)-----	53, 800
Balance sold (new)-----	100, 000

Six percent interest, amounting to \$35,468.45, was charged on debit balances. Total profit \$60,104.62, J. P. Morgan & Co.'s share of which, \$30,052.31, was paid on January 31, 1930, Stokes, Hodges & Co. retaining their own share of \$30,052.31.

GENERAL ELECTRIC Co. COMMON STOCK, JOINT ARBITRAGE ACCOUNT No. 2

January 2, 1930, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

Seven million four hundred thousand shares (no par value) exchangeable into 29,600,000 shares (no par value, 4 shares of new for 1 share of old).

February 5, 1930, the account was closed.

Summary

	Shares
Bought, old-----	600
Sold, new-----	2, 400

Six percent interest, amounting to \$660.76, was charged on debit balances.

Profit \$660.74, J. P. Morgan & Co.'s share \$330.37, balance of \$330.37 paid Asiel & Co. February 5, 1930.

GENERAL MOTORS CORPORATION COMMON STOCK, JOINT ARBITRAGE ACCOUNT

August 15, 1927, a joint arbitrage account in General Motors Corporation common stock, old and new, formed by J. P. Morgan & Co. and Asiel & Co.

Total purchases amounted to 30,600 shares of old. Six hundred shares of old were sold and 60,000 shares of new were sold.

On September 27, 1927, the account was closed. Profit amounted to \$62,419.17, of which J. P. Morgan & Co. paid Asiel & Co. \$31,209.59 and retained \$31,209.58.

GENERAL MOTORS CORPORATION 7 PERCENT PREFERRED, STOCK JOINT ACCOUNT

September 2, 1927, a joint account was formed, viz:

	Per cent
J. P. Morgan & Co.-----	75
Wood, Struthers & Co.-----	25
	<hr/> 100

Five thousand eight hundred shares were bought and 2,041 shares sold.

October 6, 1927, the account was closed and the balance of 3,759 shares were delivered against payment at an average price of 125.10819, as follows:

	Shares
J. P. Morgan & Co. (stock account)-----	2, 819
Wood, Struthers & Co.-----	940
	<hr/> 3, 759

GENERAL MOTORS CORPORATION COMMON STOCK, JOINT ARBITRAGE ACCOUNT

November 9, 1928, a joint arbitrage account in General Motors Corporation common stock, old and new, formed by Asiel & Co. and J. P. Morgan & Co.

One share of old common stock (par \$25) exchangeable for 2½ shares of new (par \$10).

January 12, 1929, the account was closed.

Summary

	Shares		
Sold, new-----	13, 600	\$1, 178, 718. 75	
Bought, new-----	350	26, 256. 25	
	<hr/>		
Balance sold-----	13, 250		\$1, 152, 462. 50
Bought, old-----	5, 400	1, 147, 762. 50	
Sold, old-----	100	18, 436. 50	
	<hr/>		
Balance bought-----	5, 300		1, 129, 326. 00
			<hr/> 23, 136. 50
Less:			
Advertising expenses-----		277. 33	
Interest, 7 percent-----		11, 273. 39	
Commission-----		781. 88	
Taxes-----		54. 40	
		<hr/>	12, 387. 00
			<hr/> 10, 749. 50
Plus: Dividend-----			15, 000. 00
			<hr/> 25, 749. 50

January 12, 1929, Asiel & Co. were paid \$12,874.75, being one half of the net profit.

GUARANTY TRUST CO. OF NEW YORK CAPITAL STOCK AND RIGHTS, JOINT ARBITRAGE ACCOUNT

June 7, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Grannis, Doty & Co., to deal in Guaranty Trust Co. of New York, capital stock and rights.

The Guaranty Trust Co. increased its capital stock by \$20,000,000, or 200,000 shares, i.e., from \$70,000,000 to \$90,000,000, stockholders being entitled to subscribe to 1 share of new stock at \$500 per share for each $3\frac{1}{2}$ shares of stock held.

On August 6, 1929, the account was closed:

<i>Summary</i>		
		<i>Shares</i>
Sold.....	-----	7, 957
Bought.....	-----	1, 957
Balance sold.....	-----	6, 000
		<i>Rights</i>
Bought.....	-----	48, 499 $\frac{1}{2}$
Sold.....	-----	27, 499 $\frac{1}{2}$
Balance bought.....	-----	21, 000
<i>Stock borrowed</i>		
		<i>Shares</i>
From our own stock account.....	-----	5, 563
From Beech Corporation.....	-----	437
Total borrowed.....	-----	6, 000

On July 22, 1929, we subscribed to 6,000 shares of stock, using the 21,000 rights which were bought and \$3,000,000 (\$500 per share).

Total profit \$35,944.19, of which our share was \$17,972.09, the balance of \$17,972.10 paid to Grannis, Doty & Co. August 6, 1929.

INTERNATIONAL TELEPHONE & TELEGRAPH CORPORATION STOCK, JOINT ARBITRAGE ACCOUNT

March 18, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

May 9, 1930, the International Telephone & Telegraph Corporation authorized the split up of its 5,000,000 shares of stock of \$100 par value into 15,000,000 shares of no par value (3 shares of new for 1 share of old).

On May 21, 1929, the account was closed:

<i>Summary</i>		
		<i>Shares</i>
Bought, old.....	-----	9, 000
Sold, old.....	-----	2, 600
Balance bought, old.....	-----	6, 400
Sold, new.....	-----	20, 600
Bought, new.....	-----	1, 400
New.....	-----	19, 200

Eight percent interest, amounting to \$19,052.35, was charged on debit balances.

Total profit \$24,053.46, our share \$12,026.73, balance of \$12,026.73 paid to Asiel & Co. May 21, 1929.

INTERNATIONAL TELEPHONE & TELEGRAPH CORPORATION 10-YEAR CONVERTIBLE $4\frac{1}{2}$ PERCENT GOLD DEBENTURE BONDS, DUE JAN. 1, 1939, AND COMMON STOCK, JOINT ARBITRAGE ACCOUNT

June 18, 1929, a joint arbitrage account formed by J. P. Morgan & Co., and Asiel & Co.

Bonds convertible into stock at the rate of 15 shares for each \$1,000 bond.

On July 10, 1929, the account was closed.

Summary

Bought bonds, \$20,000; sold shares stock, 300.

Six percent interest, amounting to \$114.13, was charged on debit balances.

Total profit, \$298.44; our share, \$149.22; the balance of \$149.22 paid to Asiel & Co. July 18, 1929.

KENNECOTT COPPER CORPORATION STOCK JOINT ARBITRAGE ACCOUNT

January 2, 1929, a joint arbitrage account in Kennecott Copper Corporation stock, old and new, formed by Asiel & Co. and J. P. Morgan & Co.

Holders of 1 share of stock at close of business February 7, 1929, were to receive an additional share.

On February 28, 1929, the account was closed.

Summary

	Shares		
Sold (new)-----	6, 700	\$552, 162. 50	
Bought (new)-----	500	40, 175. 00	
Total sold (new)-----	6, 200		\$511, 987. 50
Bought (old)-----	3, 400	543, 400. 00	
Sold (old)-----	300	47, 688. 00	
Old-----	3, 100		495, 712. 00
			16, 275. 50
Less:			
Commission-----		710. 00	
Taxes-----		268. 00	
Advertising expenses-----		191. 25	
Debit interest at 8 percent-----		5, 918. 87	
			7, 088. 12
			9, 187. 83

On February 28, 1929, Asiel & Co. were paid \$4,593.69, being one half of the net profit.

MONTGOMERY WARD & CO. COMMON STOCK, JOINT ARBITRAGE ACCOUNT

October 17, 1928, a joint arbitrage account in Montgomery Ward & Co. common stock, old and new, formed by Asiel & Co. and J. P. Morgan & Co.

Holders of old common were entitled to subscribe for additional shares of common stock in the proportion of 2 shares to each 1 share then owned at a price of \$35 for each 2 shares.

On December 14, 1928, the account was closed:

Summary

	Shares		
Sold common (new)-----	63, 000	8, 129, 200	
Bought common (new)-----	5, 700	843, 925	
Balance sold (net)-----	57, 300		\$7, 285, 275. 00
Bought common (old)-----	20, 900	7, 119, 825	
Sold common (old)-----	1, 800	729, 803	
Balance bought (net)-----	19, 100		6, 390, 522. 00
			894, 753. 00
Less:			
Interest-----		\$65, 357. 37	
Advertising-----		1, 600. 00	
Commission and tax stamps-----		7, 356. 00	
Subscriptions-----		668, 500. 00	
Subscription expenses-----		191. 00	
			743, 004. 37
			151, 748. 63

Summary—Continued

Plus:		
Dividend	-----	\$18, 100. 00
Interest	-----	2, 030. 93
		<hr/>
		\$20, 130. 93
Net profit	-----	171, 879. 56

On December 14, 1928, Asiel & Co. were paid \$85,939.78, being one half of the net profit.

MONTGOMERY WARD & CO., INC., COMMON STOCK, JOINT ARBITRAGE ACCOUNT

June 14, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

Stockholders of record on July 17, 1929, were entitled to subscribe to additional shares at \$50 per share in the ratio of 1 additional share for each 3 shares then held.

On August 17, 1929, the account was closed.

Summary

	Shares
Sold	----- 6, 900
Bought	----- 4, 700
	<hr/>
Balance sold	----- 2, 200
	<hr/>
	Rights
Bought	----- 28, 500
Sold	----- 21, 900
	<hr/>
Balance bought	----- 6, 600

August 2, 1929, subscribed to 2,200 shares of stock, using 6,600 rights and 110,000 (\$50 per share).

Eight percent interest, amounting to \$469.76, was charged on debit balances.

Total profit \$11,789.18, our share \$5,894.59, the balance of \$5,894.59 paid Asiel & Co.

NIAGARA HUDSON POWER CORPORATION COMMON STOCK JOINT ARBITRAGE ACCOUNT

On June 20, 1929, a joint arbitrage account formed between J. P. Morgan & Co. and Asiel & Co. to trade in Buffalo, Niagara & Eastern Power Corporation class A stock, Buffalo, Niagara & Eastern Power Corporation common stock, Northeastern Power Corporation common stock, Mohawk-Hudson Power Corporation common stock, Mohawk-Hudson Power Corporation warrants, Niagara-Hudson Power Corporation common stock, Niagara-Hudson Power Corporation class A warrants, and Niagara-Hudson Power Corporation class B warrants.

Under a plan and deposit agreement, dated June 19, 1929, holders were invited to deposit their stock for exchange on the following basis:

Receive: Niagara-Hudson Power Corp. class A 15-year option warrants to purchase 1 share common stock, at \$35.

Deposit:

	Shares
1 share Buffalo, Niagara & Eastern Power Corp. common stock or class A stock	----- 4 1
1 share Northeastern Power Corp. common stock	----- 2 $\frac{3}{8}$ $\frac{3}{8}$
1 share Mohawk-Hudson Power Corp. common stock	----- 3 $\frac{1}{2}$ $\frac{7}{8}$
1 Mohawk-Hudson Power Corporation warrant class A 15-year option warrant to purchase $\frac{7}{8}$ of a share of common stock, at \$35 per full share and class B2 option warrant to purchase 3 $\frac{1}{2}$ shares of common stock for \$50.	

On August 30, 1929, the account was closed:

Summary

Buffalo, Niagara & Eastern Power Corp. class A, and common stock:		
Bought:		Shares
Class A.....		500
Common.....		200
Total bought.....		700
Northeastern Power Corporation common: Bought.....		6, 100
Mohawk-Hudson Power Corporation common: Bought.....		2, 200
Mohawk-Hudson Power Corporation warrants: Bought.....		600
Niagara Hudson Power Corporation common:		
Sold.....	27, 166%	
Bought.....	400	
Balance sold.....	26, 766%	
Niagara Hudson Power Corporation class A warrants: Sold.....	7, 216 ¹ / ₂ %	
Niagara Hudson Power Corporation class B warrants: Sold.....	600	
Eight percent interest, amounting to \$10,001.81, was charged on debit balances.		
Profit, \$22,828.85; our share, \$11,414.42; the balance of \$11,414.43 paid Asiel & Co. August 20, 1929.		

PACKARD MOTOR CAR CO. CAPITAL STOCK JOINT ARBITRAGE ACCOUNT

May 24, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

On June 19, 1929, the Packard Motor Car Co. authorized the split-up of its 5,000,000 shares of \$10 par value to 25,000,000 shares of no par value (5 shares of new for 1 share of old).

September 20, 1929, the account was closed.

	<i>Summary</i>	Shares
Bought, old.....		8, 600
Sold, old.....		600
Balance, bought, old.....		8, 000
Sold, new.....		41, 500
Bought, new.....		1, 500
Balance—sold, new.....		40, 000
Eight percent interest, amounting to \$14,396.58, was charged on debit balances.		
Profit, \$11,251.30; our share, \$5,626.65; the balance paid Asiel & Co., \$4,725.87 on September 20, 1929; \$899.78 on September 25, 1929.		

UNION CARBIDE AND CARBON CORPORATION CAPITAL STOCK, "OLD AND NEW", JOINT ARBITRAGE ACCOUNT

On March 14, 1929, a joint arbitrage account formed by J. P. Morgan & Co. and Asiel & Co.

Increase of capital stock from 3,000,000 shares to 12,000,000 shares (3 new shares for each old share).

On May 15, 1929, the account was closed.

	<i>Summary</i>	Shares
Bought, old.....		2, 000
Sold, old.....		1, 500
Balance—bought, old.....		500
Sold, new.....		4, 300
Bought, new.....		2, 800
Balance—sold, new.....		1, 500

Eight percent interest, amounting to \$2,231.80, was charged on debit balance. Profit, \$4,931.27; our share, \$2,465.63; the balance of \$2,465.64 paid Asiel & Co. May 15, 1929.

UNITED CORPORATION COMMON STOCK AND RIGHTS, JOINT ARBITRAGE ACCOUNT No. 2

On June 7, 1929, a joint arbitrage account was formed between J. P. Morgan & Co. and Asiel & Co.

Stockholders of record at close of business on July 10, 1929, were entitled to subscribe to additional common stock at \$37.50 per share, in the proportion of 1 share for each 5 shares then held.

On August 23, 1929, the account was closed:

Summary

	Shares
Sold (400 ex rights)-----	81, 300
Bought (200 ex rights)-----	8, 000
Balance—sold-----	73, 300
Bought (rights)-----	466, 600
Sold (rights)-----	27, 000
Delivered against stock sold cum. rights (rights)-----	73, 100
Total (rights)-----	100, 100
Balance—bought (rights)-----	366, 500

The account borrowed from J. P. Morgan & Co., between June 10 and 12, 1929, 4,700 shares of United Corporation common stock, which were returned on June 13, 1929.

On August 15, 1929, the account subscribed to 73,300 shares, at \$37.50 per share, using the 366,500 rights and \$2,748,750.

Eight percent interest, amounting to \$13,848.63, was charged on debit balances.

Profit, \$73,777.94; our share, \$36,888.97; balance, \$36,888.97, paid Asiel & Co. August 23, 1929.

UNITED GAS IMPROVEMENT CO. COMMON "OLD" AND "NEW" AND PREFERRED STOCKS, JOINT ARBITRAGE ACCOUNT No. 1

On May 27, 1929, a joint arbitrage account was formed by J. P. Morgan & Co. and Asiel & Co.

Exchange of 1 share of old capital stock for one eighth of a share of preferred stock and 5 shares of common stock.

On October 10, 1929, the account was closed.

Summary

	Share
Bought, old-----	28, 000
Sold-----	500
Balance—bought, old-----	27, 500
Sold, new-----	152, 300
Bought, new-----	14, 800
Balance—sold, new-----	137, 500
Sold, preferred-----	3, 562½
Bought, preferred-----	125
Balance—sold, preferred-----	3, 437½

Eight percent interest, amounting to \$147,560.10, was charged on debit balances.

Profit, \$138,890.69; our share, \$69,445.34; the balance, \$69,445.36, paid Asiel & Co. October 10, 1929.

UNITED GAS IMPROVEMENT CO. COMMON STOCK AND RIGHTS, JOINT ARBITRAGE
ACCOUNT No. 2

June 1, 1929, a joint arbitrage account was formed by J. P. Morgan & Co. and Asiel & Co.

Stockholders of record on October 31, 1929, were entitled to subscribe at \$20 per share for 1 share of stock for each 10 shares then held.

On December 18, 1929, the account was closed.

Summary

	Shares
Bought, new.....	51, 500
Sold, new.....	51, 500
Sold, rights.....	559, 600
Received a/c stock on hand.....	50, 800
Bought, rights.....	508, 800
	559, 600

Six percent interest, amounting to \$32,700.94 was charged on debit balances.

Profit, \$130,503.79; our share, \$65,251.89; the balance, \$65,251.90, paid Asiel & Co. on December 17, 1929.

UNITED STATES STEEL CORPORATION COMMON STOCK JOINT ARBITRAGE
ACCOUNT

January 4, 1927, a joint arbitrage account in United States Steel Corporation common stock "old" and United States Steel Corporation common stock "when issued" formed.

	Interest
J. P. Morgan & Co.....	45%
Johnson & Wood.....	45%
Lindley & Co.....	10%

On June 1, 1927, the account was closed.

Summary

	Shares
Bought, old.....	29, 500
Sold, old.....	7, 600
Balance—Bought, old.....	21, 900
Sold, new.....	41, 060
Bought, new.....	10, 400
Balance—Sold, new.....	30, 660

Against the 21,900 shares of "old" held, the account received from the United States Steel Corporation the stock dividend of 40 percent, total of 30,660 shares delivered to Lindley & Co. against payment of \$3,673,013.10.

Interest at 5 percent per annum on debit balance, \$39,336.52.

New profit (\$29,153.33) paid June 1, 1927, as follows:

J. P. Morgan & Co.....	\$13, 119. 00
Johnson & Wood.....	13, 119. 00
Lindley & Co.....	2, 915. 33

Special suspense account

J. P. Morgan & Co.....	4/25ths
First Securities Co.....	4/25ths
Chase Securities Corporation.....	4/25ths
Guaranty Co. of New York.....	4/25ths
National City Co.....	4/25ths
Bankers Co.....	4/25ths
Daniel, Murry, S. R. and Simon Guggenheim.....	1/25ths

J. P. Morgan & Co.'s net profit, \$170,776.78.

Special suspense account 1929 and 1930

	Bought	Average Price	Cost	Sold	Average	Proceeds	Profit	Loss
	<i>Shares</i>			<i>Shares</i>				
Alleghany Corporation.....	3,500	\$35.15	\$123,025.00	3,500	\$36.324	\$127,135.00	\$4,110.00	
Allied Chemical & Dye Co.....	940	272.25	255,915.00	940	272.205	255,873.40		\$41.60
American Can Co.....	106,200	122.854	13,047,100.00	106,200	124.539	13,226,063.00	178,963.00	
American Smelting & Refining Co.....	17,100	76.957	1,315,970.00	17,100	79.035	1,351,511.00	35,541.00	
American Telephone & Telegraph Co.....	71,400	232.313	16,586,805.00	71,400	233.238	16,653,231.50	66,426.50	
Anaconda Copper Mining Co.....	76,200	85.488	6,514,215.00	76,200	77.045	5,905,821.00		608,394.00
Atchison, Topeka & Santa Fe Ry. Co.....	15,000	239.316	3,589,750.00	15,000	234.12	3,511,800.00		77,950.00
Baltimore & Ohio Railroad Co.....	10,000	118.540	1,185,400.00	10,000	119.552	1,195,525.00	10,125.00	
Bethlehem Steel Corporation.....	12,700	101.852	1,293,525.00	12,700	102.631	1,303,417.00	9,892.00	
The Chesapeake Corporation.....	1,000	71.675	71,675.00	1,000	72.010	72,010.00	335.00	
Columbia Gas & Electric Co.....	60,000	66.940	4,016,425.00	60,000	77.034	4,622,060.00	605,635.00	
Columbia Graphophone Co.....	31,600	25.622	809,675.00	31,600	28.866	848,984.58	39,309.58	
Consolidated Gas Co. of N.Y.....	88,700	104.407	9,260,940.00	88,700	105.920	9,395,164.50	134,224.50	
E. I. du Pont de Nemours & Co.....	2,000	167.25	334,500.00	2,000	136.992	273,984.00		60,516.00
General Electric Company.....	66,600	238.769	15,902,050.00	66,600	248.066	16,521,258.50	619,208.50	
General Motors Corp. (common).....	54,000	43.940	2,372,787.50	54,000	44.102	2,381,559.00	8,771.50	
Great Northern Railway Co. (pfd.).....	13,400	100.973	1,353,050.00	13,400	98.534	1,320,359.00		32,691.00
International Nickel Co. of Canada.....	26,600	34.904	928,465.00	26,600	37.455	996,308.50	67,843.50	
International Telephone & Telegraph Corp.....	92,400	78.423	7,246,290.00	92,400	79.734	7,367,469.00	121,179.00	
Johns-Manville Co.....	6,500	170.25	1,106,625.00	6,500	138.436	899,840.00		206,785.00
Kennecott Copper Corporation.....	32,300	60.720	1,961,277.50	32,300	62.124	2,006,615.50	45,338.00	
Montgomery Ward & Co.....	47,100	60.487	2,848,942.50	47,100	61.898	2,915,423.50	66,481.00	
New York Central Railroad Co.....	25,900	182.698	4,731,900.00	Rts. 25,900 Rts. 25,900 Rts. 6,300 Rts. 7,200	5.919 179.540 2.948 84.566	153,310.19 4,650,089.00 18,576.18 608,878.50	71,499.19	36,922.82
Pennsylvania Railroad Co.....	7,200	92.274	664,377.50	100	97.885	9,788.50	393.50	
Public Service Corp. of N.J.....	100	93.95	9,395.00	27,000	48.364	1,305,845.00	6,520.00	
Radio Corporation of America.....	27,000	48.123	1,299,325.00	28,269	91.402	2,583,860.19		404,339.81
Sears, Roebuck & Co.....	28,269	105.705	2,988,200.00	2,000	122.385	244,770.00		18,730.00
Southern Pacific Co.....	2,000	131.750	263,500.00	1,600	135.460	216,736.00		14,064.00
Southern Railway Co.....	1,600	144.250	230,800.00	27,000	63.248	1,707,705.00	101,980.00	
Standard Oil Company of N.J.....	27,000	59.471	1,605,725.00	6,000	56.898	341,390.00	36,590.00	
The Texas Corporation.....	6,000	50.80	304,800.00	2,100	243.901	512,193.50		8,491.50
Union Pacific Railroad Co.....	2,100	247.945	520,685.00	5,000	47.84	239,200.00		156,800.00
United Aircraft & Transportation Corp.....	5,000	79.20	396,000.00	1,200	36.810	44,172.00	2,892.00	
United Gas Improvement Co. of Phila.....	1,200	34.40	41,280.00	148,400	184.650	27,402,184.00	326,484.00	
U.S. Steel Corporation.....	148,400	182.450	27,075,700.00	11,200	243.907	2,731,767.00	102,407.00	
Western Union Telegraph Co.....	11,200	234.764	2,629,360.00	18,400	157.509	2,898,182.00	30,932.00	
Westinghouse Electric & Manufacturing Co.....	18,400	155.828	2,867,250.00					
Total.....	1,146,609		137,752,705.00	1,146,609		138,820,060.04	2,693,080.77 1,625,725.73 1,067,355.04	1,625,725.73

ALLEGHANY CORPORATION COMMON STOCK OPTION ACCOUNT

May 11, 1929, J. P. Morgan & Co. agreed to loan to General Securities Corporation and to O. P. & M. J. Van Sweringen \$9,675,000.

With the object of liquidating this loan the General Securities Corporation and O. P. & M. J. Van Sweringen offered to us an option to purchase during the term of such loan at \$29 per share 272,500 shares of Alleghany Corporation common stock with the provision that if, upon the sale of this stock, we should realize any net profit we would pay to them the amount of such profit up to but not exceeding \$1 a share.

J. P. Morgan & Co. ceded to the guaranty company a 40 percent interest in this option upon original terms.

The guaranty company sold the 272,500 shares; J. P. Morgan & Co.'s 60 percent of profit amounted to \$803,929.20.

Apr. 18, 1928:

Beacon Oil Co. common stock account:

J.P.M. & Co.'s commitment, 60,030 shares.

J.P.M. & Co. took up 21,868 shares.

J.P.M. & Co.'s profit, \$35,741.57.

Apr. 18, 1928:

Louisiana Oil Refining Corp. common stock account:

J.P.M. & Co.'s commitment, 73,834 shares.

J.P.M. & Co.'s profit, \$22,323.89.

Oct. 24, 1929:

Bethlehem Steel Corp. common stock:

Our participation of 7,500 shares in a special account by members of the Underwriting Group.

Account terminated Jan. 13, 1930 on which date it was long 102,700 shares at cost of approximately \$116.0459 per share.

Our final liability 3,081 shares, which we took up at a cost of \$116.0459 per share.

Jan. 18, 1929:

The Borden Co. common stock 10 percent interest in account with Wood Struthers & Co.

J. P. Morgan & Co.'s profit, \$64,490.07.

CELANESE CORPORATION OF AMERICA 7 PERCENT CUMULATIVE PRIOR PREFERRED STOCK JOINT ACCOUNT

May 4, 1928, joint account formed by J. P. Morgan & Co. and Clark, Dodge & Co. Account closed September 9, 1929. Summary:

Total shares purchased.....	20, 216
Total shares sold.....	5, 115
Balance.....	15, 101

We took up our 50 percent interest, viz., 7,550 shares at an average cost price of \$105.6713 per share which we sold to joint account no. 2 at an average price \$93.69831 per share with the resultant loss of \$90,396.

CELANESE CORPORATION OF AMERICA, 7 PERCENT CUMULATIVE PRIOR PREFERRED STOCK JOINT ACCOUNT No. 2

September 1, 1929, account formed by J. P. Morgan & Co. and Clark, Dodge & Co. to purchase 7,550 shares at average cost of \$93.698 per share. Summary:

Cost of 7,550 shares at average price \$93.698 per share.....	\$707, 422. 30
Sales, 410 shares at average price \$78.439 per share.....	32, 160. 06

CONGOLEUM-NAIRN STOCK

June 1, 1926, received from Clark, Dodge & Co. an option of 20 percent of 25,000 shares of stock (5,000 shares), until December 31, 1927, at \$20 per share.

June 14, 1926, this option was increased by 10,000 shares, divided equally between Clark, Dodge & Co. and J. P. Morgan & Co.

September 30, 1927, J. P. Morgan & Co.'s proportionate interest in option to purchase at \$17 per share 35,000 shares was extended for 2 years from January 1, 1928, to January 1, 1930.

May 10, 1928, received from Clark, Dodge & Co. profit of \$124,812.50.

CROSLLEY RADIO CORP. COMMON

Jan. 18, 1929. Participation of 6,720 shares.

Received participation from Dominick & Dominick in account formed to purchase stock from Powel Crosley, Jr. The account also held an option on additional shares. Summary:

Net cash received.....	\$642, 317. 79
Shares received.....	5, 618

Oct. 17, 1929:

General Italian Edison Electric Corp. ordinary shares.

Participation of 49,000 shares in purchase group with National City Co.

J. P. M. & Co.'s profits, \$42,096.42.

50,000 SHARES GENERAL MOTORS CORPORATION 7 PERCENT PREFERRED STOCK PURCHASE

On August 30, 1927, J. P. Morgan & Co. and Wood Struthers & Co. purchased from Sun Life Insurance Co. of Canada, 20,000 shares General Motors Corporation 7 percent preferred stock at \$122.50 per share flat and 30,000 shares as \$122.50 per share plus accrued dividends from August 30, 1927.

J. P. Morgan & Co. formed a syndicate of 20 members which offered the stock at \$124.17 and accrued dividends per share with a selling commission of \$1 per share. J. P. Morgan & Co.'s profit:

Original group (75 percent interest).....	\$44, 710. 43
Selling group.....	7, 000. 00

Total.....	51, 710. 43
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Profits received by J. P. M. & Co. March 30, 1928:

New York, Chicago & St. Louis Railroad 6 percent cumulative preferred stock series A, 16,540 shares.....	\$3, 308. 00
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Our interest in buying group 20 percent, or 3,308 shares.

Our interest in distributing group, 3,308 shares which we took up. Guaranty Co.	7, 378. 23
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THE PROCTER & GAMBLE Co. COMMON STOCK (NEW NO PAR) JOINT ACCOUNT

July 15, 1929, J. P. Morgan & Co. contracted to purchase from the company 150,000 shares common stock at 66½ per share and received an option to purchase additional 100,000 shares at 80 per share.

July 26, 1929, J. P. Morgan & Co. formed joint account to assume purchase and option. F. S. Moseley & Co. had a 30 percent interest in this account.

August 2, 1929, J. P. Morgan & Co. purchased for joint account 150,000 shares of stock at 66½ per share. J. P. Morgan & Co. withdrew 12,000 shares at cost.

October 28, 1929, the account exercised option to purchase 10,000 shares at 80 per share.

January 14, 1930, the account delivered to F. S. Moseley & Co. 5,100 shares at cost, the amount being the equivalent of J. P. Morgan & Co.'s withdrawal on August 2d.

July 15, 1929, and June 2, 1930, the joint account purchased 26,900 shares of stock. Summary:

Shares purchased.....	186, 900
Shares sold.....	186, 900

Account closed June 2, 1930. J. P. Morgan & Co.'s profit, \$1,853,959.18.

January 28, 1929:

Pirelli Company of Italy (Societa Italiana Pirelli) series A common stock:

J. P. M. & Co.'s participation of 12,500 shares, with National City Co.

J. P. M. & Co.'s profits, \$37,729.22.

July 24, 1929:

Rhodesian Congo Border Concession shares 30 percent interest in Newmont Mining Corporation's ¼ share in underwriting.

J. P. M. & Co.'s profits, \$3,066.52.

SOUTHLAND ROYALTY COMPANY CAPITAL STOCK

May 5, 1929, F. S. Smithers & Co. offered to J. P. Morgan & Co. a participation of 5,000 shares in an account which they were forming in the above named stock.
 March 3, 1930, J. P. Morgan & Co. took up from F. S. Smithers & Co. 4,600 shares at a cost of \$98,184.18.

TIDEWATER ASSOCIATED OIL COMPANY (NEW COMMON) STOCK

Account opened June 8, 1927, J. P. Morgan & Company having a 50% interest.

Shares purchased.....	36, 900
Shares sold.....	8, 400
	<hr/> 28, 500

Account closed April 15, 1931, J. P. Morgan & Co. took up 14,250 shares.
 H. Fleishhacker.
 J. P. Morgan & Co.

UNITED CORPORATION \$3 PREFERENCE STOCK JOINT A/C

April 17, 1929 joint account formed between J. P. Morgan & Co. and Bonbright & Co.

Between April 17, 1929, and August 30, 1929, a total of 99,200 shares were purchased and sold.

Purchases were made by Bonbright & Co. Sales were made jointly by Bonbright & Co. and J. P. Morgan & Co.

September 14, 1929, Bonbright & Co. paid J. P. Morgan & Co. \$93,941.22 our one half share of the net profit.

DREXEL & CO. CHAS. E. HIRES COMPANY CLASS "A" COMMON STOCK

July 5, 1927, account formed.	<i>Percent</i>
Cassatt & Co.....	40
Edward B. Smith & Co.....	35
Drexel & Co.....	25

Cassatt & Co., managers.

May 23, 1928, account closed. Drexel & Co. received \$1,965.09 profit.

OLD BEN COAL CORPORATION FIRST MORTGAGE 6 PERCENT BONDS

April 9, 1928, Drexel & Co. and Cassatt & Co. formed a joint account.

November 1, 1928, account closed. Drexel & Co. received profits \$1,387.51.

PHILADELPHIA ELECTRIC COMPANY \$5 DIVIDEND PREFERRED STOCK

April 15, 1931, Drexel & Co. and Harnall & Co. formed a joint account.

June 1, 1931, account closed. Each participant received \$3,953.50 profits.

SHARP & DOHME, INC.—\$3.50 CUMULATIVE CONVERTIBLE PREFERENCE STOCK,
SERIES A

June 28, 1929, account formed by Drexel & Co., Alex. Brown & Sons, Chas. D. Barney & Co., and Brown Bros. & Co., Chas. D. Barney & Co., managers.
 Stock was purchased by above four firms from Drexel & Co. and Alex. Brown & Sons, who had purchased 162,500 shares preference stock and 260,000 shares common stock from company for \$13,543,750.

Purchase group:	<i>Shares</i>
Chas. D. Barney & Co. (Synd. Mgr.).....	40, 625
Drexel & Co.....	40, 625
Alex. Brown & Sons.....	40, 625
Brown Bros. & Co.....	40, 625
	<hr/> 162, 500

Drexel & Co.'s profit, \$83,941.90.

SHARP & DOHME, INC.—\$3.50 CUMULATIVE CONVERTIBLE PREFERENCE STOCK, SERIES A

Account formed July 22, 1929:

	Shares
Alex. Brown & Sons.....	5,000
Brown Bros. & Co.....	5,000
Drexel & Co.....	5,000
Chas. D. Barney & Co. (managers).....	5,000

Commitment increased from 20,000 shares to 40,000 shares pro rata.

Account closed March 31, 1931. Drexel & Co. took up their one quarter share (6,498 shares) and paid \$418,148.96.

Loss to Drexel & Co., \$28,268.96.

SHARP & DOHME, INC.—COMMON STOCK TRADING ACCOUNT

July 22, 1929, syndicate formed with Chas. D. Barney & Co. as managers.

Syndicate obtained options from the following participants:

	Shares	
	Optioned at 20	Optioned at 25
Chas. D. Barney & Co.....	16,350	6,450
Drexel & Co.....	26,100	8,700
Alex. Brown & Sons (own account).....	26,100	8,700
Alex. Brown & Sons (for others).....	30,000	10,000
Brown Bros. & Co.....	9,450	3,150
	108,000	36,000

September 25, 1930, Chas D. Barney & Co. reported that they had made total sales of 57,000 shares average price of \$24.9919. Drexel & Co.'s share of the above total amounted to 13,775 shares.

TRADING ACCOUNT NO. 2

September 25, 1930, a new account was formed with the same participants and the same percentage, based on total options from the same group of 51,000 shares at 20, Drexel & Co. having extended options on 12,325 shares at 20.

Account closed April 20, at which time none of the options had been exercised. Drexel & Co. took up their proportionate share, amounting to 1,426 shares, for which they paid \$24,242.00. Drexel & Co. received from Chas. D. Barney & Co. \$6,146.66, as their share of profit.

SHARP & DOHME, INC.—COMMON STOCK

Account formed February 20, 1931, to expire on April 20, 1931:

	Shares
Alex Brown & Sons.....	20,000
Drexel & Co.....	10,000
Brown Bros. Harriman & Co.....	10,000
Chas. D. Barney & Co.....	10,000

Chas. D. Barney & Co. managers. The account received options at prices varying from \$14 to \$18 per share.

April 15, 1931, the account was closed, Drexel & Co. having delivered 8,000 shares. Chas. D. Barney & Co. paid Drexel & Co. \$6,479.84, as their share of profit.

COMMITTEE EXHIBIT No. 18, MAY 25, 1933

QUESTION 11

The names of all governments, States, municipalities, and corporations for which either of said firms has acted as fiscal agent during that period and a statement of the services rendered for each of the same.

With the exceptions below stated neither J. P. Morgan & Co. nor Drexel & Co. are not fiscal agents for any governments, States, municipalities, or corporations.

1. J. P. Morgan & Co. and the Guaranty Trust Co. jointly made an agreement wherein they are appointed fiscal agents in the United States for the Belgian Government. The agreement is dated September 11, 1919, and may be terminated by either party upon thirty days' notice. No Belgian bonds were issued by the Government or publicly offered by the fiscal agents during the period in question.

2. In certain instances indentures covering the bond issues, which were offered by the firm contain a paragraph stating with substantial uniformity that J. P. Morgan & Co. or Drexel & Co. are appointed the fiscal agents of the obligor for the service of the loan covered by the indenture. In other instances J. P. Morgan & Co. and another are jointly appointed. The service of the loan includes all routine details incident to effectively issuing the bonds in the first instance, and thereafter to the payment of coupons when and as due, and the payment of the bonds at maturity. There is attached hereto, in answer to this question, a list of all governments or corporations for which we pay coupons or dividends or act as sinking-fund agents, or for which maturing bonds have been paid during the period in question.

DIVIDEND PAYING AGENT

Alaska Development & Mineral Co.
Allegheny Corporation.
Chesapeake Corporation.
Chesapeake & Ohio Railway Co.
Chicago Great Western Railroad Co.
Chicago, Indianapolis & Louisville
Railway Co.
Columbus & Greenville Railroad Co.
Copper River & Northwestern Railway
Co.
Detroit & Mackinac Railway Co.
Erie Railroad Co.
Foreign Finance Corporation.
General Steel Castings Corporation.
International Mercantile Marine Co.
Johns-Manville Corporation.
The Lehigh Valley Coal Corporation.
Memphis & Charlestown Railway Co.

Missouri Pacific Railroad Co.
Morgan Building Corporation.
New Orleans, Texas & Mexico Railway
Co.
Niagara Hudson Power Corporation.
Northern Pacific Railway Co.
Philadelphia & Reading Railway Co.
The Pittston Co.
Pullman, Incorporated.
Southern Railway Co.
Southern Railway Co. in Kentucky.
Southern Railway Mobile & Ohio
stock trust certificates.
St. Louis Bridge Co.
Standard Brands, Incorporated.
The Texas & Pacific Railway Co.
Tunnel Railroad of St. Louis.
The United Corporation.

COUPON, SINKING FUND OR REDEMPTION AGENT

Allegheny Corporation.
American Refrigerator Transit Co.
Argentine Nation (Government of).
Atlantic & Yadkin Railway Co.
Atlantic Coast Line Railroad Co.
Big Sandy Railway Co.
Buffalo General Electric Co.
Canadea Power Corporation.
Central Branch Union Pacific Railway
Co.
Chesapeake & Ohio Railway Co.
Chesapeake & Ohio Grain Elevator Co.
Chesapeake & Ohio Northern Railway
Co.
Chesapeake Corporation.
Chicago & Erie Railroad Co.
Chicago Great Western Railroad Co.
Chicago, Indianapolis & Louisville
Railway Co.
Cleveland Union Terminals Co.
Coal River Railway Co.
Columbus & Hocking Valley Railroad
Co.
Columbus & Toledo Railroad Co.
Copper River & Northwestern Railway
Co.
Cuba Republic of.

Detroit & Mackinac Railway Co.
East Tennessee, Virginia & Georgia
Railway Co.
Erie Railroad Co.
General Motors Acceptance Corpora-
tion.
General Steel Castings Corporation.
Georgia Midland Railway Co.
Greenbrier Railway Co.
Hocking Valley Railway Co.
Hudson Bay Mining & Smelting Co.,
Ltd.
International-Great Northern Railroad
Co.
International Telephone & Telegraph
Corporation.
Kansas City Terminal Railway Co.
Lehigh Valley Coal Co.
Long Dock Co.
Louisville & Jeffersonville Bridge Co.
Manitoba, Province of (Dominion of
Canada).
Missouri-Illinois Railroad Co.
Missouri-Pacific Railroad Co.
Missouri-Pacific Railway Co.
New Orleans, Texas & Mexico Railway
Co.

New York, New Haven & Hartford Railroad Co.	Reading Co. and Philidelphia & Reading Coal & Iron Co.
New York & Erie Railroad Co.	St. Louis, Iron Mountain & Southern Railway Co., river and gulf division.
New York, Lake Erie & Western Coal & Railroad Co.	St. Paul & Duluth Railroad.
New York, Lake Erie & Western Docks & Improvement Co.	Southern Railway Co.
Norfolk Terminal & Transportation Co.	Spartanburg, Union & Columbia Railroad.
Northern Pacific Railway Co.	Texas & Pacific Railway Co.
Ohio State Telephone Co. (Ohio Bell Telephone, successor).	Texas Pacific-Missouri Pacific Terminal Railroad of New Orleans.
Pacific Railroad Co. of Missouri.	Terminal Railroad Association of St. Louis.
Philadelphia & Reading Coal & Iron Co.	United Kingdom of Great Britain and Ireland (Government of).
Philadelphia Electric Power Co.	United States Steel Corporation.
Philadelphia Electric Co.	Virginia Midland Railway Co.
Public Service Electric & Gas Co.	Western Pocahontas Corporation.
Raleigh & Southwestern Railway Co.	Zanesville & Western Railway Co.
Reading Co.	

DIVIDEND PAYING AGENT (CLOSED ACCOUNTS)

Hocking Valley Railway Co.	Postal Telegraph & Cable Corporation.
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COUPON, SINKING FUND, OR REDEMPTION AGENT (CLOSED ACCOUNTS)

Chesapeake & Ohio Railway Co.	New York, Lake Erie & Western Railroad Co.
Chicago & Western Indiana Railroad Co.	New York & Erie Railroad Co.
East Tennessee Virginia & Georgia Railroad Co.	Penn Central Light & Power Co.
Erie Railroad Co.	Public Service Electric & Gas Co.
General Motors Acceptance Corporation.	Public Service Corporation of New Jersey.
Jeddo Highland Coal Co.	Dominion of Canada—Province of Saskatchewan.
Jefferson Railroad Co.	South Carolina-Georgia Railroad.
Kanawha & Hocking Coal & Coke Co.	St. Louis Iron Mountain & Southern Railway Co.
Lehigh & New York Railroad Co.	St. Paul & Duluth Railroad.
Lehigh Valley Railroad Co.	Texas & Pacific Railway Co., Louisiana division branch lines.
Lehigh Valley Terminal Railway Co.	United States Steel Corporation.
Dominion of Canada-Province of Manitoba.	Weatherford Mineral Wells & Northwestern Railway Co.
Newburgh & New York Railroad Co.	

COUPON PAYING AGENT

Adam Opel, Aktiengesellschaft 7 percent 10-year gold bonds coupons, Apr.-Oct., at-----	\$3, 500. 00
Alabama Great Southern R.R. Co. 5 percent equip. tr. series "G" cts. int. a/c, Apr.-Oct., at-----	25. 00
Alleghany Corp. 20-year coll. trust conv. 5 percent bonds coupons, June-Dec., at-----	25. 00
Alleghany Corp. 15-year coll. trust conv. 5 percent bonds coupons, Feb.-Aug., at-----	25. 00
Alleghany Corp. 20-year coll. trust conv. 5 percent bonds series of 1930 coupons, Apr.-Oct., at-----	25. 00
American Refrigerator Transit Co.:	
American Refrigerator Transit Co. equip. trust series "D" 6 percent bonds coupons, Jan.-July, at-----	30. 00
American Refrigerator Transit Co. equip. trust series "E" 5½ percent bonds coupons, May-Nov., at-----	27. 50
American Refrigerator Transit Co. equip. trust series "F" 5 percent bonds coupons, June-Dec., at-----	25. 00
American Refrigerator Transit Co. equip. trust series "G" 5 percent bonds coupons, Feb.-Aug., at-----	25. 00
Anglo-French 5-year 5 percent ex. loan coupons, Apr. 15-Oct. 15, at-----	25. 00

Coupon Paying Agent—Continued

Argentine Gov. sterling 5 percent internal gold loan of 1909 coupons, { at.....	\$24. 325 12. 1625 2. 4325
Mar.-Sept., at.....	121. 625
11. Argentine Nation Gov't of the ext. s/f 6 percent gold bonds, due October 1, 1959, coupons due April 1, 1931, at.....	30. 00
Apr.-Oct., at.....	15. 00
12. Argentine Nation Gov't of the ext. s/f 6 percent gold bonds, due October 1, 1959, coupons due October 1, 1931, at.....	30. 00
Apr.-Oct., at.....	15. 00
13. Argentine Nation Gov't of the ext. s/f 6 percent gold bonds, due October 1, 1959, coupons due April 1, 1932, at.....	30. 00
Apr.-Oct., at.....	15. 00
14. Argentine Nation Gov't of the ext. s/f 6 percent gold bonds, due October 1, 1959, coupons due October 1, 1932, at.....	30. 00
Apr.-Oct., at.....	15. 00
15. Argentine Nation Gov't of the ext. s/f 6 percent gold bonds, due October 1, 1959, coupons due April 1, 1933, at.....	30. 00
Apr.-Oct., at.....	15. 00
16. Argentine Nation Gov't of the ext. s/f 6 percent gold bonds, due October 1, 1959, coupons due October 1, 1933, at.....	30. 00
Apr.-Oct., at.....	15. 00
12. Argentine Nation Gov't of the ext. S/F 6% gold bonds, issue of June 1, 1925, due June 1, 1959, coupons due June 1, 1931, at.....	30. 00
June-Dec., at.....	15. 00
13. Argentine Nation Gov't of the ext. S/F 6% gold bonds, issue of June 1, 1925, due June 1, 1959, coupons due December 1, 1931, at.....	30. 00
June-Dec., at.....	15. 00
14. Argentine Nation Gov't of the ext. S/F 6% gold bonds, issue of June 1, 1925, due June 1, 1959, coupons due June 1, 1932, at.....	30. 00
June-Dec., at.....	15. 00
15. Argentine Nation Gov't of the ext. S/F 6% gold bonds, issue of June 1, 1925, due June 1, 1959, coupons due December 1, 1932, at.....	30. 00
June-Dec., at.....	15. 00
16. Argentine Nation Gov't of the ext. S/F 6% gold bonds, issue of June 1, 1925, due June 1, 1959, coupons due June 1, 1933, at.....	30. 00
June-Dec., at.....	15. 00
17. Argentine Nation Gov't of the ext. S/F 6% gold bonds, issue of June 1, 1925, due June 1, 1959, coupons due December 1, 1933, at.....	30. 00
June-Dec., at.....	15. 00
9. Argentine Nation Gov't of the Ext. S/F 6 percent gold bonds issue of May 1, 1926, due May 1, 1960, coupons due No- vember 1, 1930, at.....	30. 00
May-Nov., at.....	15. 00
10. Argentine Nation Gov't of the Ext. S/F 6 percent gold bonds, issue of May 1, 1926, due May 1, 1960, coupons due May 1, 1931, at May-Nov., at.....	30. 00
	15. 00
11. Argentine Nation Gov't of the Ext. S/F 6 percent gold bonds, issue of May 1, 1926, due May 1, 1960, coupons due No- vember 1, 1931, at.....	30. 00
May-Nov., at.....	15. 00
12. Argentine Nation Gov't of the Ext. S/F 6 percent gold bonds, issue of May 1, 1926, due May 1, 1960, coupons due May 1, 1932, at.....	30. 00
May-Nov., at.....	15. 00
13. Argentine Nation Gov't of the Ext. S/F 6 percent gold bonds, issue of May 1, 1926, due May 1, 1960, coupons due No- vember 1, 1932, at.....	30. 00
May-Nov., at.....	15. 00

Coupon Paying Agent—Continued

14. Argentine Nation Gov't of the Ext. S/F 6 percent gold bonds, issue of May 1, 1926, due May 1, 1960, coupons due May 1, 1933, at.....	\$30. 00
May-Nov., at.....	15. 00
15. Argentine Nation Gov't of the Ext. S/F 6 percent gold bonds, issue of May 1, 1926, due May 1, 1960, coupons due November 1, 1933, at.....	30. 00
May-Nov., at.....	15. 00
7. Argentine Nation Gov't of Ext. S/F 6 percent gold bonds dated February 1, 1927, sanitary works loan due February 1, 1961, cpns. due August 1, 1930, at.....	30. 00
Feb.-Aug., at.....	15. 00
8. Argentine Nation Gov't of Ext. S/F 6 percent gold bonds dated February 1, 1927, sanitary works loan due February 1, 1961, cpns. due February 1, 1931, at.....	30. 00
Feb.-Aug., at.....	15. 00
9. Argentine Nation Gov't of Ext. S/F 6 percent gold bonds dated February 1, 1927, sanitary works loan due February 1, 1961, cpns. due August 1, 1931, at.....	30. 00
Feb.-Aug., at.....	15. 00
10. Argentine Nation Gov't of ext. S/F 6 percent gold bonds dated February 1, 1927, Sanitary Works loan due February 1, 1961, cpns. due February 1, 1932, at.....	30. 00
Feb.-Aug., at.....	15. 00
11. Argentine Nation Gov't of ext. S/F 6 percent gold bonds dated February 1, 1927, Sanitary Works loan due February 1, 1961, cpns. due August 1, 1932, at.....	30. 00
Feb.-Aug., at.....	15. 00
12. Argentine Nation Gov't of ext. S/F 6 percent gold bonds dated February 1, 1927, Sanitary Works loan due February 1, 1961, cpns. due February 1, 1933, at.....	30. 00
Feb.-Aug., at.....	15. 00
13. Argentine Nation Gov't of ext. S/F 6 percent gold bonds dated February 1, 1927, Sanitary Works loan due February 1, 1961, cpns. due August 1, 1933, at.....	30. 00
Feb.-Aug., at.....	15. 00
9. Argentine Nation Gov't of ext. S/F 6 percent gold bonds, Public Works issue of October 1, 1926, due October 1, 1960, coupons due April 1, 1931, at.....	30. 00
Apr.-Oct., at.....	15. 00
10. Argentine Nation Gov't of Ext. S/F 6 percent gold bonds, public works issue of October 1, 1926, due October 1, 1960, coupons due October 1, 1931, at.....	30. 00
Apr.-Oct., at.....	15. 00
11. Argentine Nation Gov't of Ext. S/F 6 percent gold bonds, public works issue of October 1, 1926, due October 1, 1960, coupons due April 1, 1932, at.....	30. 00
Apr.-Oct., at.....	15. 00
12. Argentine Nation Gov't of Ext. S/F 6 percent gold bonds, public works issue of October 1, 1926, due October 1, 1960, coupons due October 1, 1932, at.....	30. 00
Apr.-Oct., at.....	15. 00
13. Argentine Nation Gov't of Ext. S/F 6 percent gold bonds, public works issue of October 1, 1926, due October 1, 1960, coupons due April 1, 1933, at.....	30. 00
Apr.-Oct., at.....	15. 00
14. Argentine Nation Gov't of Ext. S/F 6 percent gold bonds, public works issue of October 1, 1926, due October 1, 1960, coupons due October 1, 1933.....	30. 00
Apr.-Oct., at.....	15. 00
7. Argentine Gov't Loan 1927, Ext. S/F 6 percent gold bonds, public works issue of May 1, 1927, due May 1, 1961, coupons due November 1, 1930, at.....	30. 00
May-Nov., at.....	15. 00

Coupon Paying Agent—Continued

8. Argentine Gov't loan 1927, ext. S/F 6 percent gold bonds, public works issue of May 1, 1927, due May 1, 1961, coupons due May 1, 1931, at.....	\$30. 00
May-Nov., at.....	15. 00
9. Argentine Gov't loan 1927, ext. S/F 6 percent gold bonds, public works issue of May 1, 1927, due May 1, 1961, coupons due November 1, 1931, at.....	30. 00
May-Nov., at.....	15. 00
10. Argentine Gov't loan 1927, ext. S/F 6 percent gold bonds, public works issue of May 1, 1927, due May 1, 1961, coupons due May 1, 1932, at.....	30. 00
May-Nov., at.....	15. 00
11. Argentine Gov't loan 1927, ext. S/F 6 percent gold bonds, public works issue of May 1, 1927, due May 1, 1961, coupons due November 1, 1932, at.....	30. 00
May-Nov., at.....	15. 00
12. Argentine Gov't loan 1927, ext. S/F 6 percent gold bonds, public works issue of May 1, 1927, due May 1, 1961, coupons due May 1, 1933, at.....	30. 00
May-Nov., at.....	15. 00
13. Argentine Gov't loan 1927, ext. S/F 6 percent gold bonds, public works issue of May 1, 1927, due May 1, 1961, coupons due November 1, 1933, at.....	30. 00
May-Nov., at.....	15. 00
Atlantic City Railroad Co. first mortgage 4 percent bonds coupons, Jan.-Jul., at.....	20. 00
Atlantic Coast Line R. R. Co. L. & N. coll. trust 4 percent bonds coupons, May-Nov., at.....	20. 00
Atlantic Coast Line R. R. Co. series "D" 6½ percent equip. tr. ctfs. coupons, Feb.-Aug., at.....	32. 50
Atlantic Coast Line R. R. Co. series "E" 4½ percent equip. tr. ctfs. coupons, Feb.-Aug., at.....	22. 50
Australia Commonwealth of. ext. loan 30-year 5 percent gold bonds of 1925 coupons, at.....	25. 00
Jan. 15-July 15, at.....	12. 50
Australia Commonwealth of. ext. loan 30-year 5 percent gold bonds of 1927 coupons, Mar.-Sept., at.....	25. 00
Australia Commonwealth of. 4½ percent gold bonds ext. loan of 1928, due May 1, 1956 coupons, May-Nov., at.....	22. 50
Austrian Gov't. Guar. Loan 1923-1943 7 percent S/F gold bonds { coupons, at.....	35. 00
June-Dec., at.....	17. 50
Austrian Gov't international loan, 1930, 7% "D" Bank for Inter- { national Settlements, trustee, at.....	3. 50
Jan.-July, at.....	35. 00
1. Austrian Gov't international loan, 1930, S/F 7% gold bonds { interim certificates, warrants due January 1, 1931, U.S.A. issue, at.....	17. 50
Jan.-July, at.....	3. 50
2. Austrian Gov't international loan, 1930, S/F 7% gold bonds { interim certificates, warrants due July 1, 1931, U.S.A. issue, at.....	35. 00
Jan.-July, at.....	17. 50
Belgium, Kingdom of, ext. 20-year 8% gold bonds, due February 1, 1941, coupons, at.....	3. 50
Feb.-Aug., at.....	40. 00
Belgium, Kingdom of, 25-year 6½% gold bonds of 1949 coupons, at.....	20. 00
Mar.-Sept., at.....	32. 50
Belgium, Kingdom of, 25-year ext. gold loan 7½% S/F bonds coupons, at.....	16. 25
June-Dec., at.....	37. 50
Belgium, Kingdom of, ext. loan 30-year S/F 6% gold bonds, due January 1, 1955, coupons, at.....	18. 75
At.....	30. 00
Jan.-July, at.....	15. 00
At.....	3. 00

Coupon Paying Agent—Continued

Belgium, Kingdom of, 30-year 7% ext. loan S/F gold bonds, due June 1, 1955, coupons, at.....	\$35. 00
June-Dec., at.....	17. 50
Belgium, Kingdom of, stabilization loan 1926, ext. S/F 30-year 7% gold bonds, due November 1, 1956, coupons, at.....	35. 00
May-Nov., at.....	17. 50
Buffalo General Electric Co. genl. & reldg. mortgage 4½ gold bonds series "B" coupons, at.....	22. 50
Feb.-Aug., at.....	11. 25
Canada Power Corp. 1st mtge. 30-year 5% bonds due 1958 coupons, Apr.-Oct., at.....	25. 00
Chattanooga Station Co. first mtge. 4% bonds coupons, Jan.-July, at.....	20. 00
Chesapeake Corp., The 20-year 5% conv. coll. tr. bonds of May 15, 1927, coupons, May 15-Nov. 15, at.....	25. 00
Chesapeake and Ohio Railway Co.:	
C. & O. Grain Elevator Co. 1st mtge. 4% gold bond of 1938 coupons, Apr.-Oct., at.....	20. 00
C. & O. Ry. Big Sandy Ry. Co. 1st mtge. 4% gold bonds of 1944 coupons, June-Dec., at.....	20. 00
C. & O. Northern Ry. Co. 1st mtge. 5% 30-yr. gold bonds of 1945 coupons, Apr.-Oct., at.....	25. 00
C. & O. Ry. Coal River Ry. Co., 1st mtge. 4 percent gold bonds of 1945 coupons, June-Dec., at.....	20. 00
C. & O. Ry. Co. Craig Vy. branch 1st mtge. 5 percent gold bonds of 1940 coupons, Jan.-July, at.....	25. 00
C. & O. Ry. Co. 1st consd. mtge. 5 percent 50-year gold bonds of 1939 coupons, May-Nov., at.....	25. 00
C. & O. Ry. Co. genl. mtge. 4½ percent gold bonds of 1992 coupons, Mar.-Sept., at.....	22. 50
C. & O. Ry. Co. Greenbrier Ry. Co. 1st mtge. 4 percent gold bonds of 1940 coupons, May-Nov., at.....	20. 00
C. & O. Ry. Norfolk Term. & Trans. Co. 1st mtge. 5 percent gold bonds of 1948 coupons, Feb.-Aug., at.....	25. 00
C. & O. Ry. Co. Paint Creek Branch 1st mtge. 4 percent gold bonds of 1945 coupons, Feb.-Aug., at.....	20. 00
C. & O. Ry. Co. Potts Creek Branch 1st mtge. gold bonds 4 percent of 1946 coupons, Jan.-July, at.....	20. 00
C. & O. Ry. Raleigh & So. Western Ry. Co. 1st mortgage 4 percent gold bonds of 1936 coupons, Jan.-July, at.....	20. 00
C. & O. Ry. Co. Richmond & Alleghany Division 1st consd. mtge. 4 percent gold bonds of 1939 coupons, Jan.-July, at.....	20. 00
C. & O. Ry. Co. Richmond & Alleghany Division 2nd consd. mtge. 4 percent gold bonds of 1939 coupons, Jan.-July, at.....	20. 00
C. & O. Ry. Co. Virginia Air Line Ry. Co. 5 percent 45-year gold bonds of 1952 coupons, May-Nov., at.....	25. 00
C. & O. Ry. Co., Warm Spring Vy. branch, 1st mtge. 5 percent gold bonds of 1941 coupons, Mar.-Sept., at.....	25. 00
C. & O. Ry. Co., 4½ percent 20-year conv. gold bonds of 1930 coupons, Feb.-Aug., at.....	22. 50
C. & O. Ry. Co., equip. tr. series "S" 6½ percent certificates coupons, June-Dec., at.....	32. 50
C. & O. Ry. Co., equip. tr. series "T" 5½ percent certificates coupons, June-Dec., at.....	27. 50
C. & O. Ry. Co., equip. tr. 5 percent certificates series "V" dividend warrants, Jan.-July, at.....	25. 00
C. & O. Ry. Co. equip. tr. series "W" 4½ percent certificates coupons, Apr.-Oct., at.....	22. 50
C. & O. Ry. Co., ref. and imp. mtge. 4½ percent series "A" bonds coupons, Apr.-Oct., at.....	22. 50
C. & O. Ry. Co., ref. and imp. mtge. 4½ percent gold bonds series "B" coupons, Jan.-July, at.....	22. 50
C. & O. Ry. Co., 4½ percent equip. tr. series of 1929 certificates coupons, May-Nov., at.....	22. 50

Chesapeake and Ohio Railway Co.—Continued.

C. & O. Ry. Co., 4½ percent equip. tr. series of 1930 certificate coupons, May–Nov., at.....	\$22. 50
C. & O. Ry. Co., 2-year 6 percent notes due Jan. 31, 1934, coupons, at.....	300. 00
Feb.–Aug., at.....	150. 00
Chicago Gt. West. R.R. Co., 1st mtge. 50-year 4 percent gold bonds interest, Mar.–Sept., at.....	20. 00
Chicago, Indianapolis & Louisville Ry. Co., coupon accounts, viz.: 1st & gen. mtge. 5 percent bonds series "A" coupons, at.....	25. 00
1st & gen. mtge. 5 percent bonds series "A" coupons, May–Nov., at.....	12. 50
1st & gen. mtge. 6 percent bonds series "B" coupons, at.....	30. 00
Jan.–July, at.....	15. 00
Refunding 4 percent bonds coupons, Jan.–July, at.....	20. 00
Refunding 5 percent bonds coupons, Jan.–July, at.....	25. 00
Refunding 6 percent bonds coupons, Jan.–July, at.....	30. 00
Chinese Government Imperial Hukuang Ry.'s S/F 5-percent bonds, American group coupons, June 15–Dec. 15:	
American, at.....	£2. 10. 0
American, at.....	0. 10. 0
American, at.....	2. 10. 0
American, at.....	0. 10. 0
American, at.....	2. 10. 0
American, at.....	0. 10. 0
Chinese Government Imperial Hukuang Ry.'s S/F bonds, foreign group coupons, June 15–Dec. 15:	
English, at.....	2. 10. 0
English, at.....	0. 10. 0
English, at.....	2. 10. 0
English, at.....	0. 10. 0
English, at.....	2. 10. 0
English, at.....	0. 10. 0
Chinese Government Imperial Hukuang Ry.'s s. f. 5 percent bonds, foreign group coupons, June 15–Dec. 15:	
French at.....	2. 10. 0
French at.....	0. 10. 0
French at.....	2. 10. 0
French at.....	0. 10. 0
French at.....	2. 10. 0
French at.....	0. 10. 0
German at.....	2. 10. 0
German at.....	0. 10. 0
German at.....	2. 10. 0
German at.....	0. 10. 0
German at.....	2. 10. 0
German at.....	0. 10. 0
German at.....	2. 10. 0
German at.....	0. 10. 0
German at.....	2. 10. 0
German at.....	0. 10. 0
Cincinnati Union Terminal Co. 1st mtge. 4½ percent gold bonds series "A" coupons, Jan.–July, at.....	\$22. 50
Cincinnati Union Terminal Co. 1st mtge. 5 percent gold bonds series "B" warrants, Jan.–July, at.....	25. 00
Cincinnati Union Terminal Co. 1st mtge. 5 percent gold bonds series "B" coupons, Jan.–July, at.....	25. 00
Cincinnati, New Orleans & Texas Pacific Ry. Co. 5 percent equip. trust series "G" ctf. interest, Apr.–Oct., at.....	25. 00
Cleveland Union Terminals Co. series "A" 1st mtge. 5½ percent S.F. gold bonds coupons, at.....	27. 50
Apr.–Oct., at.....	13. 70
	27. 50

Coupon Paying Agent—Continued

Cleveland Union Terminals Co. series "B" 1st mtge. 5 percent S.F. gold bonds coupons, at-----	\$25. 00
Apr.-Oct., at-----	12. 50
Cleveland Union Terminals Co. series "C" 1st mtge. 4½ percent gold bonds, coupons, Apr.-Oct., at-----	2. 50
Cuba, Republic of, ext. debt 5 percent bonds of, 1914 coupons, at-----	22. 50
Feb.-Aug., at-----	25. 00
Cuba, Republic of, serial 5½ percent gold bonds dated July 1, 1927, annually from July 1, 1928, to July 1, 1937, inclusive, coupons, Jan.-July, at-----	12. 50
Cuba, Republic of, ext. loan 30-yr. 5½ percent gold bonds coupons-----	2. 50
Jan. 15-July 15 at-----	27. 50
Detroit & Mackinac Ry. Co. mtge. 4 percent bonds coupons, June-Dec. at-----	27. 50
Detroit & Mackinac Ry. Co. first lien 4 percent bonds coupons, June-Dec. at-----	13. 75
F.I.A.T. 20-yr. S.F. 7 percent gold debenture bonds due July 1, 1946, coupons, at-----	2. 75
Jan.-July at-----	20. 00
Florida East Coast Ry. Co. 1st & ref. mtge. 5 percent series "A" bonds coupons at-----	20. 00
Mar.-Sept. at-----	35. 00
Florida East Coast Ry. Co., W. R. Kenan, Jr., and S. M. Loftin, receivers equip. trust series D certificates coupons. Jan.-July at-----	17. 50
Florida East Coast Ry. Co., W. R. Kenan, Jr., and S. M. Loftin, receivers equip. trust series E certificates coupons, Mar.-Sept. at-----	25. 00
FraAmerican Industrial Dev'l Corp'n 20 yr. 7½ percent bonds due Jan. 1, 1942 coupons, Jan.-July at-----	22. 50
French Republic, Gov't of, 20-yr. 5½ percent bonds coupons, Apr.-Oct. at-----	37. 50
French Republic, Gov't of, 20-yr. ext. gold loan 7½ percent bond coupons at-----	27. 50
June-Dec. at-----	37. 50
French Republic, Gov't of, external loan 1924, 25-yr. S.F. 7 percent gold bonds coupons at-----	18. 75
June-Dec. at-----	3. 75
French Republic, Gov't of, 25-yr. ext. 8 percent S.F. gold loan bonds coupons at-----	35. 00
Mar. 15-Sept. 15 at-----	17. 50
Gen'l Steel Castings Corp. 1st mtge. gold bonds 5½ percent series "A" coupons at-----	3. 50
Jan.-July at-----	40. 00
General Motors Acceptance Corp. 5 percent serial gold notes coupons, Mar.-Sept. at-----	20. 00
Gen'l Motors Acceptance Corp. 10-yr. S.F. 6 percent gold deb. coupons due Feb. 1, 1937, coupons, Feb.-Aug. at-----	4. 00
German External Loan 1924, trustees of 7 percent "D" coupons at-----	27. 50
Apr. 15-Oct. 15 at-----	5. 50
German Gov't international 5½ percent loan 1930 "D" bank for international settlement, trustee at-----	35. 00
June-Dec. at-----	17. 50
1. German Government international 5½ percent loan 1930-35 year gold bond interim receipts warrants due Dec. 1, 1930, U.S.A. issue at-----	3. 50
June-Dec. at-----	27. 50
2. German Government international 5½ percent loan 1930-35 year gold bond interim receipts warrants due June 1, 1931, U.S.A. issue at-----	13. 75
June-Dec. at-----	2. 75
German Gov't international 5½ percent loan 1930 "F" A.C. coupons, bank for international settlement trustee issue, June-Dec. at-----	27. 50
	13. 75
	2. 75
	2. 75

*Coupon Paying Agent—Continued***Hocking Valley Railway Co.:**

Hocking Valley Ry. Co. 1st consd. mtge. 4½ percent gold bonds of 1999 coupons, Jan.-July, at.....	\$22. 50
Hocking Valley Ry. Co.-Col. & Toledo R.R. Co., 1st mtge. 4 percent extension gold bonds of 1955 coupons, Feb.-Aug. at.....	20. 00
Hocking Valley Ry. Co.-Col. & Hocking Valley R.R. Co., 1st mtge. 4 percent extension gold bonds of 1948 coupons, at.....	20. 00
Apr.-Oct., at.....	10. 00
Hocking Valley Ry. Co. equip. tr. 5 percent series of 1923 coupons, Apr.-Oct., at.....	25. 00
Hocking Valley Ry. Co. equip. tr. 5 percent bonds series of 1924 coupons, Jan.-July, at.....	25. 00
Humble Oil & Refining Co. 10-yr. 5½ percent deb. gold bonds { coupons, at.....	27. 50
Jan. 15-July 15, at.....	13. 75
	2. 75
Humble Oil & Refining Co. 10-yr. 5 percent gold deb. bonds coupons, Apr.-Oct., at.....	25. 00
Hungerford Brass Corp. & Hungerford Brass Corp. by Chase Brass & Copper Co., Inc., 5 percent serial gold bonds coupon A.C., at.....	25. 00
Jan.-July, at.....	125. 00
Hudson Bay Mining & Smelting Co., Limited, 5-year 6 percent { conv. gold debts. due July 1, 1935 coupons, at.....	30. 00
Jan. 15-July 15, at.....	15. 00
	3. 00
Interborough Rapid Transit Co., 10-yr. secured conv. 7 percent gold { notes interest at.....	35. 00
Mar.-Sept., at.....	17. 50
	3. 50
International-Great Northern R.R. Co.:	
International Great Northern R.R. Co. 1st mtge. series "A" { 6 percent bonds coupons at.....	30. 00
Jan.-July at.....	15. 00
	3. 00
International Great Northern R.R. Co. 1st mtge. series "B" 5 percent bonds coupons, Jan.-July at.....	25. 00
International Great Northern R.R. Co. 1st mtge. series "C" 5 percent bonds coupons, Jan.-July at.....	25. 00
International Great Northern R.R. Co. adjustment 6 percent { bonds coupons at.....	30. 00
Apr.-Oct. at.....	15. 00
	3. 00
International Great Northern R.R. Co. equip. trust series "A" 4½ percent bonds coupon, June-Dec. at.....	22. 50
International Great Northern R.R. Co. equip. trust series "B" 4½ percent bonds coupons, Apr.-Oct. at.....	22. 50
International Committee of Bankers on Mexico Special Account 37:	
	2. 425
	2. 91
(Republic of Mexico 6 percent 10-yr. treas. notes of 1913 coupons series A), Jan.-July at.....	12. 125
	14. 55
	24. 25
	29. 10

International Committee of Bankers on Mexico Special Account 38:

	1. 455
	1. 94
(Republic of Mexico 4 percent external gold loan of 1910 coupons), Jan.-July at.....	7. 275
	9. 70
	14. 55
	19. 40

Coupon Paying Agent—Continued

International Committee of Bankers on Mexico Special Account 39:

(Republic of Mexico 5 percent cons'd external gold loan 1899 coupons), Jan.-Apr.-July-Oct., at-----	\$0. 7275 3. 6375 7. 275 18. 1875 36. 375 1. 2125 6. 0625 12. 125 30. 3125 60. 625
International Tel. & Tel. Corp'n 10-yr. conv. 4C percent gold deb. bonds coupons, at-----	22. 50
Jan.-July, at-----	2. 25
International Tel. & Tel. Corp'n 25-yr. 4C percent gold bonds, due 1952 coupons, Jan.-July, at-----	22. 50
International Tel. & Tel. Corp'n 25-yr. 5 percent gold deb. bonds coupons, Feb.-Aug., at-----	25. 00
Italian Credit Consortium for public works ext'l loan S. F. 7 percent secured gold bonds due Mar. 1, 1937, series "A" coupons, Mar.-Sept., at-----	35. 00
Italian Credit Consortium for public works ext'l loan S. F. 7 percent secured gold bonds due Mar. 1, 1947, series "B" coupons, Mar.-Sept., at-----	35. 00
Italy, Kingdom of, external loan S.F. 7 percent gold bonds coupons, at-----	35. 00
June-Dec., at-----	17. 50 3. 50
Kansas City Terminal Ry. Co. first 4 percent bonds coupons, Jan.-July, at-----	20. 00
Ky. & Ind. Term. R.R. Co. 1st 4½ percent bonds coupons, Jan.-July, at-----	22. 50 10. 95
Leavenworth Term. Ry. & Bridge Co. 1st 5½ percent gold bonds coupons, May-Nov., at-----	27. 50
Lehigh Valley Coal Co. 1st 4 percent coupons, Jan.-July, at-----	20. 00
Lehigh Valley Coal Co. 1st 5 percent coupons, Jan.-July, at-----	25. 00
Lehigh Valley R.R. Co. Coupon acct. viz:	
Lehigh Valley Ry. Co. 1st 4½ percent coupons, Jan.-July at-----	22. 50
Lehigh Valley Ry. Co. coll. tr. 4 percent coupons, Feb.-Aug., at-----	20. 00
Lehigh Valley Ry. Co. 4½ percent equip. tr. series coupons, Mar.-Sept., at-----	22. 50
Lehigh & New York first 4 percent coupons, Mar.-Sept., at-----	20. 00
Lehigh & Lake Erie 4½ percent coupons, Mar.-Sept., at-----	22. 50
Lehigh Valley Terminal first 5 percent coupons, Apr.-Oct., at-----	25. 00
Lehigh Valley General con. 4 percent coupons, May-Nov., at-----	20. 00
Middlesex Valley first 5 percent coupons, May-Nov., at-----	25. 00
Lehigh Valley first mtge. 4 percent coupons, June-Dec., at-----	20. 00
Lehigh Valley general cons. 4½ percent coupons, May-Nov., at-----	22. 50
Lehigh Valley general cons. 5 percent coupons, May-Nov., at-----	25. 00
Lehigh Valley Harbor Term. Co. 1st mtge. 5 percent gold bonds series due 1954 coupons, at-----	25. 00
Feb.-Aug., at-----	12. 50
Long Dock Co. cons. 6 percent bonds coupons, Apr.-Oct., at-----	30. 00
Louisville & Nashville, So. Ry. joint Monon. coll. trust bonds 4 percent coupons, Jan.-July, at-----	20. 00
Missouri-Illinois Railroad Co. first mortgage series "A", 5 percent bonds coupons, at-----	23. 00
Jan.-July, at-----	12. 50
Missouri Pacific Railroad Co.:	
The Pacific R.R. (of Missouri) first mortgage, 4 percent bonds coupons, Feb.-Aug., at-----	20. 00
The Pacific R.R. (of Missouri) second mortgage, 5 percent bonds coupons, Jan.-July, at-----	25. 00

Coupon Paying Agent—Continued

Missouri Pacific Railroad Co.—Continued.

The Pacific R.R. (of Missouri) real-estate mortgage, 5 percent bonds coupons, at-----	\$25. 00
May-Nov., at-----	12. 50
The Pacific R.R. (of Missouri) carondelet branch first mtge. 4½ percent bonds coupons, Apr.-Oct., at-----	11. 25
Missouri Pacific Railway Co. third mtge., 4 percent bonds coupons, May-Nov., at-----	20. 00
The central branch Union Pacific Railway Co. first mtge., 4 percent bonds coupons, June-Dec., at-----	20. 00
St. Louis, Iron Mountain & Southern Railway Co. general cons'd. ry. and land grant, 5 percent bonds coupons, Apr.-Oct., at-----	25. 00
St. Louis, Iron Mountain & Southern Railway Co. river and gulf divisions, 5 percent bonds coupons, May-Nov., at-----	20. 00
Missouri Pacific Railroad Co. first and ref'd'g series "A", 5 percent bonds coupons, at-----	25. 00
Feb.-Aug., at-----	12. 50
Missouri Pacific Railroad Co. first and ref'd'g series "F", 5 percent bonds coupons, at-----	25. 00
Mar.-Sept., at-----	12. 50
Missouri Pacific Railroad Co. first and ref'd'g series "G", 5 percent bonds coupons, May-Nov., at-----	25. 00
Missouri Pacific Railroad Co. first and ref'd'g series "H", 5 percent bonds coupons, Apr.-Oct., at-----	25. 00
Missouri Pacific Railroad Co. first & ref'd'g mortgage 5 percent gold bonds, series "I" coupons, Feb.-Aug., at-----	25. 00
Missouri Pacific Railroad Co. gen'l mtge., 4 percent bonds coupons, at-----	20. 00
Mar.-Sept., at-----	10. 00
Missouri Pacific Railroad Co. conv. series "A" 5½ percent bonds coupons, May-Nov., at-----	27. 50
Missouri Pacific Railroad Co. secured serial 5½ percent certificates coupons, June-Dec., at-----	26. 25
Missouri Pacific Railroad Co. equip. trust series "A" 6½ percent certificates coupons, Feb.-Aug., at-----	32. 50
Missouri Pacific Railroad Co. equip. trust series "B" 5½ percent certificates coupons, May-Nov., at-----	27. 50
Missouri Pacific Railroad Co. equip. trust series "C" 5 percent certificates coupons, May-Nov., at-----	25. 00
Missouri Pacific Railroad Co. equip. trust series "D" 5 percent certificates coupons, Mar.-Sept., at-----	25. 00
Missouri Pacific Railroad Co. equip. trust series "E" 4½ percent certificates coupons, June-Dec., at-----	22. 50
Missouri Pacific Railroad Co. equip. trust series "F" 4½ percent certificates coupons, May-Nov., at-----	22. 50
Missouri Pacific Railroad Co., due prior to Aug. 19, 1915 coupons.	
Verdigris Valley Independent & Western Ry. Co., 5 percent bonds coupons, at-----	25. 00
Manitoba, Province of, 20-yr. 4½ percent deb. bonds, series "DDD" due Dec. 1, 1947, coupons, June-Dec., at-----	22. 50
Manitoba, Province of, 20-yr. 5 percent deb. series "CCC" due Dec. 1, 1941, coupons, June-Dec., at-----	25. 00
Marland Oil Co. serial 5 percent gold notes interest, June 15-Dec. 15, at-----	25. 00
New Orleans & Northeastern R.R. Co. ref. & imp. 4½ percent bonds coupons, Jan.-July, at-----	. 50
New Orleans, Texas, and Mexico Railway Co.:	
New Orleans, Texas and Mexico Railway Co. 1st mtge. series {	27. 50
"A" 5½ percent bonds coupons, at-----	13. 75
Apr.-Oct., at-----	2. 75
New Orleans, Texas and Mexico Railway Co. 1st mtge. series {	25. 00
"B" 5 percent bonds coupons, at-----	12. 50
Apr.-Oct., at-----	2. 50

Coupon Paying Agent—Continued

New Orleans, Texas, and Mexico Railway Co.—Continued.	
New Orleans, Texas and Mexico Railway Co. 1st mtge. series {	\$25. 00
“C” 5½ bonds coupons, Feb.—Aug., at.....	25. 00
New Orleans, Texas and Mexico Railway Co. 1st mtge. series	
“D” 4½ percent bonds coupons, Feb.—Aug., at.....	22. 50
New Orleans, Texas and Mexico Railway Co. income series {	25. 00
“A” 5 percent bonds coupons, at.....	12. 50
Apr.—Oct., at.....	2. 50
New Orleans, Texas and Mexico Railway Co. equip. trust	
series “A” 5 percent certificates coupons, May—Nov., at....	25. 00
New Orleans, Texas and Mexico Railway Co. equip. trust	
series “B” 4½ percent certificates coupons, June—Dec., at....	22. 50
New Orleans, Texas and Mexico Railway Co. equip. trust	
series “C” 4½ percent certificates coupons, Apr.—Oct., at....	22. 50
New Orleans, Texas and Mexico Railway Co. 1st mtge. series	
“A” 6 percent bonds coupons, at.....	30. 00
N. Y., N. H. & H. R.R. Co. 15-yr. 6 percent secured gold bonds {	30. 00
due 1940 coupons, at.....	15. 00
Apr.—Oct., at.....	3. 00
N. Y., N. H. & H. R.R. Co. 40-yr. 1st & ref. 4½ percent gold	
bonds series of 1927 coupons, June—Dec., at.....	22. 50
N. Y., N. H. & H. R.R. Co. 4½ percent equipment trust of 1930	
coupons, Second Nat'l Bank of New Haven, trustee, Mar. 15—	
Sept. 15, at.....	22. 50
Nord. Ry. Co. 6½ percent ext. s/f bonds dated Oct. 1, 1924 coupons,	
at.....	32. 50
Apr.—Oct., at.....	16. 25
Northern Pacific Railway Co. coupon accts.:	
General lien 3 percent bonds coupons, at.....	7. 50
Feb.—May—Aug.—Nov., at.....	3. 75
Prior lien 4 percent bond coupons, at.....	10. 00
Jan.—Apr.—July—Oct., at.....	5. 00
Nor. Pacific Ry. Co. refunding & imp. 4½ percent series “A” bonds	
coupons, Jan.—July, at.....	22. 50
Northern Pacific Ry. Co. refunding & imp. mtge. 6 percent {	30. 00
series “B” gold bonds coupons, at.....	15. 00
Jan.—July, at.....	3. 00
Northern Pacific Ry. Co. ref. & imp. 5 percent series “C” {	25. 00
bonds coupons, at.....	12. 50
Jan.—July, at.....	2. 50
Northern Pacific Ry. Co. ref. & imp. mtge. 5 percent gold bonds {	25. 00
series “D” coupons, at.....	12. 50
Jan.—July, at.....	2. 50
St. Paul-Duluth div. 4 percent bonds coupons, June—Dec., at.....	20. 00
St. Paul & Duluth 1st cons. mtge. 4 percent bonds coupons, June—	
Dec., at.....	20. 00
Northern Pacific Ry. equip. tr. of 1925 4½ percent serial tr. gold	
ctfs. coupons, Mar. 15—Sept. 15, at.....	22. 50
Northern Pacific Ry. Co. 4½ percent equip. tr. of 1922 gold ctfs.	
dividend warrants, Feb. 15—Aug. 15, at.....	22. 50
Ohio State Tel. Co. conv. & ref. s/f 5 percent bonds coupons,	
Jan.—July, at.....	25. 00
Pere Marquette Railway Co. 1st mtge. series “A” 5 percent gold {	25. 00
bonds coupon, at.....	12. 50
Jan.—July, at.....	2. 50
Pere Marquette Railway Co. 1st mtge. series “B” 4 percent gold	
bonds coupons, at.....	20. 00
Jan.—July, at.....	10. 00
Pere Marquette Railroad Co. Lake Erie & Detroit River division	
coll. trust 4½ percent gold bonds coupons, Feb.—Aug., at.....	22. 50
Pere Marquette Railroad Co. 1st mtge. series “C” 4½ percent	
gold bonds coupons, Mar.—Sept., at.....	22. 50
Pere Marquette Railway Co. 4½ percent equipment trust certifi-	
cates series of 1930 dividend warrants, May—Nov., at.....	22. 50

Coupon Paying Agent—Continued

Phila. Electric Power Co. 1st mtge. 5½ percent gold bonds coupons, at.	\$27. 50
Feb.-Aug., at	13. 75
Philadelphia Electric Co. 1st & ref'd'g mtge. gold bonds 4 percent series of 1971 coupons, at	20. 00
Feb.-Aug., at	10. 00
Phila. & Reading Coal & Iron Co. ref. mtge. 5 percent s/f gold bonds coupons, at	25. 000
Jan.-July, at	12. 50
Phila. & Reading Coal & Iron Co., 20-year conv. 6 percent deb. bonds coupons, at	2. 50
Mar.-Sept., at	30. 00
Postal Telegraph and Cable Corp., 25-year coll. 5 percent gold bonds coupons, at	15. 00
Jan.-July, at	3. 00
Reading Co., gen'l & ref. mtge, 4½ percent gold bonds series "A" coupons, at	25. 00
Jan.-July, at	2. 25
Reading Co.-Jersey Central collateral tr. 4 percent bonds coupons, Apr.-Oct., at	22. 50
Rome, city of, ext. loan of 1927, s/f 6½ percent gold bonds due Apr. 1, 1952, coupons, at	11. 25
Apr.-Oct., at	2. 25
Rhodesian anglo American, Limited, 7¾ percent debentures coupons, at	20. 00
June 30-Dec. 31, at	32. 50
St. Paul Union Depot Co., 1st & ref. 5-percent gold bonds, series "A" coupons, at	16. 25
Jan.-July, at	3. 25
St. Joseph Lead Co. 10-yr. conv. 5½-percent gold debenture bonds coupons, at	37. 94
May-Nov., at	38. 75
Scovill Manufacturing Co. 15-yr. 5½-percent bonds coupons, at	25. 00
Jan.-July, at	12. 50
Societa Italiano Pirelli (Pirelli Co. of Italy) S/F 7-percent gold bonds coupons, May-Nov., at	27. 50
Southern Improvement Co. 5-percent bonds coupons, at	27. 50
Jan.-July, at	2. 50
Southern Railway Co. coupon acct.	
Aitken Branch 1st 4 percent bonds coupons, Jan.-July, at	10. 00
Atlantic & Yadkin Ry. Co. 1st mtge. 4 percent bonds coupons, Apr.-Oct., at	20. 00
Development & gen'l mtge. 4 percent bonds coupons, Apr.-Oct., at	20. 00
Development & gen'l mtge. 6 percent bonds coupons, Apr.-Oct., at	30. 00
Development & gen'l mtge. 6½ percent bonds coupons, Apr.-Oct., at	32. 50
East Tenn. reorganization mtge. 5 percent bonds coupons, Mar.-Sept., at	25. 00
East Tenn., Va. & Ga. R.R. Co. cons. mtge. 5 percent bonds coupons, May-Nov., at	25. 00
First consolidated mtge. 5 percent bonds coupons, Jan.-July, at	25. 00
Georgia Midland R.R. 1st mtge. 3 percent bonds coupons, Apr.-Oct., at	15. 00
Memphis Division 1st 5 percent bonds coupons, Jan.-July, at	25. 00
Mobile & Birmingham 1st mtge. 4 percent bonds coupons, at	20. 00
Jan.-July, at	4. 00
Mobile & Birmingham prior lien 5 percent coupons, at	25. 00
Jan.-July, at	5. 00
Mobile & Ohio R.R. Co. coll. 4 percent bonds coupons, Mar.-Sept., at	20. 00

Coupon Paying Agent—Continued

Southern Railway Co. coupon acct.—Continued

Richmond & Mecklenberg R.R. Co. 1st mtge. 4 percent bonds coupons, May–Nov., at-----	\$20. 00
St. Louis Division 1st mtge. 4 percent bonds coupons, Jan.–July, at-----	20. 00
Spartanburg Union & Col. R.R. Co. 1st mtge. 4 percent bonds coupons, Jan.–July, at-----	20. 00
Virginia Midlands Ry. Co. gen'l. mtge. 5 percent bonds coupons, May–Nov., at-----	25. 00
Mobile & Ohio R.R. Co. 5 percent secured gold notes coupons, Mar.–Sept., at-----	25. 00
Syracuse Lighting Company, Inc., 1st and ref'd'g. mtge. 5 percent gold bonds series "B" coupons, at-----	25. 00
Jan.–July, at-----	12. 50
Standard Oil Co. (Inc. in N.J.) 20-yr. 5 percent gold deb. bonds coupons, Feb.–Aug., at-----	25. 00
Swiss Confederation 20-yr. 5½ percent ext. loan gold notes coupons, at-----	27. 50
Apr.–Oct., at-----	13. 75
Terminal R.R. Ass'n of St. Louis Coupon Acct. viz:	
First consol. mtge. 5 percent bonds Feb.–Aug., at-----	25. 00
First mtge. 4½ percent bonds coupons, Apr.–Oct., at-----	22. 50
General mortgage refunding 4 percent bonds coupons, Jan.–July, at-----	20. 00
The Texas and Pacific Railway Co.:	
Texas and Pacific Railway Co., The, 1st mtge. 5 percent bonds coupons, June–Dec., at-----	25. 00
Texas and Pacific Railway Co., The, gen'l & ref'd'g series "B" 5 percent bonds coupons, at-----	25. 00
Apr.–Oct., at-----	12. 50
Texas and Pacific Railway Co., The, gen'l & ref'd'g series "C" 5 percent bonds coupons, Apr.–Oct., at-----	25. 00
Texas and Pacific Railway Co., The, gen'l ref'd'g m't'ge 5 percent gold bonds series "D" coupons, June–Dec., at-----	25. 00
Texas and Pacific Railway Co., The, second income 5 percent bonds coupons, Mar. 1st, at-----	50. 00
Texas and Pacific Railway Co., The, equip. trust series "GG" 5 percent certificates coupons, May–Nov., at-----	25. 00
Texas and Pacific Railway Co., The, equip. trust series "HH" 4½ percent certificates coupons, Mar.–Sept., at-----	22. 50
Texas and Pacific Railway Co., The, equip. trust series "JJ" 4½ percent certificates coupons, Apr.–Oct., at-----	22. 50
Texas and Pacific Railway Co., The, equip. trust series "A" 4½ percent certificates coupons, Feb.–Aug., at-----	22. 50
Texas and Pacific Railway Co., The, equip. trust series "B" 4 percent certificates coupons, May–Nov., at-----	20. 00
Texas and Pacific Railway Co., The, equip. trust series "C" 4½ percent certificates coupons, June–Dec., at-----	22. 50
Texas and Pacific Railway Co., The, Weatherford, Mineral Wells & Northwestern Railway Co. equip. trust "A" 5 percent certificates coupons, Feb.–Aug., at-----	25. 00
Texas and Pacific Railway Co., The, Texas Pacific Missouri-Pacific Terminal R.R. of New Orleans 1st mtge. 5½ percent bonds coupons, Mar.–Sept., at-----	27. 50
Guaranty Trust Company of New York as pledgee under the instrument of pledge dated Nov. 1, 1916, securing \$300,000 three-year and five-year 5½ percent secured loan gold notes account, for the payment of coupons from the United Kingdom of Great Britain and Ireland 5-year 5½ percent gold notes due Nov. 1, 1921, May–Nov., at-----	27. 50
United Kingdom of Great Britain and Ireland 10-yr. 5½ percent conv. gold notes due Aug. 1, 1929, coupons, at-----	13. 75
Feb.–Aug., at-----	2. 75

Coupon Paying Agent—Continued

The Texas and Pacific Railway Co.—Continued	
Guaranty Trust Company of New York—Continued	
United Kingdom of Great Britain and Ireland 20-yr. 5½ per-	\$27. 50
cent gold bonds coupons, at-----	13. 75
Feb.—Aug., at-----	2. 75
Utica Gas and Electric Company 20-yr. gen'l mtge. 5 percent	
gold bond series E coupons, Jan.—July, at-----	25. 00
United States Steel Corporation coupon acct. viz:	
Series B, due Feb.—Aug., at-----	25. 00
“ B, “-----	125. 00
“ D, “ Apr.—Oct., “-----	25. 00
“ D, “ “-----	125. 00
“ F, “ June—Dec., “-----	25. 00
“ F, “ “-----	125. 00
U.S. Steel Corp. 10–60-yr. S/F 5 percent bonds coupons, May–	
Nov., at-----	25. 00
Vermont, State of (Vermont State flood bonds), loan of 1927 3¾	
percent gold bonds coupons, dated December 1927, June–Dec.,	
at-----	18. 75
Western Electric Co., Inc., 20-yr. 5 percent gold deb. bonds cou-	
pons, at-----	25. 00
Apr.—Oct., at-----	12. 50
“-----	2. 50
Western Pocahontas Corp'n. lands purchase money 1st mtge. 4½	
percent gold bonds of 1945 coupons, Feb.—Aug., at-----	22. 50
Western Pocahontas Corp'n. lands purchase money ext. mtge. No.	
1, 4½ percent gold bonds of 1945 coupons, Feb.—Aug., at-----	22. 50
Western Pocahontas corp'n. lands purchase money ext. mtge. No.	
2, 4½ percent gold bonds of 1946 coupons, Apr.—Oct., at-----	22. 50
First National Bank of Boston, a/c N. Y., N. H. & H. R.R. Co. 5	
percent equip. tr. of 1925 coupons, Jan.—July, at-----	25. 00
First National Bank of Boston, a/c N. Y., N. H. & H. R.R. Co. 4½	
percent equip. tr. of 1927 coupons, June–Dec., at-----	22. 50
First National Bank of Boston, a/c N. Y., N. H. & H. R.R. Co. 4½	
percent equip. tr. of 1931 coupons, Jan.—July, at-----	22. 50
Fidelity Union Trust Co., a/c Public Service Newark Terminal Ry.	
Co. 5 percent s/f bonds coupons, June–Dec., at-----	25. 00
Fidelity Union Trust Co., a/c Public Service Electric & Gas Co. 1st	
& ref. mtge. 5 percent gold bonds series of 1965 coupons, at-----	25. 00
June–Dec., at-----	12. 50
Fidelity Union Trust Co., a/c Public Service Electric & Gas Co. 1st	
& ref. mtge. 4½ percent gold bonds series of 1967 coupons, at-----	22. 50
June–Dec., at-----	11. 25
Fidelity Union Trust Co., a/c Public Service Electric & Gas Co. 1st	
& ref. mtge. 4½ percent gold bonds series of 1970 coupons, at-----	22. 50
Feb.—Aug., at-----	11. 25
Fidelity Union Trust Co., a/c Public Service Electric & Gas Co. 1st	
& ref. mtge. 4 percent gold bonds series of 1971 coupons, at-----	20. 00
Apr.—Oct., at-----	10. 00
Girard Trust Co., a/c Phila. Electric Co. 1st lien & ref. mtge. gold	
bonds 4½ percent series due 1967 coupons, at-----	22. 50
May–Nov., at-----	11. 25
Anglo American Oil Co., Ltd., serial 4½ percent gold note coupons.	
Public Service Corp. of New Jersey secured gold bonds, 5½ percent series of	
1956, coupons.	
Hocking Valley Ry. Co. 6 months 5 percent notes coupons.	
Jeddo Highland Coal Co. 1st mortgage leasehold S. F. 6 percent gold bonds,	
due Nov. 1, 1941, coupons.	
Public Service Electric & Gas Co. 1st & ref. mortgage gold bonds, 5 percent,	
series of 1965, coupons.	
Hocking Valley Railway Co. 6-month 4½ percent gold notes, due September 1,	
1927, coupons.	
Erie Railroad Company refunding & improvement mortgage 5 percent gold	
bonds, series of 1927 (paid no. 1 warrant only).	
Mobile & Ohio Railroad Co. refunding & improvement mortgage 4½ percent,	
series of 1977 (paid no. 1 warrant only).	
Public Service Corp. of New Jersey 20-year 4½ percent conv. gold debentures	
coupons	

Government of French Republic 5 percent bonds coupons.
 Rhokana Corp., Ltd., 20-year conv. 7 percent debentures, coupons.
 Boston & Maine R.R. 1st mtge. 5 percent bonds, series "AC" coupons.
 Boston & Maine R.R. 1st mtge. 5 percent bonds, series "II" coupons.
 Boston & Maine R.R. 1st mtge. 5 percent bonds, series "JJ" coupons.

Drexel & Co.

Dividend paying agent:

Niagara Share Corporation of Maryland.

Transfer and dividend paying agent:

General Asphalt Co.

Keystone Watch Case Corporation.

Keystone Corporation.

Markle Corporation.

National Umbrella Frame Co.

The Philadelphia & Reading Coal & Iron Corporation.

Phoenix Iron Co.

Public Service Electric & Gas Co.

Red Jacket Consolidated Coal & Coke Co.

Hall Electric Heating Co.

Drexel & Co.

Coupon paying agent:

The Baldwin Locomotive Works.

The Lehigh Valley Coal Co.

The Philadelphia & Reading Coal & Iron Co.

Public Service Electric & Gas Co.

Public Service Electric Power Co.

Reading Co.

COMMITTEE EXHIBIT No. 19 OF MAY 25, 1933

QUESTION 12

List of all bond or debenture issues, foreign or domestic, of which either of said firms was the syndicate manager and which issues have been or are now in default; and any issue floated prior to 1927 which were in default at any time during the period 1927 to 1931.

J. P. Morgan & Co.

1927-31: Of the issues during the period in question, there were no defaults during that period as to interest or principal. However, of the issues made during that period, default occurred on—

Mobile and Ohio Railroad Co. 5 percent secured gold notes due Sept. 1, 1938, and refunding & improvement 4½ percent mtge. gold bonds due Sept. 1, 1977.....	Sept. 1, 1933
Missouri Pacific R.R. Co. first & refunding mtge. series I, 5 percent gold bonds due Feb. 1, 1981.....	Apr. 1, 1933

Of issues made prior to 1927 by J. P. Morgan & Co. and still outstanding, the following are in default as to interest or principal:

	Default date
Chicago City & Connecting Rys. collateral trust sinking fund gold 5's issued Jan. 1, 1910, due Jan. 3, 1927.....	Jan 3, 1927.
Florida East Coast Ry. first and ref. mtge. 5 percent gold bonds issued Sept. 1, 1924, series A, due Sept. 1, 1974.....	Sept. 1, 1931.
Interborough Rapid Transit Co. 10-year secured convertible 7 percent gold notes issued Sept. 1, 1922, due Sept. 1, 1932.....	Sept. 1, 1932.
Imperial Russian Government credit of 1916 issued June 1916.	
Republic of Mexico 4's, 5's, 6's of 1899, issued prior to July 1913.	

Drexel & Co.

	Default date
DeBardeleben Coal Corporation first mortgage 6 percent bonds, 1953, issued May 22, 1928-----	Dec. 1, 1931.
Franklin County Coal Co. first mortgage 6 percent bonds, issued Jan. 8, 1924-----	Jan. 1, 1931.
Terre Haute, Indianapolis & Eastern Traction Co. first and re-funding mortgage 5 percent bonds, 1945, issued May 23, 1930-----	Oct. 1, 1930.
Indianapolis, Crawfordsville & Danville Electric Railway Co. first mortgage 5 percent bonds, 1952, issued June 1, 1912-----	Nov. 1, 1930.
The Baldwin Locomotive Works 3-year 5½ percent notes, 1933, issued Mar. 11, 1930-----	Mar. 1, 1933.
Lehigh Valley Coal Co., first mortgage 4 percent bonds, 1933, issued in 1904-----	Jan. 1, 1933.
Red Jacket Consolidated Coal & Coke Co., consolidated mortgage 5 percent bonds, 1944, issued in 1940-----	Jan. 1, 1932.

COMMITTEE EXHIBIT No. 20, OF MAY 25, 1933

QUESTION 17

The names of all issues in which either firm had any participation, which are now or have been at any time during above period in default; such information to include date of default, present market value of securities and names and addresses of the secretaries of committees formed to protect the interests of investors or for reorganization purposes.

Issues by J. P. Morgan & Co. or Drexel & Co. now in default are given in the answer to no. 12.

Issues by others in connection with which either or both of said firms had some financial participation or commitment which issues are now in default as to interest or principal, are as follows:

	Date of default	Market value
Republic of Peru, secured 7-percent S.F. gold bonds due Sept. 1, 1959-----	Sept. 1, 1931	6¼-8
Protective committee secretary, Jesse Knight, 63 Wall Street, N.Y.C.		
Republic of Peru Peruvian national loan 6-percent ext. S.F. gold bonds, 1st series, due Dec. 1, 1960-----	June 1, 1931	4¼
Protective committee secretary, Frederick G. Curry, 22 William Street, N.Y.C.		
Republic of Peru Peruvian national loan 6-percent ext. S.F. gold bonds, 2d series, due Oct. 1, 1961-----	Apr. 1, 1931	4¾
Protective committee secretary, Frederick G. Curry, 22 William Street, N.Y.C.		
Chicago Rapid Transit Co. 1st and ref. mtge. 6½-percent bonds, series A, due 1953-----	July 1, 1932	7
Protective committee secretary, Harry R. Mosser, 209 South La Salle Street, Chicago, Ill.		
Chicago Rapid Transit Co., 1st and ref. mtge. 6-percent bonds, series B, due 1944-----	July 1, 1932	6¾
Protective committee secretary, Harry R. Mosser, 209 South La Salle Street, Chicago, Ill.		
United States of Brazil, 6½ percent ext. S.F. bonds due Oct. 15, 1957-----	Apr. 15, 1932	25
International Match Corp. 5 percent 20-year S.F. debentures due Nov. 1, 1947-----	May 1, 1932	-----
Protective committee secretary, William R. Biggs, 48 Wall Street, N.Y.C.		
International Match Corp. 5 percent 10-year conv. debentures due Jan. 15, 1941-----	July 15, 1932	8
Protective committee secretary, William R. Biggs, 48 Wall Street, N.Y.C.		
Williamport Wire Rope Co. 1st mtge. S.F. 6 percent bonds due Nov. 1, 1947-----	Nov. 1, 1932	18
Protective committee secretary, John M. Fisher, 55 Wall Street, N.Y.C.		
City of Vienna ext. loan S.F. 6 percent bonds due Nov. 1, 1952-----	Nov. 1, 1932	57
Republic of Chile ext. loan S.F. 6 percent bonds due Sept. 1, 1961-----	Sept. 1, 1931	6¼-¾
Republic of Chile ext. loan S.F. 6 percent bonds, due Mar. 1, 1962-----	Sept. 1, 1931	6¼-¾
Republic of Chile ext. loan S.F. 6 percent bonds, due May 1, 1963-----	Nov. 1, 1931	6¾
Republic of Chile Railway ref. 6 percent S.F. ext. bonds due Jan. 1, 1961-----	Jan. 1, 1932	6¾
Mortgage Bank of Chile guaranteed S.F. 6 percent gold bonds due Apr. 30, 1961-----	Oct. 31, 1931	8½
Mortgage Bank of Chile guaranteed S.F. 6 percent gold bonds due May 1, 1962-----	Nov. 1, 1932	8¾-10
Savoy-Plaza Corp. Realty extension 1st mtge., 5½ percent S.F. cfs. due Feb. 1, 1945-----	Dec. 1, 1932	8½
Protective committee secretary, Ralph E. Morton, 22 William Street, N.Y.C.		
State of Minas Geraes (U.S. of Brazil) 6½ percent secured ext. S.F. gold bonds due Mar. 1, 1953-----	Mar. 1, 1932	23
State of Minas Geraes (U.S. of Brazil) 6½ percent secured ext. loan of 1929, series A, due Sept. 1, 1959-----	do-----	23

	Date of default	Market value
Abitibi Power & Paper Co., Ltd., 1st mtge. series A 5 percent gold bonds due 1953.....	June 1, 1932	12½
Protective committee secretary, Frederick G. Curry, 22 William Street, N.Y.C.		
State of Rio Grande de Sul 6 percent ext. S.F. gold bonds due June 1, 1968.....	Dec. 1, 1931	13½
Rossville Commercial Alcohol Corp. 20-year S.F. 6 percent conv. debentures due Jan. 1, 1949.....	Jan. 1, 1932	No quote.
Protective committee secretary, Nelson Stuart, 22 William Street, N.Y.C.		
Kreuger & Toll Co. 5 percent S.F. secured gold debentures due Mar. 1, 1959.	Sept. 1, 1932	12½
Protective committee secretary, Tristan Antell, 52 Broadway, N.Y.C.		
Secretary, Bernard Henick, 46 Cedar Street, N.Y.C.		
Central of Georgia Railway Co. ref. & genl. mtge. 5 percent bonds, series C, due Apr. 1, 1959.....	Apr. 1, 1933	2¾
Protective committee secretary, Churchill Rodgers, 15 Broad Street, N.Y.C.		
The Lautaro Nitrate Co., Ltd., 1st mtge. 6 percent conv. bonds due July 1, 1954.	July 1, 1932	3¼
Protective committee secretary, Robert N. West, 55 Wall Street, N.Y.C.		
Pennsylvania Dock & Warehouse Co., leasehold mtge., 6 percent S.F. gold bonds due Aug. 1, 1949.....	Aug. 1, 1931	34¾
Protective committee secretary, Nelson Stuart, 22 William Street, N.Y.C.		
Missouri Pacific Railroad Co. 1st & ref. mtge., 5 percent gold bonds series H due Apr. 1, 1980.....	Apr. 1, 1933	26½

COMMITTEE EXHIBIT No. 21 OF MAY 25, 1933

QUESTION 13

Names of all issues in which a member or representative of either of said firms acted as a member of a protective or reorganization committee.

The answers to this question include the period of January 1, 1927, to March 24, 1933.

New York

Mobile & Ohio R.R. Co. refunding and improvement mortgage gold bonds, 4½ percent, series of 1977, due September 1, 1977.

Mobile & Ohio R.R. Co. 5 percent secured gold notes, due September 1, 1938.

Thomas S. Lamont, member.

Florida East Coast Ry. Co. first and refunding mortgage 5 percent gold bonds, series A.

A. M. Anderson, member.

John M. Young, secretary.

Interborough Rapid Transit Co. 10-year secured convertible 7 percent gold notes.

J. P. Morgan and A. M. Anderson, members.

Charlton MacVeagh, secretary.

Interborough Rapid Transit Co. first and refunding mortgage 5 percent gold bonds.

J. P. Morgan and A. M. Anderson, members.

Charlton MacVeagh, secretary.

Imperial Russian Government 5-year 5½ percent bonds.

Thomas Cochran, member.

Harold Stanley was a member of this committee. Resigned January 1928.

International Committee of Bankers on Mexico.

T. W. Lamont is chairman of the American section of this committee.

Philadelphia

Lehigh Valley Coal Co. first mortgage 4 and 5 percent bonds, due 1933, protective committee.

Horatio G. Lloyd, member.

Edward Starr, Jr., secretary.

Baldwin Locomotive Works 5½ percent notes, due 1933, protective committee.

Horatio G. Lloyd, member.

Edward Starr, Jr., secretary.

Red Jacket Consolidated Coal & Coke Co. consolidated mortgage 5 % bonds, due 1944, protective committee.

Arthur E. Newbold, Jr., member.

Robert H. Lee, secretary.

DeBardeleben Coal Corporation first mortgage 6% bonds, due 1953, protective committee.

Edward H. York, Jr., member.

Franklin County Coal Co. first mortgage serial 6% bonds, protective committee.

Edward H. York, Jr., member.

Indianapolis, Crawfordsville & Danville Electric Ry. Co. first mortgage 5% gold bonds, due 1952, protective committee.

Arthur E. Newbold, Jr., member.

Indiana, Columbus & Eastern Traction Co. general and refunding mortgage 5% bonds, due 1926, protective committee.

Thomas S. Gates, member.

Edward Hopkinson, Jr., counsel.

Terre Haute, Indianapolis & Eastern Traction Co. first and refunding mortgage 5% bonds, due 1945, protective committee.

Thomas S. Gater, member.

Philadelphia Rapid Transit System, underlying companies, general committee.

Thomas S. Gates, member.

Edward Hopkinson, Jr., secretary.

Springfield Ry. (Ohio), reorganization committee.

Edward Hopkinson, Jr., member.