

# STOCK EXCHANGE PRACTICES

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## 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

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### PART 6

CHASE SECURITIES CORPORATION  
(Continued)

OCTOBER 26 TO NOVEMBER 10

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# STOCK EXCHANGE PRACTICES

THURSDAY, OCTOBER 26, 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 the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Gore (substitute for Barkley), Adams (proxy for Costigan), Townsend, Couzens, and Goldsborough (substitute for Norbeck).

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver, David Saperstein, associate counsel to the committee; and Frank J. Meehan, chief statistician to the committee; Martin Conboy, counsel for Albert H. Wiggin; Eldon Bisbee, Alfred E. Mudge, A. M. Williams, Joseph B. Lynch, Julian L. Hagen, and C. Horace Tuttle, of Rushmore, Bisbee & Stern, and also William Dean Embree and A. Donald MacKinnon, of Milbank, Tweed, Hope & Webb, counsel for the Chase National Bank and the Chase Corporation.

The CHAIRMAN. The subcommittee will come to order, please. You may proceed, Mr. Pecora.

## TESTIMONY OF SHEPARD MORGAN, A VICE PRESIDENT OF THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK—Resumed

Mr. PECORA. Mr. Morgan, I show you what purports to be a photostatic reproduction of a prospectus issued by Chase Securities Corporation in February of 1930, on the occasion of the offering of \$40,000,000 5½ percent 15-year bonds by the Republic of Cuba, referred to in your testimony of yesterday. Will you please look at it and tell us if it is a true and correct copy of the prospectus so issued?

Mr. MORGAN. Correct.

Mr. PECORA. Mr. Chairman, I offer it in evidence, and ask that it may be spread on the record of the subcommittee's hearings.

The CHAIRMAN. Let it be admitted, and the committee reporter will make it a part of our record.

(A prospectus issued by Chase Securities Corporation in February of 1930, offering \$40,000,000 5½ percent 15-year bonds of the Republic of Cuba, was marked "Committee Exhibit No. 54, Oct. 26, 1933", and will be found on page 2812.)

Mr. PECORA. Now Mr. Morgan, in this prospectus appears the following statement, if you will notice:

The total funded debt of the Republic as of the end of the fiscal year, June 30, 1929, was \$87,174,200, exclusive of 20 million dollars public works 5½ percent serial certificates outstanding, of which \$77,660,000 was external. Floating indebtedness as of the same date amounted to approximately 5 million dollars.

Now, where were those figures obtained?

Mr. MORGAN. The Secretary of the Cuban Treasury.

Mr. PECORA. Were they checked up by anybody connected with Chase Securities Corporation?

Mr. MORGAN. They were, I am advised.

Mr. PECORA. And were they found to be correct?

Mr. MORGAN. They were believed to be correct by the man who made them up, or—

Mr. PECORA (interposing). Believed to be correct by the man who made them up or by the man who made the check, which?

Mr. MORGAN. By the man who made the check.

Mr. PECORA. And who was that man?

Mr. MORGAN. Mr. Batchelder.

Mr. PECORA. Now, the 20 million dollars of public works 5½ percent serial certificates referred to in that statement in the prospectus which I have read were the 20 million dollars of serial certificates that were sold to the public in 1928 and 1929, were they not?

Mr. MORGAN. Yes.

Mr. PECORA. And reference to which has already been made in your testimony?

Mr. MORGAN. Yes.

Mr. PECORA. Now, in setting forth the indebtedness of the Republic of Cuba which existed as of the end of the fiscal year, June 30, 1929, in this prospectus, was any account taken of the \$40,000,000 of certificates which were then outstanding and in the portfolios of the Chase National Bank and its banking associates, and the \$40,000,000 I refer to being the \$30,000,000 of serial certificates and the \$10,000,000 of deferred-payment public-works certificates?

Mr. MORGAN. The reference to this, if you will notice in the concluding sentence, says:

PURPOSE OF ISSUE

\* \* \* \* \*

The public works 5½ percent sinking-fund gold bonds and said \$20,000,000 credit are for the purpose of refunding or paying indebtedness of the Republic incurred for work completed and accepted in accordance with the provisions of the public-works law.

Mr. PECORA. But that does not answer my question, does it, Mr. Morgan?

Mr. MORGAN. The date, if you will notice, is June 30, 1929.

Mr. PECORA. Yes. Now, on that date, June 30, 1929, weren't there outstanding as obligations owing by the Republic of Cuba, \$30,000,000 of serial certificates and the \$10,000,000 of deferred-payment public-works certificates which were held and owned by the Chase National Bank and its associates in this financing?

Mr. MORGAN. There were certain serial certificates in existence, but not outstanding. They were in the hands of the bankers, and—

Mr. PECORA (interposing). Well, weren't they outstanding obligations of the Republic of Cuba?

Mr. MORGAN. Yes, but you are using the word "outstanding" in two different senses.

Mr. PECORA. I am using them as representing obligations due and owing by the Cuban Government.

Mr. MORGAN. But, as I have stated, they have already been referred to, and are shown in the circular as having been one of the purposes for the new issue.

Mr. PECORA. Now, that does not answer my question, either. Were those 40 million dollars of certificates due and owing by the Republic of Cuba on June 30, 1929?

Mr. MORGAN. On June 30, 1929, there were 20 million dollars of serial certificates outstanding and in the hands of the public, to which reference is made in the prospectus. In addition, there were 20 million dollars of serial certificates which were not outstanding in that sense but were held by the banks.

Mr. PECORA. Were they obligations that were due and owing by the Republic of Cuba?

Mr. MORGAN. They were unquestionably obligations owed by the Republic of Cuba, but—

Mr. PECORA (interposing). That is, the 30 million dollars of serial certificates.

Mr. MORGAN (continuing). But not outstanding in the sense of a debt to the public.

Mr. PECORA. They were outstanding so far as the Republic of Cuba was concerned, weren't they?

Mr. MORGAN. They were in existence.

Mr. PECORA. As obligations of the Republic of Cuba?

Mr. MORGAN. In existence as obligations of the Republic of Cuba, quite so.

Mr. PECORA. All right. And forming a part of the indebtedness of the Republic of Cuba?

Mr. MORGAN. Quite so.

Mr. PECORA. All right. In addition to those 30 million dollars of serial certificates, was there also due and outstanding, in the same sense in which you choose to use that term, 10 million dollars of deferred payment public works certificates that the Chase National Bank acquired in 1927 under the original loan agreement of July of that year?

Mr. MORGAN. Not on that date.

Mr. PECORA. Well, what became of those certificates?

Mr. MORGAN. Those were not drawn down until the last of the whole series of operations under the revolving credit.

Mr. PECORA. Well, were they actual obligations due and owing by the Cuban Government on June 30, 1929?

Mr. MORGAN. No, sir.

Mr. PECORA. Hadn't they been issued by the Cuban Government in 1927?

Mr. MORGAN. I have already mentioned them as a part of the \$20,000,000 of serial certificates which were in existence and in the hands of the banking group.

Mr. PECORA. Weren't there \$30,000,000 of those certificates in the hands of the banking group?

Mr. MORGAN. Not according to my figures. The last drawing of the—no. One minute. [After consulting his associates.] Mr. Pecora, there was no object in stating in the prospectus that—

Mr. PECORA (interposing). In stating what in the prospectus?

Mr. MORGAN. In stating in the prospectus that the—well, in describing as outstanding those certificates to which you refer, because that was—

Mr. PECORA (interposing). You mean there was no object in not referring in the prospectus to those certificates, don't you?

Mr. MORGAN. I think I know what I mean.

Mr. PECORA. Go ahead and tell us, then.

Mr. MORGAN. There was no object in referring to them explicitly as an outstanding debt of the Cuban Republic, because the whole purpose of this operation, as stated in the prospectus itself, was to refund those obligations. And it is so stated.

Mr. PECORA. What was the purpose of the authors of this prospectus in setting forth the total indebtedness of the Republic of Cuba?

Mr. MORGAN. To state the fact.

Mr. PECORA. Well, was the fact actually stated, and correctly stated, in the prospectus when the prospectus set forth that the indebtedness was of the amount of \$87,174,200 at the end of June 30, 1929, exclusive of \$20,000,000 of public works certificates?

Mr. MORGAN. As I explained the meaning of the word "outstanding", that was entirely correct. There was no disingenuousness on that point.

Mr. PECORA. Where is the word "outstanding" found used in this prospectus?

Senator ADAMS (interposing). Mr. Pecora, let me ask a question right there.

Mr. PECORA. Certainly.

Senator ADAMS. Mr. Morgan, if the bankers had seen fit to sell to the public a part of what they held, would that have changed your definition of what would then have been outstanding?

Mr. MORGAN. Precisely. They would then be outstanding, Senator.

Senator ADAMS. What is the difference between an obligation held by a bank and an obligation held by somebody else which would make one outstanding and the other not?

Mr. MORGAN. Those are obligations that were in the hands of the banking group that were dealing with the Republic of Cuba constantly, that were being built up with the expectation of being sold to the public, but until they are sold to the public, or to other banks, or to the banks themselves for their own investment, they would not become outstanding.

Senator ADAMS. But suppose I were dealing with the bank, say I were a manufacturing concern and they were financing me, and they held some of my obligations, and some they were selling, would you say that those they held of mine were not outstanding, while those that they had sold to the public were outstanding?

Mr. MORGAN. I think it would be entirely reasonable to state the obligations of your concern with respect to the public. And if you state in another section of the prospectus that you have other obligations which are to be refunded by the new operation, then there

is no conflict. It seems to me it has been fairly expressed in the prospectus.

Senator COUZENS. Is there anything in the circular to show that those 40-odd million dollars you held were to be used for refunding purposes?

Mr. MORGAN. Yes, sir.

Senator COUZENS. Where?

Mr. MORGAN. It says:

The public works 5½-percent sinking-fund gold bonds and said 20 million dollar credit are for the purpose of refunding or paying indebtedness of the Republic incurred for work completed and accepted in accordance with the provisions of the public works law.

Senator COUZENS. But it does not say they are exclusively for that purpose, does it?

Mr. MORGAN. No.

Senator COUZENS. You admitted, in answer to a question propounded by Senator Adams, that you could not have sold them.

Mr. MORGAN. Quite true. But here is a reference, if you will let me refer to one more section—well, the reference here is not simply to the forthcoming issue of public works gold bonds but to the 20 million dollar bank credit which the banks gave at that time in the shape of new money for the further prosecution of the public works program. That is why the sentence applies not simply to the refunding of the indebtedness but to the prosecution of the public works program as a public works credit. Do you see?

Senator COUZENS. I am not quite sure that I do. You had this 20 million dollars.

Mr. MORGAN. No; we hadn't it yet. That was new money. Here it says—

The CHAIRMAN (interposing). You did not hold those certificates as agent of the Cuban Government or in trust in any way, did you? You held them absolutely, didn't you?

Mr. MORGAN. Some of them were held in trust, Senator Fletcher, I am advised. And the Cuban Government had asked us, as was developed in the record yesterday, not to sell those certificates to the public, in accordance with the agreement which we had made with them, because of a bunching of maturities, which promised to constrict the further operation of the public works program.

Mr. WILLIAMS. Mr. Chairman, might I help to explain this situation?

The CHAIRMAN. Very well.

Mr. WILLIAMS. Sometimes in circulars of this nature, where they describe an outstanding debt and a portion of it is to be retired with the issue in question, they say: "After giving effect to the present financing." It might have been a more happy expression to have used it in this particular circular. As a matter of fact, the purpose of the issuance of the 40 million dollars was to retire or refund indebtedness of the Cuban Republic. The fact is that those certificates, both the deferred payment and the serial certificates, then held in the portfolios of the bank and its associates, were actually retired and ceased to exist through the issuance of the 40 million dollars of bonds. And whether or not the language of the circular might be improved upon, the fact is that that is what took place.

So that upon the issuance of those 40 million dollars of bonds, the purchaser was not misled, because they said it was to retire—

Senator ADAMS (interposing). If Mr. Morgan's definition is correct you were going to refund some obligations that were not outstanding. What about that?

Mr. WILLIAMS. I do not agree with Mr. Morgan's conclusion on that as a legal question. Of course those obligations were outstanding whether held by the banks or the public. There is no difference in respect of that feature of it at all. But the fact is that the 30 million dollars of serial certificates, all of which, by the way, had not been issued in May of 1929 and some were issued subsequent to that date, a substantial part of them; they were retired and ceased to exist as a debt of the Cuban Republic, and the 40 million dollars of bonds took their place as obligations of the Cuban Republic. So that there was no duplication of debt, and the purchasers of those bonds were not misled in any respect in that matter. We may very well review the language of a circular and, perhaps, improve it, but we are considering facts here, and the facts are that those 30 million dollars of serial certificates, and the 10 million dollars of public works certificates, in the portfolios of the banks, were retired through this operation of the issuance of 40 million dollars of bonds, so that upon the completion of that financing that debt was wiped out.

Senator COUZENS. Let me ask you this question: If that event had not occurred, as you have described it, and if the Chase National Bank had sold those certificates which were already delivered, or if the Chase Securities Corporation had sold those certificates, which they had a right to do, then the public would have been misled as to the amount of the outstanding debt of the Republic of Cuba?

Mr. WILLIAMS. If that had taken place we would have advised the Chase National Bank that they could not make legal delivery of those bonds, and they would not have been permitted to issue the bonds.

Senator ADAMS. Mr. Morgan, with reference to your definitions, what was the relative status of the outstanding indebtedness of the Republic of Cuba before and after the issuance of those 40 million dollars of bonds? Or perhaps I should not say "relative status" but what were the actual amounts of the indebtedness of Cuba?

Mr. MORGAN. The outstanding debt of the Republic of Cuba would have been increased by the amount of 40 million dollars.

Senator ADAMS. And the indebtedness of the Republic of Cuba would have been increased by the refunding issue?

Mr. MORGAN. Yes, sir.

Senator ADAMS. That is rather unusual, isn't it?

Mr. MORGAN. No—I see what you mean; yes. The debt outstanding in the hands of the public would have been increased by \$40,000,000.

Senator ADAMS. The outstanding indebtedness, as you understand it, would have been increased \$10,000,000 by what you have determined as the refunding issue?

Mr. MORGAN. Yes. I was reading that in distinction to Mr. Williams, as being the obligations held by the public or by the banks as investments, as distinguished from obligations held by the banks in the course of their business as dealers in securities.

Senator ADAMS. That is rather an attenuated distinction, is it not?

Mr. MORGAN. It does not seem to me to be so, for the sake of this prospectus, inasmuch as there is a frank statement made of the refunding purpose of the obligations.

Mr. WILLIAMS. Of course, Senator, at the time this circular went out the banks had the \$40,000,000 of securities in their hands, and they used this arrangement with the Cuban Government to deliver to them 40 millions of bonds which they were going to pay for. So we knew quite well we could guarantee retirement of the 40 millions of securities in their possession, taking no risk about it whatsoever.

Senator ADAMS. But if an outside individual held a Cuban obligation prior to this refunding issue, he had a certain portion of the outstanding indebtedness of the Republic of Cuba?

Mr. WILLIAMS. There is no question about that.

Senator ADAMS. After this refunding operation, as I understand it, there was not any change in the proportion which he actually held of the total Cuban indebtedness?

Mr. WILLIAMS. You mean a member of the public?

Senator ADAMS. Yes. He held the same relative proportion of the total Cuban indebtedness.

Mr. WILLIAMS. Yes; that is true.

Senator ADAMS. If the situation were as it might be deduced from this circular, his fraction of the total indebtedness would be decreased rather than the same?

Mr. WILLIAMS. If the 40 millions of securities held by the banks in their portfolios had not been retired, of course the Cuban indebtedness would have been increased by the net amount of these bonds, \$40,000,000; but the fact of the matter is that the \$40,000,000 in their treasury was retired and \$40,000,000 of bonds were issued. So it was merely the substitution of one kind of debt for another kind of debt, without changing the amount.

Senator ADAMS. Would you feel that the unschooled fellow who read the circular would have been misled at all by that?

Mr. WILLIAMS. I do not think he could have, in view of the facts existing at that time.

Mr. PECORA. Mr. Morgan, let us see about that. Tell the committee, will you, what the actual total funded debt of the Republic of Cuba was on June 30, 1929.

Mr. MORGAN (after conferring with associates). I should say that the funded debt of Cuba on June 30, 1929, was the amount stated here, plus some 20 million of serial certificates held by the banks and not outstanding in the hands of the public, but which were later refunded in the issue of these public-works bonds and so stated in the circular.

Mr. PECORA. That is, \$20,000,000 of serial certificates and \$10,000,000 of deferred—

Mr. MORGAN. No. They were not then in existence, Mr. Pecora.

Mr. PECORA. What had happened to them?

Mr. WILLIAMS. Some may have been in existence, but all had not been issued at that time.

Mr. PECORA. All right. How many were issued and outstanding and unpaid?

Mr. MORGAN. \$20,000,000.

Mr. PECORA. You are referring now to what?

Mr. MORGAN. Serial certificates up to June 29, 1929—one day's difference. We will not quarrel about that. There had been drawn down against the serial certificates on June 29, 1929, \$20,000,000.

Mr. PECORA. Exclusive of the \$20,000,000 that had been sold to the public?

Mr. MORGAN. Yes.

Mr. PECORA. That is \$40,000,000?

Mr. MORGAN. Yes.

Mr. PECORA. The total indebtedness was \$87,174,200, which is the figure stated in the prospectus to be the total funded debt, plus \$20,000,000 of serial certificates that had been sold to the public, plus the \$20,000,000 or more of serial certificates in the portfolios of the banks?

Mr. MORGAN. Did you use the words "funded debt"?

Mr. PECORA. Total debt.

Mr. MORGAN. Well, that is different. The total debt, I would say, was larger than this, because of the unfunded floating debt.

Mr. PECORA. Tell us what the total debt was on June 30, 1929. Give us the total figure. If you cannot give it to us accurately, give us the nearest approximation, if you will.

Mr. MORGAN. Very good. In the prospectus under "General", it states that at the end of the fiscal year, June 30, 1929, \$87,174,200 was then outstanding. In addition it is stated that outstanding at that time were \$20,000,000 of public works  $5\frac{1}{2}$  serial certificates. It also states in the prospectus that \$5,000,000 of floating debts existed on that date. In addition to that was \$20,000,000 of serial certificates representing the drawings of the deferred payment work certificates up to June 29, 1929, which were held by the bank.

Mr. PECORA. In setting forth the indebtedness of the Republic of Cuba in this prospectus, this last item of \$20,000,000 was not taken into account, was it?

Mr. MORGAN. I contend, Mr. Pecora, that it was taken into account, because the \$40,000,000 was expressed as a refunding operation.

Senator COUZENS. Let me ask you in that connection: These securities that were held in your portfolio at that time when this statement was made—had any money been advanced to the Cuban Government on them?

Mr. MORGAN. Not to the Cuban Government—to the contractors. Payments were always made to the contractors, if you remember.

Senator COUZENS. Then they had drawn down something to justify those securities?

Mr. MORGAN. Quite, on the credit of the Cuban Government.

Senator COUZENS. So they were outstanding. I can visualize that if you had handled those securities in advance of advancing any money to the Cuban Government or the contractors, there might be some soundness in your contention; but having advanced money to the Government or the contractors it cannot be said, in justice to the public, that these were not outstanding.

Mr. MORGAN. Senator, I am disposed to think that the public would have been misled the other way, because they would have added to the figure of \$107,000,000 which Mr. Pecora apparently has

in mind the \$40,000,000 covered by this prospectus. That would have made \$147,000,000, which of course was not the fact.

Senator COUZENS. What was the fact? You just said \$147,000,000. What was the fact?

Mr. MORGAN. The fact was that at the conclusion of this operation, without allowing for retirements that had been made in the meantime, the total funded debt of the Republic of Cuba—

Senator COUZENS. Never mind the funded debt.

Mr. MORGAN. The total amount outstanding, if you would like to have me say that—the total amount outstanding in the hands of the public—

Senator COUZENS. Never mind "in the hands of the public." You always put something in so that we can't get a clear picture.

Mr. MORGAN. The total amount outstanding?

Senator COUZENS. Yes.

Mr. MORGAN (continuing). Was approximately \$87,000,000 plus \$20,000,000 plus \$40,000,000.

Senator COUZENS. Now we are getting a correct answer. That is what we have been trying to get all morning, and I don't see why we could not get it straight without all this—

Mr. WILLIAMS. Senator, let me say that there is not the slightest question that to all legal intents and purposes in June 1929 these certificates which had been issued up to that date and which were held in the portfolio of the Chase Bank and its associates were outstanding obligations of the Cuban Republic, just as much as any other security.

Senator COUZENS. Why didn't Mr. Morgan tell us that in the first place?

Mr. WILLIAMS. Perhaps he was confused on the legal consequences of the issuance of those securities.

Mr. PECORA. He is not so easily confused.

Mr. WILLIAMS. But as I tried to make clear a few moments ago, they were not described in this circular as outstanding obligations, because they were under the control and in the possession of these banks. It was not known at the time—

Senator COUZENS. By whom?

Mr. WILLIAMS. By the bankers and by the Cuban Republic, that as a part of this operation these certificates would be retired, so that when delivery was made of the \$40,000,000 of bonds they would have ceased to exist and would not be outstanding in any way, shape, or form. So that when the purchasers of the \$40,000,000 of bonds received delivery of those bonds under this circular, those obligations had been retired and had ceased to exist. And, as I said a moment ago, if they had not been, we as counsel for the bank would not have permitted them to deliver the bonds.

Senator COUZENS. How did the public know that?

Mr. WILLIAMS. The public may not have known it, Senator; but we knew it, and we knew that those obligations would not be—

Senator COUZENS. That is the trouble about all of these things. Somebody knows about all these things except the public, and the public has the primary interest.

Mr. WILLIAMS. But the public could not possibly have been misled in connection with this \$40,000,000 bond issue which it purchased,

when the facts were, regardless of knowledge—the facts were that the 40 millions of securities were retired.

Senator COUZENS. But they were not retired at the time you issued the circular. So the circular did not state the facts.

Mr. WILLIAMS. But we knew they would be retired, and we knew that the purpose of this issue was as stated in the circular, to refund indebtedness to the Republic of Cuba. They were in fact retired; and regardless of the phrasing of the circular, it is the fact that counts.

Mr. PECORA. The phrasing of the circular does not count?

Mr. WILLIAMS. Yes; if it contains a misleading statement.

Mr. PECORA. That is what we are trying to get at here, to see if this circular did or not contain a seriously misleading statement. It has at last been admitted by Mr. Morgan that the actual outstanding indebtedness of the Cuban Republic on the 30th of June, 1929, was \$87,174,200, plus \$20,000,000, plus another \$40,000,000—

Mr. MORGAN. No, no—plus another \$20,000,000.

Mr. PECORA. And plus \$5,000,000, floating?

Mr. MORGAN. Yes, not outstanding; I have not admitted it is outstanding, Mr. Pecora.

Senator COUZENS. It does not make any difference whether you admit it or not. I hope this committee and the counsel are intelligent enough to understand an answer, whether you admit our interpretation is correct or not.

Mr. PECORA. There was that much indebtedness due and owing by the Cuban Republic on June 30, 1929, was there not?

Mr. MORGAN. Not due.

Mr. PECORA. Well, it was owing?

Mr. MORGAN. Yes.

Mr. PECORA. It was an obligation of the Cuban Government?

Mr. MORGAN. Without question.

Mr. PECORA. An obligation aggregating \$132,174,200. Is that correct? \$87,174,200 plus \$45,000,000?

Mr. MORGAN (after calculation). \$122,000,000, is it not?

Senator COUZENS. \$132,174,000.

Mr. PECORA. Will you add \$45,000,000 to \$87,174,200?

Mr. MORGAN (after calculation). Correct.

Mr. PECORA. It is \$132,174,200?

Mr. MORGAN. Yes.

Mr. PECORA. Now, was it intended by means of this bond issue of \$40,000,000 that was made in February 1930, and which was offered to the public along with this prospectus, to retire \$40,000,000 of existing indebtedness by means of this bond issue?

Mr. MORGAN. Within one or two million dollars; yes.

Mr. PECORA. Why do you say with the exception of one or two million dollars?

Mr. MORGAN. Because the amount actually in hand on the date of deferred-payment work certificates was about seven or eight million dollars. I have not the exact figure in mind, but that is approximately it. They came through within the next few days.

Mr. PECORA. This prospectus, exhibit no. 54, was issued for the purpose of giving the investing public here in America compre-

hensive and accurate information concerning the financial condition of the Republic of Cuba, was it not?

Mr. MORGAN. Yes.

Mr. PECORA. And you considered that the public was entitled to have that kind of information in order to enable it to pass judgment on the soundness and desirability of these bonds as an investment?

Mr. MORGAN. Yes.

Mr. PECORA. And you considered it important to see to it that the information so given the public through the medium of the prospectus should be comprehensive and correct?

Mr. MORGAN. Quite true. We can have no difference of opinion on that.

Mr. PECORA. When this circular or prospectus was issued in connection with this bond issue, the fact of the matter is that the indebtedness then outstanding against the Cuban Government, instead of being \$87,174,200 plus \$5,000,000 floating debt, was actually \$132,174,200; is that correct?

Mr. MORGAN. In existence; yes.

Mr. PECORA. In your prospectus you told the public that the indebtedness was \$87,174,200 plus \$5,000,000 plus \$20,000,000, which makes a total of \$112,174,200; does it not?

Mr. MORGAN. Yes.

Mr. PECORA. The \$20,000,000 of serial certificates actually at the time in the possession of the banking group were not taken into account in stating the indebtedness of the Republic of Cuba in this prospectus; were they?

Mr. MORGAN. Except as they were referred to in the preceding sentence.

Mr. PECORA. What reference is made to them in the preceding sentence?

Mr. MORGAN. That the purpose of the \$40,000,000 issue was to refund or pay indebtedness.

Mr. PECORA. What is there in that statement which would inform the public that the \$20,000,000 credit which was to be refunded by means of this bond issue was not part of the \$87,174,200 indebtedness set forth in the prospectus?

Mr. MORGAN. I think it would have been very hard for anybody to have assumed that the purpose of this issue was to refund the indebtedness already stated here. That is the whole substance of my contention, Mr. Pecora, that to have made the statement that you suggest would have been misleading the other way.

Mr. PECORA. Why would it have been misleading? It would have been strictly in accordance with the facts, would it not?

Mr. MORGAN. You would have raised it \$20,000,000 on one side and raised it \$20,000,000 on the other. You would have simply taken off on both sides of the account.

Mr. PECORA. If you had said in this prospectus that the \$20,000,000 or the \$40,000,000 which was to be retired through this bond issue had already been estimated and taken into account in setting forth the indebtedness of the Republic of Cuba, what you say would undoubtedly be correct; but you did not take that outstanding indebtedness into account when you stated in the prospectus what the total indebtedness was, did you?

Mr. MORGAN. But at the conclusion of the operation the outstanding debt of the Republic of Cuba would have been precisely the same in either instance, whether your method was followed or the method of the men who prepared this circular.

Mr. PECORA. Is that the fact?

Mr. MORGAN. I think so.

Mr. PECORA. At the time this bond issue was made what was the outstanding indebtedness of the Republic of Cuba? Was it not an aggregate made up of these items: \$87,174,200, \$20,000,000 representing the serial certificates for that amount which had been sold to the public, \$10,000,000 representing the deferred payment public-works certificates held by the banking group, and \$30,000,000 representing serial certificates for that amount also held by the banking group, plus \$5,000,000 of floating indebtedness?

Mr. Morgan. You are now asking about the outstanding debt as of—

Mr. PECORA. As of the time of the issuance of these bonds and the circulation of this prospectus.

Mr. MORGAN. The best figures I can give you as of that date, Mr. Pecora, or the nearest figures to that date, appear in the listing application to the New York Stock Exchange which has already been referred to.

Mr. PECORA. What is that figure?

Mr. MORGAN. Outstanding on February 28, 1930, \$91,554,100, plus internal funding debt of \$8,964,200. And you will observe that the \$20,000,000 of public works 5½ percent serial certificates in the hands of the public are included in the total. Accordingly the \$40,000,000 new issue is to be added to the two figures there stated.

The CHAIRMAN. Ninety-one million and how much?

Mr. MORGAN. \$91,554,100.

The CHAIRMAN. That would make a total of \$100,518,000?

Mr. MORGAN. Yes.

The CHAIRMAN. And then you add to that \$40,000,000?

Mr. MORGAN. Precisely; yes.

Senator COUZENS. After you had disposed of this \$40,000,000, was the outstanding debt of Cuba greater after those were sold than before?

Mr. MORGAN. Again we get on to this quibble about "outstanding." According to your interpretation it was not.

Senator COUZENS. In what way is my interpretation different from yours?

Mr. MORGAN. It makes a difference whether they are in the hands of the public or in the hands of the bank.

Senator COUZENS. It does not matter where a thing is as long as the issuer owes it. I am not going to quibble about who holds the debt.

Mr. MORGAN. All right. We will accept that definition, Senator.

Senator COUZENS. Then after the \$40,000,000 was sold, was the outstanding debt of Cuba greater than before the sale?

Mr. WILLIAMS. No; it was not.

Senator COUZENS. Let the witness answer. Does he know?

Mr. MORGAN. It was not. The refunding operation was stated.

Mr. WILLIAMS. May I say that I think there is some point to Mr. Pecora's criticism of the phraseology of the circular. It might have been more clearly stated. But at the time the circular was put out it was stated that the debt was eighty-seven and odd million dollars. Then there was a bond issue of \$40,000,000, making a total of \$127,000,000. There was no change in the total indebtedness of Cuba by reason of the issue of the \$40,000,000 of bonds, because \$40,000,000 of existing obligations were retired through this operation.

Mr. PECORA. But, Mr. Williams, the statement in the prospectus of the indebtedness and its reference to that portion of the indebtedness which was to be retired by means of this bond issue, does not indicate one way or the other whether the portion of the indebtedness that was to be retired through this bond issue was included in the amount stated in the prospectus as being the indebtedness.

Mr. WILLIAMS. No; the statement said that the proceeds of the bonds were to be used to reduce or retire indebtedness.

Mr. PECORA. But it does not say whether that indebtedness was already included in the statement of what the indebtedness was as set forth in the prospectus; isn't that so, Mr. Williams?

Mr. WILLIAMS. I think that is a fair criticism.

Mr. PECORA. So that a person reading the circular, and not knowing what the bankers knew, could readily conclude from the information set forth in the prospectus that after this bond issue the total indebtedness set forth in the prospectus would be reduced by 40 million dollars through the medium of this bond issue, and that is not the fact.

Mr. MORGAN. I do not agree with that at all, Mr. Pecora.

Mr. WILLIAMS. I do not agree with that.

Mr. PECORA. Do you know who prepared this prospectus, Mr. Morgan?

Mr. MORGAN. I have already testified that Mr. Batchelder is the man who was principally in charge at that time. Of course, this long preceded my connection with the bank.

Mr. PECORA. I suggest Mr. Batchelder take the stand for a brief period.

#### **TESTIMONY OF CHARLES F. BATCHELDER, A VICE PRESIDENT OF THE CHASE NATIONAL BANK—Resumed**

Mr. BATCHELDER. The statement has been made that I prepared the circular. I collaborated in connection with Mr. Bisbee, who was counsel at that time down there with us. The purpose of this circular was to set forth concisely, the true story of the essence of the debt of the Republic of Cuba. There were many discussions had in New York at that time on it, and I repeat it was really the essence of it:

The last published statement of the Government—the fiscal year, you see, is June 30. Instead of being a calendar year it is a split year.

Now, I will just try in a conversational way to see if I can unwind some of the misapprehension that exists in essence regarding the distribution of this debt. The external debt of \$87,174,200 set

forth here is made up of the sum total outstanding at that time supplied to me by the Secretary of the Treasury, a report of a man who was well enough informed to establish its accuracy. It is all a matter of public record, comprising the old loans dated from 1904 down, including the J. P. Morgan and Speyer loans. I think those are the only bankers that had anything to do with the external debt.

Now, you see, this is designated "outstanding funded debt"; outstanding as funded debt subject to redemption by the Government only according to its terms.

Then we point out that there are 20 million public works certificates outstanding in exactly the same sense. They were not callable. They were not retirable in any sense, and they were not subject to recapture by the Government. Therefore, they were outstanding as such in the same sense that 87 million were in the hands of the public.

Then we have a total of \$107,174,200 of funded debt made up of the issues described.

In addition to that there is a floating debt of 5 million dollars which, as I recall it, was all internal debt.

Therefore, the total outstanding funded debt in the sense in which I describe it, plus the floating debt, is another 5 million dollars.

Mr. PECORA. That makes \$112,174,300?

Mr. BATCHELDER. And bear in mind I am talking practically and in essence, to try to set forth concisely, as I said before, the actual facts of the debt of the Republic of Cuba.

Mr. PECORA. But, Mr. Batchelder, was there not also outstanding at the time—

Mr. BATCHELDER. Just a moment.

Mr. PECORA (continuing). Another 20 million dollars worth of serial certificates that were held by the banking group?

Mr. BATCHELDER. Yes; but—

Mr. PECORA (interposing). And that represented obligations just as much as the \$20,000,000 of those serial certificates that had been sold to the public by the banking group?

Mr. BATCHELDER. According to the character of those, quite. But they were held not as outstanding funded debt in the sense which we are talking about now, gentlemen, but they were outstanding or held by the bank as evidence, as described in the previous paragraph, of indebtedness of the Republic incurred until the work was completed.

Mr. PECORA. Did they not represent the same kind of indebtedness as the \$20,000,000 of serial certificates held by the public which you have just now admitted formed a part of the funded debt of the Republic of Cuba?

Mr. BATCHELDER. Quite right; but in essence they were not outstanding as funded debt beyond the ability of the Government to cancel them.

Mr. PECORA. Were they not part of the outstanding indebtedness of the Republic of Cuba?

Mr. BATCHELDER. They were not part of the outstanding funded indebtedness.

**Mr. PECORA.** Were they part of the existing indebtedness of the Republic of Cuba?

**Mr. BATCHELDER.** Quite; they were.

**Mr. PECORA.** The only difference between those 20 million dollars of serial certificates which the banking group had and the 20 million dollars of similar certificates which had been sold to the public by the banking group was simply as to their ownership at that time, but not as to their being obligations of the Republic of Cuba?

**Mr. BATCHELDER.** As to their characteristics they were different.

**Mr. PECORA.** What were their differing characteristics?

**Mr. BATCHELDER.** Because they were held by the bank under an arrangement with the Government—an arrangement, on the instructions of the Government to try to work out a refunding or funding of this indebtedness. They were not outstanding as funded debt at that time. And really the essence of this in a practical way is as follows: Suppose we take this figure that you have, 87 million, to answer Senator Couzens' question, which is a very pointed one and a very good one; I want to try to answer that. \$87,174,200—that is the outstanding—funded debt that we mentioned.

Senator COUZENS. Just a minute at that point. I understood your circular said that was a total debt. Is that right? Does the circular say it was a total debt?

**Mr. PECORA.** "The total funded debt of the Republic of Cuba"—that is what the circular says.

Senator COUZENS. You do not use the word "outstanding" in the circular. So you cannot now use it.

**Mr. BATCHELDER.** No; it does not say that.

**Mr. PECORA** (reading:)

The total funded debt of the Republic of Cuba as of the end of the fiscal year, June 30, 1929, was \$87,174,200, exclusive of 20 million dollars public works 5½ percent serial certificates outstanding, of which \$77,660,000 was external.

That is what the prospectus says.

**Mr. WILLIAMS.** Mr. Pecora, is—

**Mr. PECORA** (interposing). Why not let Mr. Batchelder complete?

**Mr. BATCHELDER.** All right. I was just adding this up.

Senator ADAMS. Mr. Batchelder let me get that right clear. Let us see if we have a clear understanding of what you mean by "funded debt."

**Mr. BATCHELDER.** Absolutely right Senator. As described in the circular, after all—

Senator ADAMS (interposing). I mean not in the circular, but what do you understand now by "funded debt?"

**Mr. BATCHELDER.** Funded debt?

Senator ADAMS. Yes.

**Mr. BATCHELDER.** I understand that represents debt in the form of obligations outstanding running over a period of time. It may be a year, or two; it may be a long time. It is an evidence of an obligation to pay at some future date. It has that distinction on the one hand, as contrasted with this obligation which we handled—

Senator ADAMS (interposing). What I am trying to lead to is the distinction that you apparently have in mind, if you have a total

indebtedness of one figure and a total funded indebtedness of another.

Mr. **BATCHELDER**. We were describing the total funded indebtedness of the Government. Now, just let me—

Senator **ADAMS** (interposing). Just let me just for a second.

Mr. **BATCHELDER**. All right.

Senator **ADAMS**. You have one figure for total Cuban indebtedness, haven't you?

Mr. **BATCHELDER**. Right.

Senator **ADAMS**. Is that the same figure as the total funded indebtedness of Cuba?

Mr. **BATCHELDER**. In essence exactly as shown in this circular. I can show you how that is built up, I think. We have now a figure of \$112,174,200 made up of these three items, the total funded debt which I have described, the old 1904 loans, the Morgan issues, and this later one, making a total of \$112,174,200, and to that must be added the \$40,000,000 of these bonds, giving a total of \$152,174,200, which is actually the state of the finances as set forth in his circular.

Now, I do not want to be too particular about the use of the word, but I must insist on keeping in mind the funded debt, because this was not outstanding funded debt in this interim period. Because, as described in the statement above, that represents an indebtedness of the Republic, all of which would be refunded by the bonds.

I do not see how you can make it any more clear than that or any more concise than that. Anybody can take those figures and add them up and get \$152,000,000 of the debt. That is the only figure you can get.

The **CHAIRMAN**. What was the form of this indebtedness? What shape was it in, certificates, bonds, or what?

Mr. **BATCHELDER**. It was in the form of those serial 5½-percent certificates which were never issued to the public and were paid off, plus an amount of deferred payment works certificates which were also paid off with this issue and are so described in the paragraph above.

The **CHAIRMAN**. You speak about funded debts. How were they funded? What form did they take?

Mr. **BATCHELDER**. The funded debt represented the old loan back in 1904 and the subsequent issues, the Morgan issue of 1922, and the issue of 1927 I think, and now the 40 million dollars set forth in this prospectus. That is funded debt, debt which has been funded, put into permanent form or semipermanent form.

Senator **COUZENS**. When you drafted this circular you did not take into consideration at all the securities held by the banks. Is that a correct understanding?

Mr. **BATCHELDER**. Not as being outstanding as funded debt, Senator; quite right.

Senator **COUZENS**. So the public, then, only gets informed as to what the bankers are willing to give them?

Mr. **BATCHELDER**. No; that is not true, Senator. That was not intended. We were trying to give the people who bought these bonds in February 1930 a true picture of the indebtedness of Cuba outstanding at that time, feeling that they were not concerned with the build-up of that. We were trying to give them the total debt picture concisely of the Republic of Cuba at that time, and here it is. I do not see how it can be made any more simple than that.

Senator ADAMS. But you do not include the certificates held by the bank as a funded debt?

Mr. BATCHELDER. They all disappear in this operation.

Senator ADAMS. But you do not include in your figures the 20 million certificates held by the bank as a funded debt?

Mr. BATCHELDER. Not as outstanding funded debt, in the sense of outstanding in the hands of the public.

Senator ADAMS. We are getting too complicated words in here, both "outstanding" and "funded."

Mr. BATCHELDER. That is what I was trying to do, get to the essence of it.

Senator ADAMS. I know.

Mr. BATCHELDER. That is the way it is.

Senator ADAMS. My inquiry was simply back to this, the funded debt. Cuba has a certain debt, that is, things that had resolved themselves into permanent form?

Mr. BATCHELDER. Yes; permanent form.

Senator ADAMS. Now, why would you say that this indebtedness which the bank held had not reached that form?

Mr. BATCHELDER. Because it was subject to recapture by the bank at any minute.

Senator ADAMS. If there had been an outstanding callable certificate the same thing would be true?

Mr. BATCHELDER. Let us look at the alternative. If we had sold those certificates held by the bank to the public which were not callable, then they would become outstanding funded debt and the picture would be different.

Senator ADAMS. Suppose you call them certificates; they would still be a funded debt?

Mr. BATCHELDER. That is true; if sold they would have been, surely. Quite true. Really the essence of this is right here.

Mr. PECORA. Apparently this circular or prospectus is so clear that we have spent now a whole hour receiving explanations of its meaning from three different representatives of the bank, and the explanations do not yet explain. So how do you expect the ordinary investor reading this prospectus to find out what the debt situation of Cuba was?

Mr. BATCHELDER. At the time he bought these bonds?

Mr. PECORA. Yes. No; as of the time with respect to which the indebtedness is stated in the prospectus.

Mr. BATCHELDER. No.

Mr. PECORA. Oh, yes.

Mr. BATCHELDER. Just a minute; we were trying—

Mr. PECORA. (interposing). You were purporting to give the public a statement of the indebtedness of Cuba as of the end of the fiscal year 1929, because your circular so says.

Mr. WILLIAMS. Mr. Pecora—

Mr. PECORA. (interposing). And in stating that indebtedness you did not include in it the \$20,000,000 of serial certificates held by the banking group, merely because, as I understand your explanations, you do not choose to regard them as outstanding obligations because the public did not hold them; but the fact is, as you admit it, that they did represent part of the indebtedness of the Republic of Cuba

at that time. Now it seems to me that is the whole story in a nutshell.

Senator GOLDSBOROUGH. Mr. Pecora, is it not a clear statement to say that both the outstanding and the existing indebtedness of Cuba was \$152,174,200?

Mr. PECORA. Yes.

Mr. BATCHELDER. That is right; and that is what the investor who bought these bonds knew.

Mr. PECORA. How did the investor who bought the bonds know that from any statement in the prospectus?

Mr. BATCHELDER. He may not have added it up, but here it is—87, 20, 5, and 40. What else could it be?

Mr. PECORA. Where do you find that?

Mr. BATCHELDER. \$87,174,200 is one figure. The next figure is \$20,000,000.

Mr. PECORA. Yes.

Mr. BATCHELDER. The next figure is 5 million.

Mr. PECORA. Yes.

Mr. BATCHELDER. And the next figure is 40.

Mr. PECORA. Where is the 40?

Mr. BATCHELDER. Forty is now offered.

Mr. PECORA. Is the 40 stated in the paragraph devoted to the indebtedness? Is it, Mr. Batchelder?

Mr. BATCHELDER. No; it is not so stated.

Mr. PECORA. All right.

Mr. BATCHELDER. The 40 is the new issue.

Senator ADAMS. Was it not designated as a refunding issue, the 40?

Mr. BATCHELDER. It was designated as a refunding indebtedness incurred which is represented by these certificates held by the bank.

Senator ADAMS. Yes, but you have to include the refunding issue in order to reach your total of 152, do you not?

Mr. BATCHELDER. Indebtedness incurred, right, which I have explained.

Senator ADAMS. So that in the statement of your circular you have to assume that there is an indebtedness to be refunded which is not included in the statement of the several items of indebtedness.

Mr. BATCHELDER. I really do not see how more concisely you can express it more clearly.

Senator COUZENS. Let me ask you, Mr. Batchelder, is that a refunding bond?

Mr. BATCHELDER. The circular states, Senator Couzens, that the—proceeds of these bonds and the credit are for the purpose of refunding or paying indebtedness of the Republic incurred for work completed and accepted in accordance with the provisions of the public works law.

Now, the refunding certificates held by the bankers we voluntarily gave up, plus the deferred payment works certificates, which were subsequent to this period of June 1929, and the \$20,000,000 of new money to carry the Republic on.

Mr. WILLIAMS. Mr. Pecora, may I call attention to one provision of this circular which I think has been perhaps overlooked or not referred to? It says:

The public works 5½ percent sinking fund gold bonds and said 20 million credit are for the purpose of refunding or paying indebtedness of the Republic

incurred for work completed and accepted in accordance with the provisions of the public works law.

Therefore, under an express statement in this circular, it is made clear that the proceeds of these bonds were not to be applied to the retirement of any of the other debt of Cuba, but merely to public-works debt.

Mr. PECORA. Why, that is entirely legal sophistry, I think, Mr. Williams, if you don't mind my saying so.

Mr. WILLIAMS. That is what it says in the circular.

Mr. PECORA. Because the circular purports to give the indebtedness of the Republic of Cuba, and in stating that indebtedness as of June 30, 1929, it does not take into account an item of \$20,000,000 of the indebtedness which was an obligation against the Republic of Cuba and which was held by the banking group.

Mr. WILLIAMS. And another point; if you let me refer you to the application filed with the Stock Exchange—

Mr. PECORA (interposing). The public did not get that application in this prospectus. I am discussing the prospectus now, which is what the public got.

Mr. WILLIAMS. On February 28, 1930, the external funded debt of Cuba, as stated in this application:

External gold 5-percent loan \$14,474,500; external gold 4½-percent loan \$12,476,000; external gold 5-percent loan \$6,181,500; external sinking fund 5½-percent gold loan \$81,222,100; public-works 5½-percent serial certificates of 1928, serial maturities 1931, 1933, \$20,000,000. Total \$91,554,100 as of February 1928.

This circular in describing the same debt as of June 1929 gave it as 87 millions exclusive of 20 millions of serial certificates. So that that figure of 87 millions undoubtedly included the serial certificates then held in the treasury of the bankers. Otherwise you cannot—

Mr. PECORA (interposing). That is the first time in an hour and a quarter that anybody has even suggested that, Mr. Williams.

Mr. WILLIAMS. But I think that must necessarily be so.

Mr. PECORA. Well, it is absolutely in conflict with everything else that you gentlemen have said for the last hour and a quarter.

Senator COUZENS. Mr. Chairman, I think that it is not necessary for the minds of this committee to meet with the minds of the Chase officials, so let us proceed.

Mr. PECORA. Yes.

The CHAIRMAN. I think we can argue the matter later. We have got the facts.

Mr. BATCHELDER. Do you want me any more, Mr. Pecora? Am I excused?

Mr. PECORA. No; you are not excused from further attendance here; excused for the time being.

The CHAIRMAN. Mr. Morgan will resume the stand.

#### TESTIMONY OF SHEPARD MORGAN—Resumed

Mr. PECORA. Now, it was brought out yesterday in the course of your testimony that these \$40,000,000 of bonds referred to in this prospectus, exhibit no. 54, were all sold to the public by a selling group that was organized and managed by a banking group.

Mr. MORGAN. Correct.

Mr. PECORA. At 98 and interest. I believe you also testified yesterday that as a result of the issuance of these bonds in February 1930 the \$30,000,000 of serial certificates held by the banking group, plus the \$10,000,000 worth of deferred payment public works certificates, were paid by the Cuban Government, and those \$10,000,000 of certificates were also held by the banking group, or about \$8,000,000 thereof. Is that right?

Mr. MORGAN. I do not want to get again into the difficulties that we had yesterday, but we effected substantially an exchange of bonds for these other obligations.

Mr. PECORA. Well, the exchange was effected by the Chase and its associates buying these \$40,000,000 of the bonds from the Cuban Government at 95 and selling them to the public at 98 and interest, and the banking group then turning in to the Cuban Government its \$30,000,000 of serial certificates and its \$10,000,000 of deferred payment public works certificates at par with interest?

Mr. MORGAN. Yes, sir.

Mr. PECORA. And the moneys came from the public which bought the bonds?

Mr. MORGAN. Ultimately, yes.

Mr. PECORA. Ultimately, yes; all right. That, then, after this bond issue was effected, left the public still in possession of the 20 million dollars of serial certificates that it had previously bought from the banking group in 1928?

Mr. MORGAN. Yes.

Mr. PECORA. Which certificates bore earlier maturity dates than the similar certificates which the banking group turned in and redeemed at par in 1930?

Mr. MORGAN. Yes.

Mr. PECORA. You told us in the course of your testimony yesterday and the day before, not once, but numerous times, that those 20 million dollars of serial certificates held by the public were eventually paid.

Mr. MORGAN. What I was careful to say, Mr. Pecora, in each case, I think, was that they were paid as far as the public were concerned in full.

Mr. PECORA. Well, I say they were paid as far as the public was concerned.

Mr. MORGAN. Right.

Mr. PECORA. All right. Does that mean that they were not paid by the Cuban Government?

Mr. MORGAN. They were all paid by the Cuban Government with the exception of \$867,000, which are still in the possession of the banking group.

Mr. PECORA. Who paid the public for those 20 million dollars of serial certificates?

Mr. MORGAN. The Cuban Government, with the exception of the \$867,000, which was part of the proceeds of a credit operation last June.

Mr. PECORA. And where did the Cuban Government get the money from with which to pay those certificates held by the public?

Mr. MORGAN. The bulk of it came from the public-works revenue. I can analyze that for you if you like.

Mr. PECORA. Now wait—you say the bulk of it from the public-works revenue?

Mr. MORGAN. Yes.

Mr. PECORA. Were any advances made by the banking group to the Cuban Government to enable the Cuban Government to pay the public for those 20 million dollars of serial certificates?

Mr. MORGAN. Three.

Mr. PECORA. When was the first one of those advances made?

Mr. MORGAN. I now for the first time, Mr. Pecora, have reached the point where I myself participated in these operations, and I can now testify from personal knowledge.

Mr. PECORA. From personal knowledge as well as hearsay?

Mr. MORGAN. Yes; or instead of hearsay.

Mr. PECORA. When was the first of those advances made by the banking group to the Cuban Government to enable the Government to redeem any of the 20 million dollars of serial certificates held by the public?

Mr. MORGAN. It had to do with the maturity of June 30, 1932. Do you want the date of the agreement?

Mr. PECORA. Was an agreement entered into at that time between the Cuban Government and the banking group providing for the making of those advances to the Government?

Mr. MORGAN. Yes; on June 16, 1932.

Mr. PECORA. Have you a copy of that agreement?

Mr. MORGAN. Yes. You have it, Mr. Pecora, under photostat no. 56-67A.

Mr. PECORA. I show you, Mr. Morgan, what purports to be a photostatic reproduction of the agreement that you have referred to, namely, the one made on the 16th of June 1932. Will you look at it and tell us if you recognize it to be a true and correct copy of such agreement?

Mr. MORGAN (after examining document). Yes.

Mr. PECORA. I offer it in evidence and ask it be spread on the record.

The CHAIRMAN. Let it be admitted and placed in the record.

(Agreement "No. 129", dated June 16, 1932, was thereupon designated "Committee Exhibit 55, Oct. 26, 1933", and appears in full on page 2813.)

Mr. PECORA. Before I go into the details of this agreement and the advance made by the banking group under it, let me ask you this. Did not the loan agreement of February 26, 1930, covering the bond issue provide for an issuance not of \$40,000,000 of 15-year bonds but of \$80,000,000 of 15-year bonds?

Mr. MORGAN. Yes. That is stated in the prospectus.

Mr. PECORA. Were the other \$40,000,000 worth of those bonds issued?

Mr. MORGAN. They were not.

Mr. PECORA. Never issued by the Cuban Government?

Mr. MORGAN. No; and never completed by the Cuban Government. They exist merely in the form of bond faces.

Mr. PECORA. In the form of what?

Mr. MORGAN. So-called "bond faces"; pieces of paper which are engraved.

Senator COUZENS. But not signed.

Mr. MORGAN. Not signed.

Mr. PECORA. Does not the banking group, of which the Chase Bank is an associate, hold \$40,000,000 of those bonds as collateral for—

Mr. MORGAN. No, Mr. Pecora.

Mr. PECORA. Are they not set aside as collateral to secure to the banking group the other \$20,000,000 of credit which the banking group extended to Cuba?

Mr. MORGAN. No, Mr. Pecora.

Mr. PECORA. Now, let us see. Do you have in your files a memorandum addressed to Messrs. Freeman, Callahan, Batchelder, and Panthen, by James Bruce, dated July 17, 1930, known as "no. 56-62A", dated July 17, 1930?

Senator COUZENS. That was after this last \$40,000,000?

Mr. PECORA. Yes, sir. The issue of the \$40,000,000 was made in February 1930.

Senator COUZENS. Then there was another \$40,000,000, referred to in the circular as the gross amount?

Mr. PECORA. Yes, sir. Have you found that memorandum?

Mr. MORGAN. Yes, I have found it.

Mr. PECORA. I show you what purports to be a photostatic reproduction of it. Please look at it and tell us if it is a true and correct copy of such memorandum.

Mr. MORGAN. Yes.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and spread on the record.

(The document referred to, memorandum, July 17, 1930, Bruce to Freeman, Callahan, Batchelder, and Panthen, was received in evidence, marked "Committee's Exhibit No. 56", Oct. 26, 1933, and the same was later read into the record by Mr. Pecora.)

Mr. PECORA. The memorandum in question, which has been marked "Committee's Exhibit No. 56", reads as follows [reading]:

TO MR. FREEMAN, MR. CALLAHAN, MR. BATCHELDER, MR. PANTHEN:

The Government. With regard to the Government, there is no question but that President Machado has entire command of the situation, and that there is only one boss. I met all of the Cabinet, and they are all rubber stamps for the chief, with the possible exception of Cespedes, who has ideas of his own, and ideas which are very dangerous for the welfare of the country, as all he wants to do is to spend all the money he can possibly extract from us or any other credit givers. He was not content only with having spent \$18,000,000 unnecessarily on the capital, but had in mind building a large legal center at Government expense, of which the chief item was to be an institute of international law, costing \$1,000,000. Also his ideas for the Habana waterworks and paving have risen from an estimated cost of \$18,000,000 up to \$40,000,000. He has also a great many other expensive ideas as to what ought to be done. The American Ambassador is putting up a stiff opposition to any further waste of money, and naturally they will be handicapped, because I do not believe that anybody will loan the money to them.

Status of our present loans. They were all very anxious to know what we intended to do when our option expires on August 5. I said that we had not definitely made up our minds, but that it seemed to me, talking to them personally and unofficially, that it would not be possible for us to purchase at this time any more long-time bonds from them at anything approaching the rate of the option. In that event they wanted to know whether we would give them an additional cash advance of \$20,000,000 to carry through the balance of the work on the highway to the end of the year, and I said I thought this would

make our loan larger than what we should be giving them, but that when I got back we would talk over the matter and they would know by August 5 what our attitude was.

In my conversations with President Machado he was very careful not to touch on this point at all. My own view of the matter is that our present loans, which we sold to the public, as well as our cash advance, are safe and well protected, and I believe the measures of diversification of crops and the encouragement of new industries and tourists, all of which is being vigorously carried on by President Machado, are measures so constructive that Cuba will be able to pay the interest and amortization on any reasonable amount of public debts.

After somewhat of a struggle, on which Mr. Guggenheim put a good deal of pressure, they have their budgets of this year just about balanced. I do not think, on the other hand, that we should make any advance of any sort to the Government unless we are entirely in control of their future financial program, and particularly so as long as Cespedes is Minister of Public Works. For instance, if he carries out certain ideas which he now has, of paying contractors in Cuban bonds for work they do on the Habana waterworks, as Habana will become in a few months a Federal district, it would only mean that these bonds would be dumped back on the American market, and would have a very bad effect on the bonds which we had already placed or might place. I do not believe we should give them any more money unless we tie up in advance the exact amount of public improvements to be made for the next 3 or 4 years. The various members of the Cabinet were very careful not to discuss with me this Habana waterworks proposition, because naturally they all have a big graft in it, and what they would like to do is to get our money first for building the highway, and then it would be easy for them to pay for the other in obligations of various kinds, thereby impairing their own credit.

In talking to the Secretary of the Treasury he mentioned an amount of \$40,000,000 for the loan, and said that receipts were averaging around \$1,700,000. I told him that 6 percent interest on \$40,000,000 would come to about \$2,400,000, and that it seemed to me he should have substantial provision for amortization. He then said he thought possibly the loan could be cut down to \$20,000,000, which would leave plenty of leeway, and this is just about the state of mind that they are in, and the worst thing we could do would be to advance them any more money unless we were in entire control of their capital expenditures for a reasonable time. I think this would be very welcome, both by Mr. Guggenheim and the State Department. We may have some trouble in forcing this issue, as the Government now has approximately \$18,000,000 in cash and foreign bills, and can probably run along for another 6 months.

(Signed) JAMES BRUCE.

This is dated July 17, 1930. Now, Mr. Morgan, this memorandum, you notice, is dated about 5 months after the \$40,000,000 of bonds were sold to the American public here.

Mr. MORGAN. Yes.

Mr. PECORA. It is conceivable to you that the graft conditions referred to in this memorandum by Mr. Bruce were not known prior to the issuance of those \$40,000,000 worth of bonds, to your people?

Mr. MORGAN. I have no idea, Mr. Pecora; yet I should call your attention at this point to the fact that only 35 percent of the total public-works expenditures were in the form of obligations handled by us.

Mr. PECORA. What was the option on \$40,000,000 of the bonds referred by Mr. Bruce in this memorandum?

Mr. MORGAN. It is covered in article 35, I think. I will give you the reference in just a moment [after examining papers].

Mr. PECORA. In substance, it was an option that was given by the loan agreement of February 26, 1930, to the Chase National Bank, on the other \$40,000,000 worth of 15-year bonds that were the subject of that loan agreement, was it not?

Mr. MORGAN. Yes, sir.

Mr. PECORA. What, in brief, were the terms and conditions of that option?

Mr. MORGAN. It is contained in section 35 of the agreement, which was put in evidence yesterday.

Mr. PECORA. That is the agreement of February 26, 1930?

Mr. MORGAN. Yes.

Mr. PECORA. All right. What is the option?

Mr. MORGAN. That the bank shall have the right or option to purchase, at 95 percent of their principal amount and accrued interest, these \$40,000,000 of bonds, which were still held in the form of unauthenticated bond faces.

Mr. PECORA. Now, let us inquire a little more closely into these provisions of that loan agreement. By the time of the issuance and sale to the public of the \$40,000,000 of bonds which have already been testified to by you, the Chase bank and its associates in the banking group had made two further advances to the Cuban Government, each for \$10,000,000, and had received serial certificates of the par value of \$20,000,000 for those two advances.

Mr. MORGAN. They never were converted into serial certificates. They were in the form only of deferred payment work certificates, which is the form they now hold.

Mr. PECORA. But the obligation had accrued against the Cuban Government in favor of the Chase and its associates in the banking group.

Mr. MORGAN. Precisely.

Mr. PECORA. So that in February 1930 the Cuban Government, on account of its public-works program and the financing thereof by the Chase and its associates, had issued either serial certificates or deferred-payment public-works certificates to the total amount of \$40,000,000, which were held by the banking group, by February 1930.

Mr. MORGAN. The ones that were converted into the bond issue; yes.

Mr. PECORA. And, in addition, the public held \$20,000,000 of those certificates.

Mr. MORGAN. Yes.

Mr. PECORA. That represented the \$60,000,000 that went to form this revolving credit that you have already testified about, and which was covered by the agreement of 1928, which is in evidence here.

Mr. MORGAN. Yes.

Mr. PECORA. Now, it was proposed to retire, through the issuance of these \$40,000,000 of the bonds, that amount of that indebtedness, was it not?

Mr. MORGAN. Yes.

Mr. PECORA. And that amount was the amount for which the banking group held the certificates.

Mr. MORGAN. You are now speaking of February 26?

Mr. PECORA. Yes, sir.

Mr. MORGAN. Yes.

Mr. PECORA. And there was still \$20,000,000 in the hands of the public, outstanding, of these certificates.

Mr. MORGAN. Yes.

Mr. PECORA. And this agreement of February 26, 1930, contained provisions, did it not, for the extension of a further credit of

\$20,000,000 by the Chase Bank and its group to the Cuban Government for the purposes of this public-works program?

Mr. MORGAN. Yes. The banks went along with \$20,000,000 of new money.

Mr. PECORA. New money, exactly.

Mr. MORGAN. At the time of this conversion operation.

Mr. PECORA. We have seen that this agreement of February 26, 1930, authorizes the Government to issue \$80,000,00 of bonds, and not \$40,000,000.

Mr. MORGAN. Yes.

Mr. PECORA. It issued only \$40,000,000, which were sold to the public.

Mr. MORGAN. Quite.

Mr. PECORA. An option was given to the Chase Bank by this agreement, on the remaining \$40,000,000, at 95.

Mr. MORGAN. Yes.

Mr. PECORA. That option was good up to sometime in August 1930.

Mr. MORGAN. August 5.

Mr. PECORA. Did not this agreement of February 26, 1930, also provide that the Cuban Government was to hold in its portfolio the remaining \$40,000,000 of this bond issue?

Mr. MORGAN. Yes.

Mr. PECORA. As security for this new credit, or new money of \$20,000,000 which the Chase Bank and its associates were to advance to the Cuban Government. I refer you to paragraph 34 of the agreement in question, which reads as follows (p. 42 of the agreement) [reading:]

As a guarantee of the payment of the \$20,000,000 credit and interest, the Republic agrees to hold in portfolio the \$40,000,000 of the bonds which the bank does not agree herein to purchase, and agrees to apply the necessary part of the proceeds of the sale of such bonds as and when they are sold, to the payment of all sums advanced under the credit and/or to the reduction of the credit until all such sums shall be paid with interest and the credit shall be terminated. Whenever the proceeds of the sale of the said additional bonds and/or the amounts advanced under the credit shall have aggregated \$20,000,000, or the period during which the credit is to be available, as above provided, shall have expired, such credit shall be closed and there shall be no further or additional advances thereunder.

Mr. MORGAN. Correct.

Mr. PECORA. That means that the Cuban Government was to hold these \$40,000,000 bonds as security for the repayment to the banking group of the \$20,000,000 credit which the banking group agreed to give the Cuban Government under this contract, does it not?

Mr. MORGAN. Mr. Pecora, security, to a banker, is a very specific thing. This is not security, as these bonds were not executed and were not pledged. The agreement merely provided that if sold, the proceeds of these bonds should be used, in the first instance, for the retirement of the bank credit.

Mr. PECORA. The term used in the contract with respect to that is that the Cuban Government is to hold those bonds as a guaranty for the payment of this \$20,000,000 new credit.

Mr. MORGAN. Yes. I take no exception to the word "guaranty."

Senator COUZENS. What is the difference between a guaranty and security?

Mr. MORGAN. Security is ordinarily marketable.

Senator COUZENS. I understand that, but how do you interpret it in this sense? In one sense you used the word "security" and said that this was not security but was a guaranty, both being obligations. I assume the guaranty was an obligation of the Government of Cuba under the agreement. Is that correct?

Mr. MORGAN. It is a legal obligation of the Government of Cuba, yes, to guarantee with these bonds, to guarantee payment of the bank credit.

Senator COUZENS. Certainly.

Mr. PECORA. Was it necessary for the Cuban Government to guarantee the payment of its own indebtedness?

Mr. MORGAN. It provided the mechanism for it, Mr. Pecora, the mechanism for the repayment of the credit.

Mr. PECORA. And that mechanism consisted of holding in its portfolio 15-year bonds, not to the amount of \$20,000,000, but to the amount of \$40,000,000, and agreeing that out of the proceeds from the sale of those bonds, should any be sold, this \$20,000,000 credit to be advanced by the banking group was to be repaid. Isn't that a fact?

Mr. MORGAN. Yes. Would you like to know what the remainder was to be used for?

Mr. PECORA. What is that?

Mr. MORGAN. Would you like to know what the remainder of the \$40,000,000 was to be used for?

Mr. PECORA. No. As far as I have gone in my questions, I have correctly set forth the facts?

Mr. MORGAN. Yes.

Mr. WILLIAMS. The purpose of that, Mr. Pecora, of course, being to prevent them selling those bonds and using the proceeds for any other purpose than the payment of this credit.

Mr. PECORA. Exactly. The purpose was to tie up the Cuban Government from issuing any bonds except for the purpose of repaying to the banking group this \$20,000,000 of new credit which the banking group was to advance under this agreement, to the extent, of course, of that \$20,000,000.

Mr. WILLIAMS. Yes.

Mr. PECORA. And in order to secure the banking group for the repayment to it of that \$20,000,000, the banking group caused the Cuban Government to tie up \$40,000,000 of the bonds, did it not?

Mr. MORGAN. No, Mr. Pecora; that is not a fair statement of the case.

Mr. PECORA. Is not that, in substance, what this agreement means?

Mr. MORGAN. These bonds were to be held in portfolio, not to be issued, except for this purpose. We have testified to that repeatedly.

Mr. PECORA. They were to hold in portfolio \$40,000,000 to secure to you the repayment of that \$20,000,000 of new credit.

Mr. MORGAN. Yes; and the remainder was to be used for paying off other public works obligations.

Mr. PECORA. Why did the banking group feel that it was necessary to have the Cuban Government set aside \$40,000,000 of the bonds to secure its \$20,000,000 of new credit? Was it because, in the opinion of the banking group in February 1930, it required that amount of security for its \$20,000,000 indebtedness—namely, \$40,000,000 of bonds?

Mr. MORGAN. Absolutely not, because the banks could only have purchased these bonds at 95 or better.

Mr. PECORA. But the bank was given an option which it did not exercise.

Mr. MORGAN. Yes.

Mr. PECORA. And one of the reasons, I presume, that it did not exercise that option was because of its opinion of the credit of the Cuban Government in August 1930 when the option expired.

Mr. MORGAN. No; the reason why they did not exercise the option was that the depression had taken an acute form by that time; the initial stages of its acute form, and the prices of the bonds had fallen below that figure in the open market.

The CHAIRMAN. You say these bonds were never executed.

Mr. MORGAN. They were never executed, Senator.

The CHAIRMAN. Therefore they had no such bonds in their portfolio at all. The Cuban Government never had any of these bonds in their portfolio.

Mr. MORGAN. That goes into a legal point, Senator.

The CHAIRMAN. If they were never executed, I do not see how they could have them.

Mr. WILLIAMS. They were never executed.

Mr. PECORA. Are you sure they were never executed?

Mr. MORGAN. Yes.

Mr. WILLIAMS. Absolutely. The unexecuted bonds are still in the possession of E. A. Wright Bank Note Co. of Philadelphia.

Senator COUZENS. Was there anything in the agreement that prevented the Cuban Government from issuing another series of bonds than those \$40,000,000 referred to in the agreement?

Mr. MORGAN. No.

Senator COUZENS. So, if the Cuban Government had desired to get around that agreement, they could have issued another series of bonds and ignored the agreement with respect to that section?

Mr. WILLIAMS. But there was a provision, Senator, that they could not issue any other bond or obligation of any kind secured by a lien on this public-works revenue, without subordinating it to the lien of these \$40,000,000 of bonds outstanding.

The CHAIRMAN. If you had exercised your option, they probably would have executed the bonds. They did not execute the bonds because you did not exercise your option.

Mr. MORGAN. That is true, Senator.

Mr. PECORA. Let us see what was happening to the credit of Cuba meanwhile. We have already put in evidence the memorandum of Bruce, dated July 17, 1930. Have you in your files another memorandum addressed to Mr. Halstead G. Freeman, dated September 23, 1930, signed by one William H. Eddy?

Mr. MORGAN. May I have the number, please?

Mr. PECORA. The number is 56-1.

Mr. MORGAN. I have it.

Mr. PECORA. I show you what purports to be a photostatic reproduction of such memorandum. Will you please look at it and tell us if it is a true and correct copy thereof [handing paper to Mr. Morgan]?

Mr. MORGAN. Correct.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and spread on the record.

(The document referred to, memorandum, Sept. 23, 1930, Eddy to Freeman, was received in evidence, marked "Committee's Exhibit No. 57, Oct. 26, 1933", and the same was subsequently read into the record by Mr. Pecora.)

Senator COUZENS. Who is Mr. Eddy, the signer of it?

Mr. MORGAN. He was then vice president of the Chase Securities Corporation.

Senator COUZENS. In New York?

Mr. MORGAN. In New York.

Mr. PECORA. The memorandum offered in evidence has been marked "Committee's Exhibit No. 57", and reads as follows:

HABANA, CUBA, *September 23, 1930.*

Mr. HALSTEAD G. FREEMAN,  
*President Chase Securities Corporation,  
60 Cedar Street, New York.*

DEAR HALSTEAD: I am enclosing some figures to confirm those given you over the telephone today. They are approximations, in many cases, but I believe can be relied on as fairly accurate. The coming November 1 elections here are causing considerable comment and criticism. They are unpopular, since present economic conditions have accentuated any feeling of antagonism toward the President, and the opposing party has been unable to get recognition in time to present its ticket on November 1. The opposition is endeavoring to get a postponement of the election, but this does not meet with Machado's approval. This opposition is undoubtedly responsible for the propaganda now appearing in New York papers and there is little hope of a cessation of this publicity until after November 1. Any thought of a revolution here is completely curbed by a very obvious appreciation of the obligations of the United States Government under the Platt amendment.

It seems to be realized by those in the present administration that the only solution of the country's financial problem lies in a rather radical reduction in the budget, which should involve a reduction of the Army, Government personnel, pensions, and so forth. The commission it is planned to appoint to study the economic situation is expected to make suggestions along those lines. This will relieve the administration of the direct responsibility of making such reductions, and, of course, nothing will be done in the meantime. Mr. Mudge feels that our position with the State Department in Washington is somewhat different now than formerly, especially in view of the proposed investigation by the commission of which Grosvenor Jones may be the American representative. Possibly Jim Bruce could get something on this from Washington or from Guggenheim. The situation here, in short, is as follows: The country is up against a serious financial situation and needs money badly. Failure to get it may perhaps necessitate cessation of work on the highway, since Warren Bros. are in pretty deep now, and would probably not continue with the completion of the highway unless they felt that some payments were forthcoming. If they proceed without interruption, they claim that the work will be completed some time in December. It seems logical to believe, however, that if they were assured of some substantial payments made promptly against the work yet to be done, they would go through with the program. If the present newspaper propaganda in New York absolutely prevents consideration of a public issue of notes such as we discussed in New York, would you be willing to consider increasing the present \$20,000,000 credit by \$5,000,000, on same terms and with same maturity? This might perhaps be done on condition that they agreed in principle to a note issue secured by long-term bonds to refund the \$25,000,000 credit as soon as the market seemed receptive to a 1-year note. This suggestion has, of course, not been discussed with anyone here, but if it seems feasible, might help them over their present crisis.

We have not discussed the question of providing funds for the Government, even with our own office here. We are constantly pressed for information

on the subject, and feel that if it is decided that we are not to make any proposition to the Government at this time, we would avoid considerable embarrassment by leaving rather promptly.

With best wishes,

Sincerely,

WILLIAM H. EDDY.

Mr. PECORA. Was any action taken by the Chase interests and its associates in the banking group with regard to the proposal discussed by Mr. Eddy in this memorandum to Mr. Freeman?

Mr. MORGAN. It was discussed in New York and there were informal conversations in Habana on such proposal.

Mr. PECORA. With what result eventually?

Mr. MORGAN. Negative.

Mr. PECORA. That is, the Chase interests and its associates in the banking group did not consider it advisable to extend the \$20,000,000 credit to \$25,000,000?

Mr. MORGAN. No; rather the other way, Mr. Pecora. The banking group was disposed to grant this credit of \$5,000,000, but the Cuban Government thought it was not sufficient for their requirements. So the whole thing fell through.

Mr. PECORA. What did the banking group propose to do in connection with the enlargement of this credit from \$20,000,000 to \$25,000,000? Take long-term bonds and sell them to the public?

Mr. MORGAN. Apparently this was to be a short-term issue.

Mr. PECORA. Was there not a reference to the issuance of long-term bonds in this memorandum of Eddy's?

Mr. MORGAN (reading):

a note issue secured by long-term bonds \* \* \*

Mr. PECORA. Yes?

Mr. MORGAN. Yes.

Mr. PECORA. In other words the immediate obligation which the Government was to give to the bankers for this additional 5 million dollar credit was to be in the form of a 1-year note, but eventually those notes were to be retired by the issuance of long-term bonds, is that right?

Mr. MORGAN. No; I understand not.

Mr. PECORA. Well, is that not the proposal that is referred to by Eddy in his memorandum to Freeman?

Mr. MORGAN. Yes; but that phase of the proposal was declined in New York.

Mr. PECORA. Was there any formal record of that? And by formal record of course I mean any written record of that?

Mr. MORGAN. I should doubt it. But you must remember that this whole thing was abortive and never came to anything.

Mr. PECORA. Mr. Eddy, the author of the last memorandum read into the record, was in Cuba again in June 1931, was he not? For proof of that let me refer you to a memorandum in your files marked 56-44.

Mr. MORGAN. 56-44; yes.

Mr. PECORA. Have you before you now a memorandum dated June 12, 1931, signed by W. H. Eddy with reference to this Cuban situation?

Mr. MORGAN. Yes; I have it.

Mr. PECORA. I show you what purports to be a photostatic reproduction of such memorandum. Will you please look at it and tell me whether it is a true and correct copy thereof [handing paper to Mr. Morgan]?

Mr. MORGAN (after examining same). Correct.

Mr. PECORA. I offer it in evidence and ask that it be spread upon the record.

The CHAIRMAN. Let it be admitted and placed in the record.

(Memorandum dated June 12, 1931, signed by W. H. Eddy, was received in evidence and marked "Committee's Exhibit 58 of Oct. 26, 1933.")

Mr. PECORA. The memorandum marked in evidence as "Committee's Exhibit 58" reads as follows [reading]:

JUNE 12, 1931.

Mr. Rosenthal phoned from Habana today to say that he had been asked by the Secretary of the Treasury to attend a meeting tomorrow with Warren Bros. and the Cuban contractors. He stated that it was his understanding that the contractors were going to ask that the authorized \$40,000,000 5½-percent bonds be deposited with the Chase Bank as guarantee for the credit, etc. He also understands that they will request that surplus public works revenues be used to retire our \$20,000,000 credit.

The contractors will ask that on the retirement of the \$20,000,000 credit the contractors notes be exchangeable for public-works 5½-percent bonds at the option of either the contractors or the Government to the extent that there are sufficient bonds available.

Mr. Rosenthal stated that Mr. Guggenheim sent for him today and said that he felt it was highly important that the Chase discuss the financial situation with the President during the coming week, emphasizing the fact that the budget the Government planned to submit was for \$60,000,000, whereas revenues would probably not exceed \$48,000,000 or \$50,000,00. Mr. Guggenheim feels that every effort should be made to induce the Government to reduce expenses to meet revenues.

Mr. Rosenthal stated that he is sending us today public-works revenue figures for the months of April and May. He says that these revenues show a material reduction from the corresponding months in the preceding year, and would indicate total revenues for the next year of around \$11,000,000. This would leave available for the service of public works bonds approximately \$9,500,000, whereas the interest and amortization for the year would amount to \$12,728,000.

(Signed) W. H. EDDY.

Mr. PECORA. Mr. Morgan, this 20-million credit referred to in the agreement of February 26, 1930, was actually extended the Cuban Government by the banking group?

Mr. MORGAN. Yes.

Mr. PECORA. And when, according to the original terms, was it to be repaid?

Mr. MORGAN. One year.

Mr. PECORA. That is, March 4, 1931?

Mr. MORGAN. Around that date. The 4th or 5th.

Mr. PECORA. Was it paid then?

Mr. MORGAN. No.

Mr. PECORA. What was done about-it? Well, the time for payment was extended to June 3, 1931, was it not?

Mr. MORGAN. An agreement was executed on March 5, 1931, which provided first that the \$20,000,000 bank credit should be extended for periods of 90 days from March 5, 1931, and thereafter upon request of the Government be extended for periods of 90 days or

less for a maximum period of 2 years, subject to the right of the bank to grant or refuse request for further extension.

Mr. PECORA. In other words, on March 5, 1931, credit was extended to June 3, 1931, with an option for a further extension of 2 years to March 3, 1933?

Mr. MORGAN. Yes.

Mr. PECORA. Under the same terms as the original credit?

Mr. MORGAN. No; not under the same terms.

Mr. PECORA. Under what different terms? I am referring now to the extension agreement of March 5, 1931.

Mr. MORGAN. Yes. There is no change in the amount or the commission or anything of that sort.

Mr. PECORA. Then it was extended under virtually the same conditions to March 3, 1933 was it not?

Mr. MORGAN. No; it was subject to two conditions: First, that the holders of the Treasury gold notes, that is to say, notes that were held in the possession of the contractors, should accept the present or any further extensions of the period of the \$20,000,000 credit, and deferred work certificates which evidenced the credit, such acceptance to be evidenced by the affixing of the stamp on each one of the Treasury obligations; and, second, that the Cuban Congress should sanction the extension.

Mr. PECORA. Yes. Now, when March 3, 1933, came along, was this credit repaid?

Mr. MORGAN. It was not.

Mr. PECORA. Was it further extended at that time? In other words, was it further extended from the date of March 3, 1933, under practically the same terms and conditions, to March 4, 1935?

Mr. MORGAN. It was extended under an agreement subject to similar conditions, which, however, have never been complied with. Senator COUZENS. Are you carrying it past due now?

Mr. MORGAN. Yes.

The CHAIRMAN. Extended to March 4, 1935?

Mr. PECORA. Yes.

Senator COUZENS. He said that agreement was never entered into. Was it?

Mr. MORGAN. Oh, yes; but the conditions were never satisfied.

Senator COUZENS. And in view of the fact that the conditions were not satisfied you say you are carrying them past due; is that it?

Mr. MORGAN. Yes.

Mr. PECORA. Is it not the fact that some of these serial certificates matured on December 31, 1931?

Mr. MORGAN. Yes.

Mr. PECORA. How many of them were to mature on that date?

Mr. MORGAN. Six million and a quarter.

Mr. PECORA. They were held by whom? That is, were they certificates that had been issued to the public? Sold to the public?

Mr. MORGAN. Yes.

Mr. PECORA. Were those maturities paid on December 31, 1931?

Mr. MORGAN. They were.

Mr. PECORA. Were they paid in whole or in part by means of moneys advanced to the Cuban Government by the banking group?

Mr. MORGAN. No.

Mr. PECORA. Have you in your files a letter addressed to yourself as vice president of the Chase National Bank, bearing date December 12, 1931, signed by L. S. Rosenthal, second vice president?

Mr. MORGAN. The number, please?

Mr. PECORA. The number is 55-55A.

Mr. MORGAN. Yes.

Mr. PECORA. In December 1931 general economic and financial as well as political conditions in Cuba were pretty bad, were they not?

Mr. MORGAN. Everywhere, Mr. Pecora.

Mr. PECORA. Well, I am talking about Cuba now.

Mr. MORGAN. Yes.

Mr. PECORA. They were pretty bad?

Mr. MORGAN. Yes.

Mr. PECORA. And were steadily getting worse?

Mr. MORGAN. Yes.

Mr. PECORA. And had been getting worse since the early part of 1930, had they not?

Mr. MORGAN. Almost universally; yes.

Mr. PECORA. And had been getting worse since May 1929, as we saw from the testimony yesterday?

Mr. MORGAN. No; I do not accept that.

Mr. PECORA. Well, the memorandum that was put into the record here, which was sent in May 1929—

Mr. MORGAN (interposing). No; you will recall there that the reference was to the completion and expansion of the public works program.

Mr. PECORA. Yes; and the reference also was to the—

Mr. MORGAN (interposing). Budget.

Mr. PECORA (continuing). To the desire on the part of the Government to take moneys out of the special revenues account to meet their general budgetary requirements; you remember that too, do you not?

Mr. MORGAN. Whenever they so desired it, yes.

Mr. PECORA. I show you what purports to be a photostatic reproduction of this letter addressed to you of December 12, 1931, from Mr. L. S. Rosenthal. Will you look at it and tell us if it is a true and correct copy of such a letter [handing paper to Mr. Morgan]?

Mr. MORGAN (after examining same). Correct.

Mr. PECORA. I offer it in evidence and ask to have it spread upon the record.

The CHAIRMAN. Let it be received in evidence and placed in the record.

(Letter dated Dec. 12, 1931, from L. S. Rosenthal to Shepard Morgan was received in evidence and marked "Committee Exhibit 59 of October 26, 1933.")

Mr. PECORA. Letter, which has been marked in evidence as "Committee's Exhibit 59" of this date, reads as follows (reading):

HABANA, CUBA, December 12, 1931.

MR. SHEPARD MORGAN, *Vice President,*  
*Main Office, New York City.*

DEAR SHEPARD: I confirm my cable to you of this morning in which I informed you that we had already collected the sum of \$2,250,000 from the Treasury Department for amortization of the public-works serial certificates due December 31. Of the amount received, \$1,035,000 was in Cuban gold and

\$210,000 in American gold coin. I have informed Ruiz Mesa, the Secretary of the Treasury, that we will hold all of the above until December 20 or 22 if necessary, as the Government desires to exchange the maximum amount of American bills possible for gold in order to limit the export of gold from Cuba to a minimum. I expect to collect the other check of \$454,528.25 which we are holding early Monday and to receive and collect from the Government during next week checks for \$1,100,000 and \$550,000, representing interest due on the public-works bonds and bankers' credit December 31. All of the above will be transferred to New York prior to December 31.

It is only due to our close contact and friendship with General Machado and the Secretary of the Treasury that we are receiving the above payments at so early a date, as the payment of same means a real sacrifice on the part of the Government. Many payments for material due have been postponed and but few Government employees have been paid in full up to date. It was for this reason, as I informed you by telephone, that the Government wishes to avoid all publicity in connection with the anticipated payments.

I refer to the third paragraph of your letter of December 8, which was received yesterday. I do not think that you will receive any important news from Ambassador Ferrara, as it is my impression that any proposals made by the Government will come from the Secretary of the Treasury here or President Machado. The President seems to prefer to handle all financial matters through the Secretary. From information I have received in a rather round-about method from Government sources, I believe that within a week or so we will receive a proposal here from the Government concerning monthly or bimonthly deposits of public works revenues in this branch at the order of an agent to be designated by the Government to use said funds for payment of interest and amortization on all public works obligations under specific instructions from the Government. The President understands full well that something constructive and concrete must be proposed well in advance of the maturity of the bankers' credit. I think if such proposal be made before the end of the year it will be perfectly all right for you to arrive in Habana on January 9. Otherwise perhaps you should come on the earlier sailing so that we will have time to talk things over with the Government well in advance of the maturity of the credit.

With best regards,  
Sincerely yours,

L. S. ROSENTHALL,  
*Second Vice President.*

Mr. PECORA. The Government was able to meet these maturities and interest payments that became due on December 31, 1931, without help from the bankers?

Mr. MORGAN. Yes.

Mr. PECORA. When was the next maturity?

Mr. MORGAN. June 30, 1932.

Mr. PECORA. What became due then?

Mr. MORGAN. Maturing principal in the amount of \$6,250,000 and various interest items, bringing the total required on that date to \$8,278,125.

Mr. PECORA. Meanwhile was there sent to Mr. Adam K. Geiger, second vice president of the Chase National Bank, at the New York office, a letter signed by L. S. Rosenthal, second vice president, under date of March 22, 1932? That bears the identifying number of 56-66A.

Mr. MORGAN. I have such a letter.

Mr. PECORA. I show you what purports to be a photostatic reproduction of it. Will you please look at it and state whether or not it is a true copy thereof [handing paper to Mr. Morgan]?

Mr. MORGAN (after examining same). Correct.

Mr. PECORA. I offer this letter in evidence and ask to have it spread upon the record.

The CHAIRMAN. It may be received in evidence and placed in the record.

(Letter, dated Mar. 22, 1932, from L. S. Rosenthal to Adam K. Geiger was received in evidence and marked "Committee Exhibit 60 of October 26, 1933.")

Mr. PECORA. The letter which has been marked "Committee's Exhibit 60" reads in part as follows. I will read this paragraph from the second page:

Several years ago Cuban silver went to the depreciation of 3 or 4 percent, and even today to attempt to exchange a large amount of silver for bills costs approximately three fourths percent. I suppose that most of the banks will look with disfavor upon the additional coinage of silver, but the Government is very determined to arrange for same. As I advised you by telephone this morning, Ambassador Guggenheim invited me to the embassy to discuss with him very confidentially the proposed coinage. He feels as I do that while it is nothing that we can recommend nor do we look with favor on what may mean inflation, yet without this coinage it is quite possible that Cuba will be unable to make full payment on the foreign debt on June 30 next. If the coinage can be arranged within the next 60 days the Government can undoubtedly place same into circulation and thereby obtain a seignorage profit of approximately \$2,500,000, which will probably come to us as part of the payment on the public-works obligations.

(Committee exhibit no. 60 is here printed in the record in full as follows:)

COMMITTEE EXHIBIT 60, OCTOBER 26, 1933

MARCH 22, 1932.

[Air mail]

Mr. ADAM K. GEIGER,  
*Second Vice President,  
 Main Office, New York City.*

DEAR GEIGER: I refer to our telephone conversation of this morning and now take pleasure in enclosing copy of the Mercurio of this morning, which contains complete text of the presidential decree covering the proposed coinage of \$3,586,859.20, nominal value of Cuban 1-peso and 20-cent pieces. I also enclose copy of the law of October 31, 1914, authorizing Cuban coinage. Articles 12 and 14 of the law contain full details concerning the manner of arranging for coinage. In accordance with the law the Government asks for bids by presidential decree, which bid covers purchase of the silver and arrangement for the coinage with the designated mint. In this case the mint would be the Philadelphia Mint, where, I understand, the dies for the other coins are now held. The bank would be reimbursed for the entire cost of the coins within 10 days after the delivery of each shipment. In my opinion it would be possible to change this and arrange with the Secretary of the Treasury for payment against delivery. I am going to talk to the Secretary of the Treasury this morning, if possible, and discuss the matter in detail.

For your information, as early as last October the Government began to make provisional plans for the coinage of additional silver, as they desired to bring the total coinage up to the authorized 12 millions. As there is actually coined and outstanding the amount of \$8,413,140.80 by law the Government may place in circulation a further \$3,586,859.20. Due to the current price of silver they calculated that in so doing they would obtain a seignorage profit of approximately 75 percent of the face value of the coins. As treasury balances are relatively small, they would utilize said coins in payment of salaries, lottery premiums, and internal expenses of the Government and thus be able to retain for payment of the foreign debt the bills and gold which they receive in payment of taxes, customs duties, etc.

Up until 2 or 3 months ago several of the banks here, especially the National City and the Royal Bank, were carrying in their cash reserve excessive amounts of silver coins which they had extreme difficulty in placing into circulation. On the first of the year the Royal Bank held about \$1,200,000 and the National City had about \$900,000, but since that time, due to their close connection with many sugar centrales which are grinding, they have been able

to unburden themselves almost entirely of the silver through cooperation of the centrales in meeting pay rolls and other grinding-season expenses.

Some time ago the above banks made a strong attempt to secure the cooperation of the Secretary of the Treasury to withhold approximately three millions they had in the treasury from circulation, but the attempt was unsuccessful, the silver was placed in circulation, and even at this time when practically all of the coined silver is in circulation there is no real serious problem to the banks, although most of the banks are compelling their depositors to withdraw as much silver in issuing checks as they deposit. We ourselves have such an arrangement with the United Railways, Compania Cubana de Electricidad, Armour & Co., and several others. As a result we have no silver problem in this bank.

Several years ago Cuban silver went to the depreciation of 3 or 4 percent, and even today to attempt to exchange a large amount of silver for bills costs approximately three fourths of 1 percent. I suppose that most of the banks will look with disfavor upon the additional coinage of silver, but the Government is very determined to arrange for same. As I advised you by telephone this morning, Ambassador Guggenheim invited me to the Embassy to discuss with him very confidentially the proposed coinage. He feels as I do that while it is nothing that we can recommend nor do we look with favor on what may mean inflation, yet without this coinage it is quite possible that Cuba will be unable to make full payment on the foreign debt on June 30 next. If the coinage can be arranged within the next 60 days the Government can undoubtedly place same into circulation and thereby obtain a seigniorage profit of approximately \$2,500,000, which will probably come to us as part of the payment on the public-works obligations.

While I have been kept informed concerning the proposed coinage the Secretary of the Treasury has not discussed the above officially with me, as I have thought it best that the Chase Bank remain entirely out of the picture. I understand that we will be formally requested to make a bid on the purchase of silver and the handling of the coinage and I do think we should make an attempt to secure this business on a satisfactory basis, especially inasmuch as I understand the National City and other foreign banks operating in Habana are going to make tenders.

In my conversation with Mr. Funck this morning he stated that he thought it would require 2 or 3 months to purchase and deliver silver to the Philadelphia Mint. Therefore, he suggested that the Government endeavor to purchase said silver from the Philadelphia Mint. I am going to ask the Secretary of the Treasury this morning if he desires that we make such an inquiry in Philadelphia. Perhaps, if the silver is available in Philadelphia, if necessary I can secure unofficial cooperation from the ambassador. In my opinion if the coinage is arranged there is strong reason for hope that we will receive all due in June, as President Machado is counting upon this and certain sums from general revenues to make up the deficit in special public-works revenues. I shall keep you informed of every development.

With kindest regards.

Very truly yours,

L. S. ROSENTHALL, *Second Vice President.*

cc to Mr. C. A. Richards.

Mr. PECORA. Was the Government of Cuba able out of its own resources and funds to meet the maturities and interest obligations becoming due on June 30, 1932?

Mr. MORGAN. It was not.

Mr. PECORA. Did it seek any assistance from the banking group to enable it to meet its obligations?

Mr. MORGAN. It did.

Mr. PECORA. What, if anything, did the members of the banking group do by way of coming to the aid of the Cuban Government with respect to these obligations of June 30, 1932?

Mr. MORGAN. They arranged a temporary advance in the amount of \$2,278,125 in order to take care of the maturing obligations, both principal and interest and to maintain the Cuban credit intact as far as the public was concerned.

Mr. PECORA. And the agreement already marked in evidence as committee's exhibit 55 was entered into at that time?

Mr. MORGAN. It was.

Mr. PECORA. Covering the terms and provisions of this advance or accommodation?

Mr. MORGAN. Yes; Mr. Pecora.

Mr. PECORA. Now will you tell the committee briefly what compensation, commission or profit, if any, the banking group received for making this advance?

Mr. MORGAN. The advance was at the rate of 5½ percent, and it received a commission at the rate of 1 percent per annum on the amount of each installment during the time that it was outstanding.

Mr. PECORA. Did it also receive \$100,000 to cover interest, exchange charges, and local expenses?

Mr. MORGAN. No; it did not.

Mr. PECORA. Did it not provide for the payment of such a sum to the banking group?

Mr. MORGAN. A blanket provision was made in the Cuban budget at this time in the round amount to take care of those necessary expenses.

Mr. PECORA. In the round amount of \$100,000?

Mr. MORGAN. Yes.

Mr. PECORA. Was that not provided for in the agreement of June 16, 1932, which is in evidence?

Mr. MORGAN. Yes; but that was not money for the bankers, Mr. Pecora.

Mr. PECORA. Under the terms of this agreement when was this advance to be repaid to the banking group by the Cuban Government?

Mr. MORGAN. In five installments at the end of each month from July to October, inclusive, in the amount of \$500,000 each, leaving an item of \$278,125 to be paid on November 30, 1932.

Mr. PECORA. Did I understand you to say in your testimony, either yesterday or the day before, that any newspaper announcement was made at this time to the fact that the banking group had advanced moneys to the Cuban Government to enable that Government to redeem these maturities and to pay these interest charges that fell due on June 30, 1932?

Mr. MORGAN. I hold in my hand photostats of newspaper statements on that matter, in the form of statements by the Cuban Government, the principal in the matter.

Mr. PECORA. Will you produce them, please?

Mr. MORGAN. I want to make sure that these are pertinent. (After going over some photostats). Here are two, one from the Wall Street Journal, and one from the New York Times. We have others if you would like to have them.

Mr. PECORA. Do you know who prepared the news item which you have given me in photostatic form and which was published in the Wall Street Journal June 24, 1932?

Mr. MORGAN. I do not.

Mr. PECORA. Is it possible for you to ascertain if it was prepared by anyone connected with the banking group?

Mr. MORGAN. The dispatch was from Habana, Mr. Pecora.

Mr. PECORA. I know that. I had noticed that it was dated Habana.

Mr. MORGAN. I am asking Mr. Rosenthal if he can answer these questions. But he asks that I show him the clippings, if you will let me have them for a moment.

Mr. PECORA. Here they are.

Mr. MORGAN. Mr. Pecora, Mr. Rosenthal tells me that the agreement was published in full in the Cuban papers. Upon publication, inquiries were made at the Treasury, and the statements in the newspapers, apparently, were prepared out of the information received at the Treasury, and from the text of the agreement itself.

Senator COUZENS. By whom?

Mr. MORGAN. By newspaper correspondents, Mr. Pecora.

Mr. PECORA. You say that prior to this publication in the Wall Street Journal there was a publication in the Habana papers of this subject?

Mr. MORGAN. I am so informed.

Mr. PECORA. Now, where did the Habana papers get their news from?

Mr. MORGAN. It was published in the (consulting associates). It was a notarial document. That is to say, it was open to public inspection, and the newspapers got it from that.

Mr. PECORA. What individual, or individuals, furnished the newspapers this information, if you can tell us? If you can find out from any of your associates, tell us who furnished the newspapers with the data that they published.

Mr. MORGAN. I have told you everything I can find out about it. Information on that line can only be derived from the newspaper men themselves.

Mr. PECORA. What was the date of the Habana newspaper publication?

Mr. MORGAN. The agreement was executed on June 23, 1932, and thereupon was published the same day in the official journal.

Mr. PECORA. On what day was it published in the Wall Street Journal?

Mr. MORGAN. June 24.

Mr. PECORA. And on what day was it published in the New York Times? Is it June 28, 1932?

Mr. MORGAN. It looks like it; yes.

Mr. PECORA. Now, among other things stated in the New York Times item of June 28, 1932, a photostatic reproduction of which you have just given me, I notice the following as one of the sub-headlines:

The Republic is expected to emerge from the depression with her credit unimpaired.

And in the body of the news item I notice the following:

News of this temporary advance—

And that refers to the temporary advance to meet the June payments.

has been very favorably commented upon locally, as it is felt that with June foreign obligations provided for, there is every possibility of Cuba's being in a position to meet all her external indebtedness falling due in December.

Therefore, Cuba should experience no great difficulty in continuing the full service on her foreign loans, even without any material improvement in governmental revenues, since amortization payments will show a sharp drop after the present year.

Now, Mr. Morgan, would you agree with that statement at the time it was published from the knowledge you then had of the Cuban situation?

Mr. MORGAN. Yes; I would agree with it, Mr. Pecora. But personally I always refrain from making economic prophesies. The statement that—

Mr. PECORA (interposing). From what you knew in June of 1932 would you agree that this was the financial condition of the Cuban Republic at that time?

Mr. MORGAN. It has proved to be the case as far as actual performance is concerned. The obligations referred to here have been paid in full so far as the public is concerned and the bonds are not yet in default.

Mr. PECORA. Do you mean it proved to be the case that the obligations maturing December 31, 1932, were paid without help from any banking group?

Mr. MORGAN. No. And it does not say that.

Mr. PECORA. This news item, or the portion of it which I have read, says, as I have already called to your attention:

News of this temporary advance has been very favorably commented upon locally, as it is felt that with the June foreign obligations provided for there is every possibility of Cuba being in a position to meet all her external indebtedness falling due in December. Therefore Cuba should experience no great difficulty in continuing the full service on her foreign loans, even without any material improvement in governmental revenues.

And so forth.

To your knowledge, Mr. Morgan, was that a correct statement or representation of the financial condition of the Cuban Government at that time?

Mr. MORGAN. Mr. Pecora, all I can do in this case is to say that the essential facts of this prophecy have come true—that Cuba has paid all her obligations to the public.

Mr. PECORA. But Cuba did not pay them out of her own resources, did she?

Mr. MORGAN. With the help of temporary advances. In that case the purpose of the banks was twofold: First, to assist Cuba in the maintenance of her credit; and—

Mr. PECORA (interposing). But the public was told in this news item that the condition of Cuba financially was such in June of 1932 that it would be able to meet its December obligations without difficulty. Now, you knew that that was not the case, didn't you, in June of 1932?

Mr. MORGAN. No; I did not.

Mr. PECORA. Did you really think in June of 1932 that the Cuban Government, without help from the bankers, would be able to meet its December obligations?

Mr. MORGAN. I thought there was a good chance with any upturn in revenues at all that Cuba would be able to maintain her debt service at the end of the year.

Mr. PECORA. And without help?

Mr. MORGAN. I am not saying that.

Mr. PECORA. Well, I am asking you that. Did you think Cuba would be able to do it without help?

Mr. MORGAN. I thought if its performance would be good, then help would be forthcoming.

Mr. PECORA. Did you think it would be able to do it without help?

Mr. MORGAN. I did not know.

The CHAIRMAN. The question was, what did you think?

Mr. MORGAN. I have answered, Senator Fletcher.

Mr. PECORA. And what is your answer?

Mr. MORGAN. I have answered that I thought there was a good chance of it.

Mr. PECORA. What information did you have, and what knowledge did you have, of the condition of Cuban finances that caused you to really feel, if you really felt that way about it, that there was a good chance even of Cuba meeting its December obligations without help?

Mr. MORGAN. With an upturn of revenues it would have been done.

Mr. PECORA. Oh! With an upturn of revenues.

Mr. MORGAN. Yes, and I have said so.

Mr. PECORA. What reason did you have for believing that there would be an upturn instead of a decrease in revenues? Did you have any reason to so believe?

Mr. MORGAN. Well, one always hopes that this depression will come to an end.

Mr. PECORA. Were you basing your belief on hopes that the depression would come to an end?

Mr. MORGAN. Mr. Pecora, are you asking me—oh, well, never mind.

Mr. PECORA. Go ahead. What were you going to say?

Mr. MORGAN. Never mind.

Mr. PECORA. Don't repress it. What were you going to say?  
[Laughter.]

Mr. MORGAN. It would be unkind.

Mr. PECORA. Well, I can stand a lot of unkind remarks, you know.

Mr. MORGAN. All right, but I won't do it.

Mr. PECORA. Do you mean unkind to me?

Mr. MORGAN. Yes; to you.

Mr. PECORA. Well, I can stand it, Mr. Morgan.

Mr. MORGAN. No. What was the question you would like to examine me on?

The CHAIRMAN. Did you believe that there would be an upturn in the revenues?

Mr. MORGAN. I hoped so, Senator Fletcher.

Mr. PECORA. Did you believe so apart from any hopes that you might have entertained?

Mr. MORGAN. The sugar situation was a great deal improved at that time, and that always coincides with an improvement in the revenues of Cuba.

Mr. PECORA. What actually happened when December of 1932 came around?

Mr. MORGAN. We assisted them again.

Mr. PECORA. And all of your hopes failed of realization? In other words, if you entertained such hopes in June, they failed of realization in December?

Mr. MORGAN. Well, they frequently have.

Mr. PECORA. But I mean in this particular instance.

Mr. MORGAN. That went as so many hopes go.

Mr. PECORA. In this particular instance did your hopes fail of realization?

Mr. MORGAN. I have responded that in December we again assisted Cuba in its needs on that maturity date.

Mr. PECORA. And to that extent does that show that your hopes, if you entertained any such hopes in June of 1932, failed of realization?

Mr. MORGAN. They were disappointed.

Mr. PECORA. You will not say yes to my question. You will say anything but yes, although you indulge in a lot of circumlocution which means yes. That is the situation, isn't it?

Mr. MORGAN. No. [Laughter.]

Mr. PECORA. Now, what help did the banking group extend to the Cuban Government in December of 1932 in order to help it to meet its obligations and maturities?

Mr. MORGAN. These advances I have been mentioning had been paid punctually.

Mr. PECORA. That is, the advances for the account of the June obligations?

Mr. MORGAN. Yes.

Mr. PECORA. They were required to be repaid at monthly intervals up to November of 1932?

Mr. MORGAN. Yes; and they were repaid promptly.

Mr. PECORA. Now, what help was extended by the banking group to the Cuban Government in December of 1932 to enable it to pay its maturities and interest obligations on December 31 of that year?

Mr. MORGAN. They advanced \$3,106,250.

Mr. PECORA. On what terms? (After a pause.) I said, on what terms.

Mr. MORGAN. Oh, excuse me. I did not hear that question.

Mr. PECORA. Now you may go ahead and answer.

Mr. MORGAN. This advance was made in two lots: One in the amount of \$1,650,000, to be repaid from specially earmarked taxes, and the rate of interest was 5½ percent, with a commission of one half of 1 percent on the total. The second part of the advance was in the amount of \$1,456,250, which took the form of a purchase by the banking group of serial certificates in the market and holding those serial certificates without presentation to the trustee for repayment until revenues from public works accumulated to repay them.

Mr. PECORA. Was a formal loan agreement entered into covering the terms and provisions of this advance?

Mr. MORGAN. A formal loan agreement was entered into with respect to the \$1,650,000 of the advance, and that was approved by the Cuban Congress. The second part of it, it was not necessary to reduce into the form of a new agreement because the financial basis for the serial certificates, of course, had already been established in a preceding agreement. That was managed by an exchange of letters between the Cuban Government and ourselves.

Mr. PECORA. Now, Mr. Morgan, I show you what purports to be a photostatic reproduction of this loan agreement, which is dated December 16, is that it, 1932? Have you the date?

Mr. MORGAN. December 10, 1932, I think.

Mr. PECORA. Now, the negotiations for the making of this advance in December of 1932 were being carried on through the preceding months at least; were they?

Mr. MORGAN. Yes.

Mr. PECORA. And in connection with those negotiations, and as a part of the correspondence relating thereto, have you in your files a letter addressed by Mr. Findley to Mr. L. S. Rosenthal, second vice president of the Chase National Bank, dated November 9, 1932? The identification number of it in your files is 61-32-A.

Mr. MORGAN. I have it.

Mr. PECORA. I now show you what purports to be a photostatic reproduction of such a letter. Will you be good enough to look at it and tell me if you recognize it as a true and correct copy thereof?

Mr. MORGAN. Correct.

Mr. PECORA. Mr. Chairman, I offer it in evidence and ask that it may be spread on the record of the subcommittee's proceedings.

The CHAIRMAN. It will be admitted, and the committee reporter will make it a part of the record.

(A letter dated at Habana, Cuba, Nov. 9, 1932, and marked "Private and confidential", addressed to L. S. Rosenthal, second vice president of the Chase National Bank, was marked "Committee Exhibit No. 61, October 26, 1933", and such portions of it as the subcommittee will decide in executive session shall be made a part of the public record, will, at the proper time, be spread on this public record.)

The CHAIRMAN. Mr. Morgan, were those advances repaid?

Mr. MORGAN. Yes, sir.

Mr. PECORA. The letter in question, which has been marked "Committee Exhibit No. 61, October 26, 1933", is as follows:

HABANA, CUBA, November 9, 1932.

[Private and confidential]

Mr. L. S. ROSENTHALL,  
Second Vice President, Main Office.

DEAR MR. ROSENTHALL: As advised in our phone conversation this morning, Lopez and I visited General Machado at his request at—

Mr. PECORA. Mr. Chairman, I would suggest that certain portions of this letter not be included in the public record but be considered by the subcommittee in executive session.

Senator GOLDSBOROUGH. And I so move, Mr. Chairman.

The CHAIRMAN. Without objection, that will be done.

Mr. PECORA. Mr. Chairman, suppose we take a recess now until a quarter past 2. It is now about a quarter past 1 o'clock.

The CHAIRMAN. The committee will now take a recess until 2:15 p.m.

(Thereupon, at 1:12 p.m., Thursday, October 26, 1933, the subcommittee recessed to meet at 2:15 p.m. the same day.)

## AFTERNOON SESSION

The hearing was resumed at the expiration of the recess.  
The CHAIRMAN. The committee will come to order.

**TESTIMONY OF SHEPARD MORGAN, A VICE PRESIDENT OF THE CHASE NATIONAL BANK, NEW YORK, N.Y.—Resumed**

Mr. PECORA. I will assume the reading of committee's exhibit 61 in evidence as of this date. [Reading:]

DEAR MR. ROSENTHALL: As advised in our phone conversation this morning Lopez and I visited General Machado at his request at the Finca Dona Juana, where he is passing a few days.

We advised him of the work which you had been doing in New York and that numerous plans had been drawn up and discarded as unsatisfactory. We informed him of the present proposition as outlined to us by phone, that is, that the 90 percent public works revenues collected during the 6 months expiring December 31 should be prorated on the serial certificates with that maturity and that all deposits of public works revenues from January 1 should be applied to liquidate the balance on these maturities until fully paid. The bankers propose to advance the Republic \$1,650,000 to be used in payment of the December 31 coupon on the gold bonds and the interest on the bankers' credit. This advance is to be guaranteed with the tax of \$0.10 per bag on sugar.

As soon as this plan was outlined to the general, we could see that he was very much displeased with it and his only comment was to send him a memorandum. We could see that trouble was brewing and asked him to give us his opinions, not on a business basis, but as if he were discussing his problem with friends. He said he was willing to do this and stated most emphatically that the plan was altogether unsatisfactory, that he would not accept it under any conditions, and that he was greatly surprised at the stand the bank had taken in view of the fact that he understood definite commitments had been made by Mr. Morgan and yourself. He said that he could not understand why the bank did not feel a moral obligation to him and to his Government and also to the investors who had purchased securities sponsored by the Chase. He said that he is making superhuman efforts to meet his obligations with the Chase, that he is holding everything down with an iron hand, starving Government employees, and is confronting tremendous opposition, not only from his opponents but even his own followers who advise him to a man that he should immediately suspend payment on the foreign obligations and devote the entire Government income to local needs. He advised that he was preparing to balance the budget, that a reduction of \$8,000,000 had been agreed upon. A million dollars of this is taken from the army appropriation and he said that he had convinced the high officials of the army that this was necessary in order to keep up the debt-paying reputation of Cuba and of himself with the Chase Bank and that it had been a constant pull on his part. This reduction would bring the budget down to around \$45,000,000, and it is being made retroactive to July of this year. He said he had advised everyone in Cuba and the United States that he would pay to the last cent, and we learned confidentially from other sources that he had assured his cabinet and other high public officials that a satisfactory solution of the December problem with the Chase had been promised previously and that in view of his reputation and standing personally, that the bank was willing to assist him with \$4,000,000 which they would not have given to Cuba otherwise. To be forced to admit publicly that he is unable to obtain what he promised leaves him in a frightfully embarrassing situation. He said that unless the bank could give him the \$4,000,000 which he requested that there was nothing to do but go into a complete and total default and that he had no objection to doing so immediately. He would discontinue the semi-monthly deposit of public-works revenues and would stand strictly upon the technicalities of his loan agreements as these deposits are of course voluntary on the part of the Government.

We were not able to go into complete details with the President, nor could we advise him that his plan was impractical, because the money advanced would be in fourth place against public works revenues. We asked him what his ideas were with regard to the \$4,000,000 advance and he said that it was up to the

bank to devise a feasible way and to state what securities and guarantees they required. That what they asked for he would give them whether from the general budget or by new taxation. The President told us not to present New York's letters to Secretary Averhoff nor to discuss this matter with him at all; that as soon as we had some definite information he would see us together with Secretary Averhoff and go over whatever was submitted. He said the time was very short and that he must know at the earliest possible moment what the bank intends to do, so that he may be guided accordingly.

Lopez and I then went over to see Louis Aizcorbe, who is the man who knows more about what actually can be done than anyone else in the administration. He gave us an outline of what he thought could be done, but requested that it be kept entirely confidential and not divulged to anyone in Cuba, which is quite natural as he has no authority to give out information or draw up plans except upon the request or with the authorization of the Secretary of the Treasury. We told him that he need have no worry that we would get him into any trouble. Aizcorbe advised that a law could be passed extending the \$0.10 per gallon public works tax on imported gasoline to all combustibles used on the island, whether imported or produced locally, whether pure gasoline or kerosene, gascol, moruco, or any of the other combinations of gasoline, kerosene, or alcohol used in combustion engines. He said that this would give an income of approximately \$2,000,000 per year. He also said that the new tax on the consumption of sugar amounting to one half of 1 cent per pound which has not as yet been affected to any obligation should produce \$1,250,000 a year. According to local figures the consumption here is estimated at 150,000 tons which would produce \$1,680,000 per annum. This figure is undoubtedly exaggerated but \$1,250,000 does not seem out of line. Mr. Aizcorbe said that an amount of more or less \$200,000 per month could be included in the budget of 1933-34—beginning in July of 1933 which would be \$1,200,000 for the first 6 months. He said that he did not see any reason why the one-half cent per pound tax could not be increased to 1 cent which would mean around \$2,500,000 per year. He said that this tax must be paid when the sugar is produced at the mill, that is on sugar destined for local consumption. He also said that if these guaranties were not sufficient collateral for the advance of \$4,000,000 and sufficient to liquidate same in the year 1933, it could be included in the budget of 1933-34 which would give a period of 18 months for total liquidation. It was also Aizcorbe's idea and a point which undoubtedly makes his proposal of more interest, that these taxes be pledged to guarantee repayment on the \$20,000,000 bankers' credit after the \$4,000,000 advance has been paid.

We also discussed briefly the situation of Govea with General Machado, and informed him that the bank had always made special efforts to accommodate Govea but that a continuation of the extension of credit had always depended upon prompt reimbursement from treasury collections and that our relations on this basis had gone on for years. We informed him that it was only natural that as soon as it became impossible to obtain reimbursement as previously agreed upon that it was impossible for the bank to continue making new loans. The general said he understood fully what had been the cause of our difficulty and that in the future there would be absolutely no ground for complaint on this score. He said he was particularly interested to see that the highway is finished and that he plans to continue working on a basis of \$40,000 or \$50,000 per month, which he was sure could be paid promptly. He also advised that he had given instructions to Secretary Averhoff to take care of the balance due the bank and we expect to receive \$10,000 today or tomorrow and a further \$10,000 which will liquidate the remaining \$5,000 of the loan within a few days.

Then follows a paragraph which the committee has decided should not go into the public record, but should be considered by the committee in executive session. The letter concludes:

With kind regards,  
Very truly yours,

T. M. FINDLAY, *Assistant Manager.*

Mr. Morgan, do you know who the Govea mentioned in this letter is?

175541-34-PT 6----

Mr. MORGAN. That is an internal matter of the Habana branch. I think Mr. Rosenthal could state that more succinctly than I.

Mr. PECORA. Now, Mr. Morgan, I want to call your attention to this portion of the letter that I have just read:

He

Referring to General Machado—

would discontinue the semimonthly deposit of public-works revenues and would stand strictly upon the technicalities of his own agreements, as these deposits are of course voluntary on the part of the Government.

You find that at the conclusion of the first paragraph on the second page?

Mr. MORGAN. I find it.

Mr. PECORA. Do you understand that the semimonthly deposits of public-works revenues referred to in the various loan agreements with respect to these loans were not required to be made by the Government but were purely voluntary deposits on the part of the Government?

Mr. MORGAN. Yes.

Mr. PECORA. Well now, that was not in the interests of the holders of the obligations which the Cuban Government had issued, was it?

Mr. MORGAN. I think so, Mr. Pecora, for reasons that I explained yesterday. We desired to have the Cuban Government deposit funds with the trustee as they accumulated, so that they could be used exclusively against the retirement of the obligations.

Mr. PECORA. What were the deposits referred to in that portion of this letter which General Machado stated were voluntary on the part of the Government?

Mr. MORGAN. The public-works revenues.

Mr. PECORA. Those were the revenues created by the public works law of 1925, 90 percent of which were required to be set aside in a special account for the service of these loans?

Mr. MORGAN. Yes.

Mr. PECORA. And there was no provision in the loan agreements that absolutely required the Government to set those revenues aside to the extent of 90 percent thereof?

Mr. MORGAN. Not in the opinion of the lawyers. They were to be set aside in a special account. We thought as time went on that it would be better to have those revenues paid into the bank, into the hands of the trustee.

Mr. PECORA. When were deposits of any part of those revenues made with the bank?

Mr. MORGAN. February 1932, beginning then and from then on.

Mr. PECORA. Were all of the revenues or up to 90 percent thereof so deposited semimonthly as they were collected?

Mr. MORGAN. The revenues as reported actually were, yes, and I have no reason to doubt that they were not complete.

Mr. PECORA. Those revenues were found to be grossly inadequate to the servicing of these loans, were they not?

Mr. MORGAN. With these heavy maturities, yes.

Mr. PECORA. Were they found to be inadequate prior to the issuance of the \$40,000,000 of bonds in February 1930?

Mr. MORGAN. No.

Mr. PECORA. What arrangement eventually was made by the banking group to enable the Cuban Government to meet the December 31, 1932, maturities and interest payments?

Mr. MORGAN. December 31, 1932?

Mr. PECORA. Yes.

Mr. MORGAN. I stated that this morning, Mr. Pecora.

Mr. PECORA. The banking group advanced a sum of money amounting to several million dollars.

Mr. MORGAN. I will repeat it.

Mr. PECORA. If you will; just give us the figures.

Mr. MORGAN. The total amount of \$3,106,250. If you remember, it was divided into two operations, one of \$1,650,000 and the remainder of \$1,456,250.

Mr. PECORA. And what provision was made in the loan agreement regarding those advances for their repayments to the banking group?

Mr. MORGAN. The first item that I have referred to were to be repaid from especially earmarked taxes.

Mr. PECORA. Yes.

Mr. MORGAN. And the Cuban Congress passed a law accordingly.

Mr. PECORA. Yes.

Mr. MORGAN. The second was to be repaid from public-works revenues, inasmuch as serial certificates in the amount of the advance were purchased by the banking group and held past due until retired.

The CHAIRMAN. May I ask, Mr. Pecora, at that point: Do you recall what the banking situation was in Cuba at that time?

Mr. MORGAN. The banking situation?

The CHAIRMAN. Yes. Had the Banca Internationale failed prior to that? The big bank with 123 branches failed. Do you remember when that was?

Mr. MORGAN (after conferring with associates). About 1920, Senator, some 12 years previously.

The CHAIRMAN. And then there were subsequent bank failures, were they not, 20 or 30 more banks went down?

Mr. MORGAN (after consultation). I am informed that there was no large failure from 1920 onward.

Mr. PECORA. Do you know whether or not any public announcement by newspaper publication or otherwise was made advising the public that held the bonds and the serial certificates that had not yet matured that for the purpose of enabling the Cuban Government to make these December 31, 1932, payments it had to borrow additional moneys from the banking group?

Mr. MORGAN. I have a sheaf of them here, Mr. Pecora. If you would like me to look through them to find out what the specific references are, I would be glad to do so [handing documents to Mr. Pecora].

Mr. PECORA. All right.

Mr. MORGAN. May I ask you to have those sent back to me when you are through with them?

Mr. PECORA. Yes.

Mr. MORGAN. I may have photostats of some of them.

Senator COUZENS. I assumed that they would be of record anyway, inasmuch as they were passed by the Congress of the Government of Cuba; would they not, Mr. Pecora?

Mr. PECORA. No; I was referring to newspaper publications.

Senator COUZENS. Yes; but he pointed out that congress had to pass a law.

Mr. PECORA. Had to pass a law to provide for the repayments, for the levying of new taxes in order to repay these advances.

Senator COUZENS. I imagine that would be a public record.

Mr. PECORA. Yes.

Now, between the end of December 1932 and the date when other maturities and interest payments fell due, namely, June 30, 1933, conditions in Cuba went from bad to worse, did they not?

Mr. MORGAN. Except for this highly important matter: The great difficulty in meeting these maturities of the public-works obligations was the three large maturities at the end of December 1931, June 1932, December 1932. That involved repayments of \$18,750,000 of principal. From then on, the situation became much easier, and instead of having these mountain peaks of maturities the situation smoothed out as far as the first and second liens were concerned into comparatively calm water.

Mr. PECORA. That was due to the fact that the maturities of the serial certificates that would come due on June 30, 1933, and subsequently had virtually been gotten out of the way by means of this bond issue of \$40,000,000?

Mr. MORGAN. That was one of the purposes of the bond issue, Mr. Pecora.

Mr. PECORA. I say that was one of the reasons why these peaks—

Mr. MORGAN. Yes.

Mr. PECORA. Disappeared subsequent to December 1932?

Mr. MORGAN. It was the sound financial reason for that refunding operation, and I must say, as administrator of this work for the last 2 years, I have been extremely glad that those were out of the way, to have the thing smoothed out through a period of years.

Mr. PECORA. How about the general economic financial conditions of the Republic of Cuba generally?

Mr. MORGAN. They became worse.

Mr. PECORA. They became worse subsequent to December 1932?

Mr. MORGAN. Yes, sir; as I think everywhere else.

Senator COUZENS. May I ask, when those peaks were created the peaks were created based on an anticipated revenue, were they not?

Mr. MORGAN. Of 18 millions a year; yes.

Senator COUZENS. How much did the revenues fall down below those estimates?

Mr. MORGAN. They had fallen in the depths of the depression about 50 percent.

Senator COUZENS. So that the peaks were not out of place when they were created?

Mr. MORGAN. Quite true.

Senator COUZENS. In other words, they could have been met if they had not been so pressed; is that your observation?

Mr. MORGAN. Yes, Senator.

Mr. PECORA. Do you find in your files a telegram sent by you to Mr. Findlay under date of March 24, 1933, bearing upon the Cuban loan situation, bearing your identification number 61-9?

Mr. MORGAN. I have it, Mr. Pecora.

Mr. PECORA. I show you what purports to be a photostatic copy of that telegram. Will you look at it and tell me if it is a true and correct copy thereof?

Mr. MORGAN (after examining document). I have it and identify it.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and entered on the record.

(Photostat of telegram dated Mar. 24, 1933, from Morgan to Findlay was thereupon designated "Committee Exhibit 62, Oct. 26, 1933.")

Senator COUZENS. Mr. Morgan, do you know anything about the Chase National Executives & Trustees Corporation, Ltd., of London, England?

Mr. MORGAN. Practically nothing, Senator.

Senator COUZENS. You know nothing about it?

Mr. MORGAN. Practically nothing.

Senator COUZENS. Who, in your organization, does know about it?

Mr. MORGAN. Who is here present?

Senator COUZENS. Yes.

Mr. MORGAN. Mr. Aldrich would know.

Senator COUZENS. Was he with the Chase when this organization was created?

Mr. ALDRICH. Yes.

Senator COUZENS. I will ask Mr. Aldrich some questions about it later on, then.

Mr. PECORA. The telegram received in evidence and marked "Committee's Exhibit 62" reads as follows:

MARCH 24, 1933.

FINDLAY, *Habana:*

CODE

Please inform Secretary Averhoff and, if necessary, President Machado as follows: We have considered carefully Secretary's confidential information and feel strongly that moratorium on foreign debt should be avoided. At great sacrifice on part of Cuban Government and with assistance on two occasions from us, Cuban credit has been protected thus far. The heavy maturities of 1931 and 1932 have been successfully met and obligations in next few years are relatively light. For that reason any benefits to be derived from moratorium would be far out of proportion to the disastrous effect on Cuban credit. The efforts made thus far would have been made almost in vain. On the assumption that there will be no moratorium, we have been discussing with associates how far we can go in giving assistance next June, but are not yet able to give any assurances. But we think Secretary Averhoff would not ask us to assist if a moratorium is declared or is in prospect. We deeply appreciate present difficulties but are confident every effort should be made to maintain unbroken the excellent record thus far.

SHEPARD MORGAN.

Following the sending of this telegram by you to Mr. Findlay in Habana, did you receive any written reports or advices from him in the form particularly of a letter addressed to you dated March 25, 1933, signed by Mr. Findlay?

Mr. MORGAN. Yes, Mr. Pecora.

Mr. PECORA. Have you copy of that letter before you, if not, the original thereof? It is identification No. 61-12-A.

Mr. MORGAN. I have it.

Mr. PECORA. I show you what purports to be a photostatic reproduction of that letter. Will you look at it and tell us if it is a true and correct copy thereof?

Mr. MORGAN (after examining document). I have it. It is correct.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and entered on the record.

(Letter dated at Habana, Cuba, Mar. 25, 1933, from T. M. Findlay to Shepard Morgan, was thereupon designated "Committee Exhibit 63, Oct. 26, 1933.")

Mr. PECORA. The letter marked "Committee's Exhibit No. 63" in evidence reads as follows:

HABANA, CUBA, *March 25, 1933.*

Mr. SHEPARD MORGAN,  
*Vice President, Main Office.*

DEAR MR. MORGAN: We acknowledge receipt of your cable of March 24, and today at noon Mr. Lopez and myself were able to have an interview with Secretary Averhoff, which, to be perfectly frank with you, was very disappointing.

The Secretary said that he appreciates entirely every statement made in your message, but that against that he has public employees who are actually starving, some of whom are 11 months behind in their salaries, and that to continue as at present would mean a complete breakdown in the functioning of most important governmental activities. He said that the Government had kept its credit good by taking funds from the general budget to pay public-works obligations, and that, while they had been able to do this so far, it was solely due to the fact that revenues for the second half of the fiscal year (January to June) were always greater than those of the first half. He said that any such arrangement as was made in December would be absolutely impossible for the June maturities, and that a transaction would have to be made solely on the basis of the public-works revenues. He said the popular clamor was so great that they would not be surprised to find a law authorizing a moratorium on the principal of foreign indebtedness to be passed by Congress at any moment, and that the President could not veto such a bill if passed. He said that high officials of the Army had told him that such a step must be taken, that they were 2 or 3 months behind in their pay, and that they could not get credit for food for the men or fodder for the animals from any source, but were required practically to take same by force.

The unfortunate part is that the Treasury Department seems to have no plan as to what can be done. The Secretary said that it was an impossible position for the government to be in, to have the \$20,000,000 bankers' credit maturing every 60 or 90 days and that something definite should be done to extend it for 2 years. He also said that it was a very doubtful point as to whether the bank actually had any preference over the obligations and that he thought the interest on the obligations should be paid in full. He felt that some arrangement should be made to consolidate the entire public-works indebtedness, extending the final maturity and also mentioned that from a strict legal standpoint the \$40,000,000 of unissued public-works bonds were not actually pledged to the bank and that also in accordance with the contract they could not be issued after 1935.

We plan to be in touch with the Treasury Department early next week and if it is possible to find out what they have in mind we shall advise you promptly. At the present time their plans appear to be very vague and they seem extremely pessimistic as to the future.

Very truly yours,

T. M. FINDLAY, *Assistant Manager.*

Mr. PECORA. Now, did you, subsequently to the receipt of the letter that has just been read into the record, receive another letter,

from Mr. Findlay addressed to you, dated March 30, 1933, with reference to the Cuban loan situation, the identification number of which is 61-51?

Mr. MORGAN. Yes.

Mr. PECORA. Did you receive such a letter?

Mr. MORGAN. March 30, 1933. Yes; I did.

Mr. PECORA. I show you what purports to be a photostatic reproduction of the same. Will you look at it and tell us if it is, in fact, a true and correct copy thereof? [Handing paper to Mr. Morgan.]

Mr. MORGAN. Correct.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and entered in the record.

(The document referred to, letter Mar. 30, 1933, Findlay to Morgan, was received in evidence, marked "Committee's Exhibit No. 64", Oct. 26, 1933, and was subsequently read into the record by Mr. Pecora.)

Mr. PECORA. The letter which has been marked "Committee's Exhibit No. 64" in evidence, reads as follows [reading]:

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK,  
*Habana, Cuba, March 30, 1933.*

[Private and confidential, via air mail]

Mr. SHEPARD MORGAN,  
*Vice President, Main Office.*

DEAR MR. MORGAN: Ambassador Guggenheim's resignation has been accepted as of April 2, and he is leaving for the North by plane on that day. I thought it would be a good idea to have an interview with him before he left and asked for an appointment this morning to say good-bye. We had a long and very pleasant conversation, and he said that he had appreciated greatly the close cooperation he had received from the Chase all the time he had been in Cuba, and that because we had always had our cards on the table, he had been able to be perfectly frank with us. I do not think he fully approved of all our past transactions, and he said he had spoken with Mr. Aldrich last summer and had remarked that some of the measures taken were in his estimation merely makeshifts. We of course have to deal with facts and conditions as they are, which is rather different from the way we think they should be or might like to have them.

The Ambassador was very interested in the condition of our short-term advances and seemed to think very satisfactory progress toward liquidation had been made. He also inquired about the silver coinage, and I told him we had been approached unofficially, and he seemed very pleased when I told him Main Office had instructed us not even to discuss the matter until they had assurance that Washington did not disapprove of the transaction.

Ambassador Guggenheim felt very upset about the moratorium law and said he was sure the results would be disastrous. In his opinion it was a direct result of and a natural sequence to the banking holiday, which had sadly shaken that intangible feeling of respect for the United States and American institutions which had never been questioned before.

Very truly yours,

T. M. FINDLAY, *Assistant Manager.*

Now, have you in your files, Mr. Morgan, a letter addressed to Mr. Findlay, of the Habana branch, by Mr. Adam K. Geiger, dated May 3, 1933?

Mr. MORGAN. I have it.

Mr. PECORA. I show you what purports to be a photostatic reproduction thereof. Will you tell us, after looking at it, if it is a true and correct copy of such letter?

Mr. MORGAN. Correct.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and entered in the record.

(The document referred to, letter May 3, 1933, Geiger to Findlay, was received in evidence, marked "Committee's Exhibit No. 65", Oct. 26, 1933, and was subsequently read into the record by Mr. Pecora.)

Mr. PECORA. The letter, which has been marked "Committee's Exhibit No. 65, evidence, reads as follows [reading]:

MAY 3, 1933.

Mr. T. M. FINDLAY,  
*Habana Office.*

DEAR FINDLAY: AS you know, President Roosevelt has appointed Mr. Sumner Welles to be Ambassador to Cuba. Mr. Welles was in the office yesterday and talked with Mr. Aldrich, Mr. Morgan, Mr. Rosenthal, and myself. He expects to sail, I think, on Thursday of this week.

Rosenthal gave Mr. Welles quite a bit of background and in response to Mr. Welles' questions outlined as nearly as anyone can outline the present financial position of the Government. Mr. Welles did not, however, indicate to us just what is in his mind with respect to Cuba, but in closing the interview we suggested that our Habana office would be very happy to be of any assistance possible to him. He accepted this suggestion and stated that he expected to avail himself of our information and service.

This note is to tell you of the meeting and to say that you may put yourself on a confidential basis with Mr. Welles. Shortly after his arrival it would be a good idea for you to call at the Embassy and meet Mr. Welles and again offer your services.

We have been unable to find a complete record of Mr. Welles to furnish you. He is a career man and is very highly spoken of as being most capable. For your strictly personal and confidential information, he impresses us as being rather standoff-ish in his attitude and not inclined to take anyone into his confidence. He may, therefore, be somewhat difficult to get on an entirely satisfactory basis with, but I am quite sure that you will be able to establish friendly relations.

Very truly yours,

ADAM K. GEIGER,  
*Second Vice President.*

Now, have you in your files and records, Mr. Morgan, a memorandum signed by "L. C. R.", who, I take it, is L. C. Rosenthal, dated June 3, 1933, relating to the Cuban loan situation, bearing the identification number of 61-17?

Senator COUZENS. Do you know why, Mr. Geiger, Mr. Welles called on your people in New York?

Mr. GEIGER. No, sir; I do not. I met him there in the office.

Senator COUZENS. You do not know why he called?

Mr. GEIGER. No; I could not state.

Senator COUZENS. He did not come to get instructions?

Mr. GEIGER. Not from us.

(At this point Mr. Pecora conferred with members of the committee and with Mr. Morgan and his associates in a low voice, inaudible to the reporter, at the conclusion of which the following occurred:)

Mr. PECORA. Now, on or about June 27, 1933, did this banking group enter into any agreement with the Cuban Government in connection with these Cuban credits?

Mr. MORGAN. Yes, Mr. Pecora.

Mr. PECORA. Have you a copy of such agreement?

Mr. MORGAN. I hold a photostat of it in my hand.

Mr. PECORA. I show you what purports to be another photostatic reproduction of the agreement. Will you look at it please and tell us if it is a true and correct copy thereof? [Handing paper to Mr. Morgan.]

Mr. MORGAN. Correct.

Mr. PECORA. I offer it in evidence, but in view of its very voluminous character I see no occasion for spreading it in full on the record. However, I ask that it be marked in evidence so that it may be considered.

The CHAIRMAN. It is so ordered.

(The document referred to, agreement, June 27, 1933, in re Cuban credits, was received in evidence, marked "Committee Exhibit No. 66", Oct. 26, 1933, and the same is not printed here for the reasons stated above.)

Mr. PECORA. I show you a memorandum dated June 28, 1933, signed by A. K. Geiger, or, rather, I show you a photostatic reproduction of such a memorandum, addressed "For Officers' Bulletin." Will you kindly look at it and tell us if it is a true and correct copy of such memorandum contained among the files of your bank?

Mr. MORGAN. It is.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted.

(The document referred to, memorandum, June 28, 1933, signed A. K. Geiger, entitled "For Officers' Bulletin" was received in evidence, marked "Committee Exhibit No. 67", Oct. 26, 1933, and the same will be found on page 2817.)

Mr. PECORA. This last exhibit, entitled "For Officers' Bulletin", dated June 28, 1933, marked "Committee's Exhibit No. 67" in evidence, purports to be a sort of résumé of the provisions of the loan agreement that was offered in evidence just a few minutes ago and marked "Committee's Exhibit No. 66", does it not?

Mr. MORGAN. Yes; Mr. Pecora.

Mr. PECORA. Mr. Morgan, can you tell the committee briefly what the essential provisions are of this loan agreement, marked "Committee's Exhibit No. 66" in evidence?

Mr. MORGAN. With the heavy maturities out of the way we thought it was time to work out a continuing arrangement. We felt that the efforts that we had made jointly with the Cuban Government to protect the credit of Cuba, to pay completely and fully the American investors on the amounts due to them, had been at last successful. And with the period of the smaller maturities we felt that we were in smooth water and could therefore make a continuing arrangement which would probably not involve any more short-time advances, certainly beyond this coming December.

The agreement that we then made took into account not simply the lien on the public-works revenues which we ourselves held, and the investors that purchased securities through us, but it attempted to relieve somewhat the acute situation in Habana due to the outstanding amount of some twenty million dollars of third-lien obligations with which we had nothing whatever to do.

The agreement provided: That the Government should deposit with us \$1,684,375 which would be used for the payment of interest on the serial certificates, the bonds and the bank credit. In part these funds were already in hand due to the deposits that had been made.

Second. That the Cuban Government would continue the semi-monthly deposits to the trustee.

Third. That during the period ending June 30, 1935, these revenues should be first applied to the payment of principal of the serial certificates maturing June 30, 1933, which the bankers took as the security for their advances. After the foregoing payment, the remaining to be applied to the semiannual interest on the public works bonds on December 31 and June 30 of each year thereafter; to the payment of the semiannual interest on December 31 and June 30 of each year on the bank credit; and thereafter to the payment of the semiannual interest on December 31 and June 30 of each year on the treasury obligations. Those were the third-lien contractors' obligations. And that any balance remaining after the foregoing payment should be applied to the reduction of the principal of the bank credit.

Fourth. That beginning July 1, 1935, and continuing until the full payment of the bonds and the bank credit and the treasury obligations, the Government would continue to deposit the public-works revenues, and that these deposits were to be applied to the payment of the semiannual interest and semiannual sinking fund on the public-works bonds; thereafter to the payment of the semiannual interest on the bank credit; and thereafter to the payment of the semiannual interest on treasury obligations. And that the balance of such revenues should be applied to the reduction of the principal of the bank credit.

Fifth. That beginning with the fiscal year 1935, if the bank credit has not been previously retired, the semiannual reduction of the bank credit should not be less than \$500,000, and to the extent that public-works revenues might not be sufficient for that purpose the deficiency should be made up from the general budget.

Sixth. That if the bank credit has been retired through the exercise of the option to purchase bonds, which I will come to in a moment, excess public-works revenues, after providing for the interest and sinking fund on the bonds and interest on the third-lien obligations, should be used as an additional sinking fund for the retirement of the bonds.

Seventh. That the \$20,000,000 bank credit should be extended to June 30, 1935, and the bankers should have an option good until that date to purchase sufficient bonds at a price of 90 to pay off and retire the principal of the bank credit.

Eighth. That in the event the option is not exercised by June 30, 1935, the bankers should not demand complete repayment of the bank credit so long as the Government continued to comply with all of the obligations of the agreement. The bank credit, however, was to mature in any event on June 30, 1945.

Ninth. The Government to pay a quarterly commission at the rate of 1 percent per annum on the amount of principal of the bank credit unpaid at the commencement of such quarter.

Tenth. The Government was to pay all expenses of the agreement.

Eleventh. The agreement was subject to two conditions. That prior to June 30, 1933, or any later date satisfactory to the bankers, the Congress should authorize and ratify the agreement. And that in consideration of the benefits and advantages of the agreement the holders of the outstanding treasury obligations should extend their obligations maturing on June 30, 1935, to June 30, 1950, either through the stamping of the existing obligations or the issue of new obligations, and to subordinate their lien to the lien of the bonds and of the bank credit.

Mr. PECORA. Mr. Morgan, I show you what purports to be a letter addressed to me as counsel to this committee, signed by you, dated October 3, 1933. Will you please look at it and tell us if that letter was so signed by you and addressed to me? [Handing paper to Mr. Morgan.]

Mr. MORGAN (after examining same). Yes, Mr. Pecora.

Mr. PECORA. I offer it in evidence and ask that it be spread upon the record.

The CHAIRMAN. It will be received in evidence and placed in the record.

(Letter from Shepard Morgan to Ferdinand Pecora dated Oct. 3, 1933, was received in evidence and marked "Committee Exhibit 68 of Oct. 26, 1933.")

Mr. PECORA. The letter reads as follows, on the letterhead of the Chase National Bank, New York. [Reading:]

OCTOBER 3, 1933.

FERDINAND PECORA,

*Counsel United States Senate Subcommittee on Currency and Banking.*

DEAR SIR: Pursuant to the request for information no. 13 of your Mr. Ross, we beg to advise you that our records show that the commissions paid to the Chase National Bank and its associates by the Republic of Cuba in connection with the financing done by them were—

I will not read the entire figures, but just the totals. Total commissions under the agreements of 1927 and 1928, the bank credit of 1930, and the advances of June 1932, December 1932, and June 1933 were \$1,638,393.02.

Leaving the total net commissions after deduction for expenses of \$1,400,623.86.

That after distributing those commissions among the various participants or members of the banking group the total net commissions retained by Chase National Bank and affiliates were \$596,252.34.

Which total net commissions were distributed by the Chase National Bank and its affiliates in the following amount:

The Chase National Bank received \$411,635.65.

The Chase Securities Corporation received \$113,435.35.

The Equitable Corporation of New York received \$71,181.34.

(Committee Exhibit 68 of Oct. 26, 1933, is here printed in the record in full, as follows:)

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK,  
New York, October 3, 1933.

FERDINAND PECORA, ESQ.,

*Counsel United States Senate Subcommittee on Currency and Banking.*

DEAR SIR: Pursuant to the request for information no. 13 of your Mr. Ross, we beg to advise you that our records show that the commissions paid to the

Chase National Bank and its associates by the Republic of Cuba in connection with the financing done by them were:

Agreement	Total commissions	Total net commissions, after expenses	Total net commissions retained by Chase National Bank and affiliates
1927 agreement <sup>1</sup> .....	\$400,473.00	\$329,531.42	\$164,765.71
1928 agreement <sup>1</sup> .....	502,227.18	375,000.00	100,000.00
1930 credit.....	721,666.63	684,620.47	324,760.03
June 1932 advance.....	5,776.21	3,424.87	1,655.35
December 1932 advance.....	8,260.00	8,047.10	5,071.25
	1,638,393.02	1,400,623.86	596,252.34

<sup>1</sup> The \$473 included with the \$400,000 commission received on the 1927 agreement and the \$2,227.18 included with the \$500,000 commission received on the 1928 agreement represents, in both instances, interest earned on these commissions for the period we were holding the money prior to distribution to the group members.

The commission, amounting to \$596,252.34, retained by the Chase National Bank and its affiliates as shown in column 3 was distributed as follows:

Agreement	Chase National Bank	Chase Securities Corporation	Equitable Corporation of New York	Total
1927 agreement.....	\$164,765.71	(1)	(1)	\$164,765.71
1928 agreement.....	50,000.00	\$50,000.00	(1)	100,000.00
1930 credit.....	193,374.39	61,649.35	\$89,736.29	324,760.03
June 1932 advance.....	827.67	371.03	456.65	1,655.35
December 1932 advance.....	2,667.88	1,414.97	988.40	5,071.25
	411,635.65	113,436.35	71,181.34	596,252.34

<sup>1</sup> At the time these commissions were paid, the Equitable Corporation of New York had not been acquired by the Chase Securities Corporation and was not therefore part of the Chase organization.

Very truly yours,

SHEPARD MORGAN, *Vice President.*

Mr. PECORA. Have you a statement, Mr. Morgan, of the total profits that accrued to the banking group from the sale of the serial certificates aggregating \$20,000,000 face value to the public, as well as from the sale of the \$40,000,000 of 15-year bonds that have been referred to in the course of your testimony?

Mr. MORGAN. Yes, Mr. Pecora.

Mr. PECORA. What is the aggregate amount of the profits realized by the banking group from the sale of those securities to the public?

Mr. MORGAN. The gross profit \$788,680. After deducting expenses of \$278,067.80, the net amount distributed was \$510,612.20.

Mr. PECORA. Do those figures include the profits that were derived by the selling groups that were formed by the banking groups to distribute and sell those securities?

Mr. MORGAN. Insofar as the managing group were themselves sellers, they do. As far as the retailers were concerned, they do not.

Mr. PECORA. Have you the figures showing the gross profits that accrued to both the managing group and the selling group from the distribution of these securities to the public?

Mr. MORGAN. That is, to the 600 or 700 banks?

Mr. PECORA. Whoever composed the selling groups.

Mr. MORGAN. Yes; we have them here, Mr. Pecora. This will take some calculation, I am afraid, because it involves people other than ourselves.

Mr. PECORA. Well, Mr. Morgan, we have made such calculations from your records. I will give you the benefit of them, and you may check them up and eventually tell this committee whether these figures are correct. Will you?

Mr. MORGAN. Yes; I will be glad to.

Mr. PECORA. I will put them in the record now subject to any correction that you think should be made eventually.

The profits realized from the sale of \$10,000,000 of serial certificates that were dated July 1, 1928, were as follows: To the purchase group—which is the managing group, I take it?

Mr. MORGAN. Yes.

Mr. PECORA. \$17,810.40.

To the selling group \$108,980.

That the profits realized by both the managing group and the selling group from the sale of the second issue of \$10,000,000 par value of serial certificates dated January 1, 1929, were as follows:

To the managing group \$52,894.45.

To the selling group \$105,847.50.

That the profits realized by both the managing and selling groups from the sale of the \$40,000,000 of 15-year bonds dated January 1, 1930, were as follows:

To the managing group \$439,907.35.

To the selling group \$964,960. Making a total of—

Mr. MORGAN. Mr. Pecora. I would like to have it perfectly clear for the record that the figures which are now being given include the retailers' profits.

Mr. PECORA. Yes. What is known as the selling group's profits.

Mr. MORGAN. Yes.

Mr. PECORA. Yes. I so indicated that.

Mr. MORGAN. The selling group was, so to speak, like the manufacturers of automobiles, and these retailers' profits that you refer to are the profits in aggregate of all of the dealers all over the country.

Mr. PECORA. That is, the retailers, so-called, who composed the selling group?

Mr. MORGAN. Yes.

Mr. PECORA. And which you said amounted to some six hundred-odd dealers and banks throughout the country?

Mr. MORGAN. Yes.

Mr. PECORA. That is what I meant by the selling group.

Mr. MORGAN. Yes.

Mr. PECORA. That is what you have heretofore referred to as the selling group.

Mr. MORGAN. We are quite in agreement.

Mr. PECORA. All right. I will now commence my addition of those figures again. Making a total of \$1,690,399.70.

Mr. MORGAN. Well—

Mr. PECORA (continuing). That is exclusive of the commissions that are referred to in your letter to me of October 3, 1933?

Mr. MORGAN. Yes, Mr. Pecora.

Mr. PECORA. Which net commissions were \$1,400,623.86, and that sum added to the \$1,690,399.70 gives total net commissions out of the gross profits arising from the sale and distribution of these securities to the public, of \$3,091,023.56.

Mr. MORGAN. At this point it would be relevant, Mr. Pecora, if I may, to state that to the Chase National Bank and its then securities affiliates, the total commissions, including the commission on the bank credit and everything else, from the beginning of this operation to the present, covering a period of nearly 7 years, the commission profits were \$596,252.34. The profits as a member of the selling group were \$205,841.66, making a total of \$802,094 on \$80,000,000 worth of financing managed primarily by us, and in many cases recurrent.

Mr. PECORA. Now, Mr. Morgan, referring to the \$20,000,000 par value—

The CHAIRMAN (interposing). Before you pass from that let me say: The book entitled "Crime of Cuba" says that the gross profit was \$3,717,666 figured at 5½ percent. That is the statement contained in the book. I do not know about checking it up, but that the gross profit was \$3,717,666. Now you may go ahead, Mr. Pecora.

Mr. PECORA. Now, Mr. Morgan, referring again to the \$20,000,000 serial certificates which were issued and sold to the public prior to the issuance of the \$40,000,000 of 15-year bonds, you have told this committee on a number of occasions that those certificates have in large part been paid.

Mr. MORGAN. Yes.

Mr. PECORA. Now, when were they paid and by what means of financing? You see, Mr. Morgan, I am keeping my promise to you to enable you to tell this committee all that you want to tell them about the payment of these serial certificates.

Mr. MORGAN. All right. The 6¼ million dollars which matured June 30, 1932, were all paid out of revenues of the Cuban Government, with the exception of \$250,000, which was a part of the bank advances. Of course, the first maturity, of December 31, 1931, was paid off entirely by the Government itself. On December 31, 1932, out of earnings of the Cuban Government, toward the maturity of the 6¼ million dollars, 5 million dollars were paid, leaving \$1,250,000 as a part of the advance made by the bankers. Both of these advances were paid off in installments during the succeeding 5 or 6 months. The final maturity of \$1,250,000 was paid off by the bank advance on June 30, 1933, and the bank now has in its possession, for its account and that of the group, \$867,000 of certificates.

Mr. PECORA. What is your bank carrying those \$867,000 of serial certificates at on its books now?

Mr. MORGAN. At \$867,000, because we expect they will be paid.

Mr. PECORA. That is, at full face value?

Mr. MORGAN. Yes.

Mr. PECORA. How about the 20 million dollar credit that your bank advanced after this bond issue of February 1930? At what figure is that credit now being carried on your books?

Mr. MORGAN. Our participation in this 20 million dollar advance is \$9,666,666.65.

Mr. PECORA. That is, face value?

Mr. MORGAN (continuing). And we are carrying it practically at face value because we expect it will be paid.

Mr. PECORA. Now, does that—

Mr. MORGAN (interposing). Oh, Mr. Pecora, you asked me what our bank held of the \$876,000 of certificates?

Mr. PECORA. Yes; either the bank or its affiliates.

Mr. MORGAN. As to affiliates, it has none now. You do not mean our associates, do you? Or do you mean the Chase National Bank?

Mr. PECORA. And its affiliates.

Mr. MORGAN. The Chase National Bank, which is the sole owner in our group—let me correct that: The Chase National Bank carries \$482,718.47 of the serial certificates. Its affiliates carry nothing.

Mr. PECORA. Of the bonds, or rather the bank credits, included in this \$20,000,000 credit you have referred to throughout your testimony, how much of that is carried by Chase Securities Corporation or its successor, Chase Corporation?

Mr. MORGAN. Bonds maturing in 1945?

Mr. PECORA. Yes; or, not the bonds but the \$20,000,000 bank credit.

Mr. MORGAN. The affiliates carry nothing.

Mr. PECORA. And the bank how much?

Mr. MORGAN. It has \$9,666,666.65.

Mr. PECORA. Which is practically the face amount?

Mr. MORGAN. Yes; because we expect it to be paid.

Mr. PECORA. Has it set up any reserves meanwhile against depreciation?

Mr. MORGAN. Yes.

Mr. PECORA. Of what amount?

Mr. MORGAN. About 15 percent.

Mr. PECORA. A reserve of 15 percent of the face amount, is that what you mean?

Mr. MORGAN. Yes.

Mr. PECORA. Well, the situation is that you have set up what you consider to be an adequate reserve?

Mr. MORGAN. Yes; we expect it to be paid in full.

Mr. PECORA. Now, in connection with the issuance of the serial certificates that were issued as a part of the revolving credit provided for by the agreement of 1928, can you tell the committee whether or not any legal opinion was furnished to your people on the question of whether that financing violated the Platt amendment?

Mr. MORGAN. We received an opinion—

Mr. PECORA (continuing). The reason I ask that question is, that in the course of Mr. Mudge's testimony, as I recall his testimony, it was confined on that proposition solely to the first stage of the financing, which was the 10 million dollars deferred payment public-works certificates of 1927.

Mr. MORGAN. Under date of November 8, 1928, an opinion from Rushmore, Bisbee & Stern certifying to the validity of the issue in all respects, was received.

Mr. PECORA. Does that opinion include discussion in any detail whatsoever of the applicability of the Platt amendment to that issue?

Mr. MORGAN. No. And also an opinion of October 25, 1928, from Dr. Antonio S. Bustamante certifying in all respects to the validity of the issue.

Mr. PECORA. Does that opinion include any discussion of the applicability of the Platt amendment to the issue?

Mr. MORGAN. No.

Mr. PECORA. Now, I want to ask you some questions with regard to the bond issue of 1930, of \$40,000,000 par value, 15-year bonds.

Mr. MORGAN. There was also an opinion of Dr. E. Hernandez Cartaya, dated August 28, 1928, which supplements the two opinions that I have already referred to.

Mr. PECORA. And that relates to the issuance of the serial certificates?

Mr. MORGAN. Yes, sir.

Mr. PECORA. Does Dr. Cartaya's opinion, to which you have just referred, contain any discussion of the applicability of the Platt amendment to the issue?

Mr. MORGAN. No.

Mr. PECORA. With regard to the \$40,000,000 bond issue of 1930, was any opinion rendered to you by anybody concerning the applicability of the Platt amendment to the issue?

Mr. MORGAN. In all respects the validity of the issue is certified as being complete by the lawyers.

Mr. PECORA. What lawyers do you refer to?

Mr. MORGAN. In all cases a report was made to the State Department, and the State Department reported in return that it had no objection to the issue.

Mr. PECORA. That is the usual stereotype reply of the State Department with regard to foreign issues, the one that you now refer to, isn't it?

Mr. MORGAN. May I put the following letter in—

Mr. PECORA (interposing). Just answer my question, first.

Mr. MORGAN. As to whether explicitly, in the discussion of each one of these issues, the Platt amendment was definitely referred to?

Mr. PECORA. Exactly.

Mr. MORGAN. No. I hold in my hand a letter addressed to the Department of State by Rushmore, Bisbee & Stern, under date of May 22, 1928, which I should like to have the permission to read into the record. [Reading:]

MAY 22, 1928.

DEPARTMENT OF STATE,  
State Department Building,  
Washington, D.C.

DEAR SIRS: On December 6, 1926, we submitted to you on behalf of our client, the Chase National Bank of the city of New York, a copy of its proposal made to the Cuban Government in connection with financing the construction of the central highway, and in response to your suggestion we thereafter submitted to you with our letter of February 15, 1927, a copy of the proposed definitive agreement negotiated with representatives of the Cuban Government to give effect to the proposal.

We now submit to you a copy (in English) of the proposal, dated May 12, 1928, submitted by our client to the Cuban Government in response to its invitation of April 28, 1928, which provides for the conversion of the existing limited credit arrangement into a revolving credit so as to make available to the Cuban Government funds aggregating, with the existing credit of \$10,000,000, the total amount of not exceeding \$60,000,000 in connection with financing the construction of public works authorized by the Cuban public works law of July 15, 1925.

If this proposal is accepted, it will be given effect by a definitive agreement which may ultimately involve a public offering. We shall be pleased to file with you a copy of the definitive agreement when executed, in case the proposal is accepted. In the meantime we shall appreciate it if you will advise our client at its principal office, No. 57 Broadway, New York City, as to whether your Department sees any objection to the enlarged credit arrangement as outlined in the enclosed copy of the proposal.

We arranged with our correspondents in Habana, at the time of the submission of the proposal, to deliver a copy in Spanish and an English translation to the American Ambassador there, for his information, and understand that this has been done.

Respectfully yours,

RUSHMORE, BISBEE & STERN.

Under date of June 6, 1928, Rushmore, Bisbee & Stern wrote to the State Department as follows (reading) :

DEPARTMENT OF STATE

*State Department Building,  
Washington, D.C.*

DEAR SIR: Referring to our letter of May 22, 1928, with which we transmitted to you a copy of the proposal dated May 12, 1928, submitted by our client, the Chase National Bank of the city of New York, to the Cuban Government in response to its invitation of April 28, 1928, in connection with financing the construction of the public works authorized by the Cuban public-works law of July 15, 1925, we now have the honor to submit herewith a copy (in Spanish) of the decree of the President of Cuba accepting such proposal.

Respectfully yours,

RUSHMORE, BISBEE & STERN.

Under date of June 14, 1928, Rushmore, Bisbee & Stern wrote to the State Department as follows (reading) :

DEPARTMENT OF STATE,

*State Department Building, Washington, D.C.*

DEAR SIR: Referring to our letter to you of May 22, 1928, transmitting a copy of the proposal, dated May 12, 1928, submitted by the Chase National Bank of the city of New York to the Cuban Government, in response to its invitation of April 28, 1928, in connection with financing the construction of public works authorized by the Cuban public works law of July 15, 1925, and requesting that you advise the Chase National Bank if your Department saw any objection to the enlarged credit arrangement as outlined in the proposal, and also referring to our letter to you of June 6, 1928, transmitting to you a copy in Spanish of the decree of the President of Cuba accepting such proposal.

We now have the honor to submit herewith on behalf of our client, the Chase National Bank of the city of New York, a copy of the proposed definitive agreement to give effect to the proposal as accepted. It is expected that the definitive agreement in substantially the form submitted herewith will be approved by the Cuban Government for execution and will be executed early next week.

Very truly yours,

RUSHMORE, BISBEE & STERN.

A letter from the Department of State, Washington, dated June 16, 1928, to Messrs. Rushmore, Bisbee & Stern, 20 Pine Street, New York, N.Y., reading as follows :

SIR: I beg to acknowledge the receipt of your letter of June 14, 1928 stating that the definitive agreement between the Republic of Cuba and the Chase National Bank in the city of New York relating to financing payments to contractors under the public works law will be approved by the Cuban Government for execution and will be executed early next week. The Department has also received your letters of May 22 and June 6 regarding this proposed financing.

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In your letter of May 22 you requested that the Department advise your client, the Chase National Bank, whether the Department sees any objection to the proposed credit arrangement. The Department has since informally indicated to the Chase National Bank that, pending the receipt of certain information which had been requested of the Cuban Government, the Department would not be in a position to reply to your inquiry. The American Embassy at Habana has now received the reply of the Cuban Government to its request for information but this reply has not yet reached the Department. The Department presumes that you will not desire to execute the definitive agreement until the Department has considered this information and indicated whether or not it desired to express objection to the proposed financing.

I am, Sirs, Your obedient servant,

FRANCIS WHITE, *Assistant Secretary.*  
(For the Secretary of State.)

A telegram to the Department of State, Washington, D.C., dated June 18, 1928, from Rushmore, Bisbee & Stern, as follows (reading) :

Referring your letter June 16 reference proposed credit arrangement between Chase National Bank and Republic of Cuba as we understand American Embassy at Habana has now received requested information. We assume it is matter of only a day or so before your Department will be in a position to advise whether it has any objection to proposed financing as requested our letter May 22. Chase Bank will appreciate it, however, if you will telegraph how soon it may expect to receive your reply in order that it may instruct its representative in Habana how to proceed in case requested by Cuban Government to execute agreement forthwith. As proposed, credit agreement, to be effective, must be ratified by act of Cuban Congress, which, we understand, intends to adjourn about 1st of July. Bank fears possibility of complications if its representative is compelled to request any substantial postponement of consummation of agreement pending ruling by your Department.

RUSHMORE, BISBEE & STERN.

Copy of a telegram received from the State Department, Washington, D.C., June 19, 1928. [Reading:]

Department of State has no objection to the execution of the supplemental agreement with Cuba as communicated to the Department by Rushmore, Bisbee & Stern.

FRANK B. KELLOGG, *Secretary of State.*

This telegram being addressed to the Chase National Bank.

A letter from the Department of State, Washington, dated June 20, 1928, to the Chase National Bank, 57 Broadway, New York, N.Y. [Reading:]

Sms: With reference to letters of Messrs. Rushmore, Bisbee & Stern addressed to the Department under dates of May 22 and June 14, 1928, regarding your interest in negotiating a credit arrangement with the Cuban Government, I beg to inform you that in the light of the information at hand, the Department desires to offer no objection to this proposed financing on the terms and conditions set forth in the supplemental agreement enclosed with the above-mentioned letter of June 14th.

You of course appreciate that, as pointed out in the Department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am sirs, your obedient servant,

FRANCIS WHITE, *Assistant Secretary.*  
(For the Secretary of State.)

That completes the story as far as the revolving credit was concerned.

Mr. PECORA. How about the bond issue of \$40,000,000?

Mr. MORGAN. Under date of January 31, 1930, a letter from Mr. James Bruce, vice president of the Chase National Bank, to Francis

White, Assistant Secretary of State, Department of State, Washington, D.C., reading as follows (reading):

DEAR MR. WHITE: Following my conversation of today's date, I beg to summarize below in connection with Cuban Government financing.

At the present time there are outstanding, in the hands of the public, public works serial certificates in the amount of \$20,000,000 and in the hands of the Chase National Bank and associates \$37,000,000 additional of the same certificates. These certificates mature serially up to 1935.

For your convenience is attached as Exhibit no. 1 a circular descriptive of these certificates.

We beg to hand you herewith Exhibit no. 2 which is a tentative copy of the circular descriptive of the proposed new issue of \$40,000,000 Republic of Cuba public works, 5½ percent sinking fund gold bonds.

It is proposed by the Republic of Cuba and the Chase National Bank as follows:

"1. That the Republic of Cuba is to propose an issue of \$80,000,000 of 5½ percent public works gold bonds to be dated January 1, 1930, to bear interest payable semiannually thereafter at the rate of 5½ percent per annum maturing June 30, 1945, and payable through the operation of a sinking fund in 20 equal semiannual installments, the first of which will be available December 31, 1935, and the last, June 30, 1945.

"2. The Chase National Bank is to arrange to purchase forthwith \$40,000,000 face amount of the said bonds at 95 and accrued interest.

"3. The Republic of Cuba will pay the Chase National Bank the face amount of the \$30,000,000 serial certificates and at the face amount thereof all the work certificates held by it at the time of the purchase of said bonds together with interest in full to the date of payment adding to the proceeds of the sale of said bonds any sum required for that purpose.

4. The Chase National Bank is to make available to the Republic of Cuba a credit of \$20,000,000 during a period of 1 year from the date upon which the above-mentioned \$40,000,000 of public-works bonds in temporary form are delivered to the bank and paid for and both classes of certificates above named are paid in full. All sums advanced under the credit are to bear interest at the rate of 5½ percent per annum until paid and in consideration of the availability of the credit, the Republic of Cuba will pay the Chase National Bank at the time when the credit becomes available a commission of one fourth of 1 percent of the maximum amount of the credit and at the expiration of each period of 3 months thereafter will pay the bank an additional commission of one fourth of 1 percent of the amount advanced under the credit and not repaid plus the amount of the credit still available. Advances are to be made under the credit against the transfer of deferred payment on work certificates substantially in the same form and in the same manner as is the case with respect to advances under the credit now in effect between the parties, which existing credits are to terminate when the said \$40,000,000 of bonds are purchased by the Chase National Bank. As guaranty of the payment of the new credit and interest, the Republic of Cuba is to hold in portfolio the remaining \$40,000,000 of said \$80,000,000 issue of the public-works bonds and the proceeds of the sales of the said remaining \$40,000,000 are to be devoted in the first instance to no other purpose than to pay the \$20,000,000 credit with interest.

5. The bank is to have an option to purchase at 95 the said remaining \$40,000,000 of bonds or to purchase a part thereof from time to time in lots of not less than \$5,000,000 which option is to continue until 5 months after payment by the bank for the first \$40,000,000 of said bonds purchased by it. If the Chase National Bank sells any of the bonds acquired by it from the exercise of said option at a price better than 98, it will divide equally with the Republic the difference between 98 and the price at which said bonds were sold.

6. At any time or from time to time after 5 months from the date of payment for the \$40,000,000 of said bonds to be forthwith acquired by the Chase National Bank, the Republic of Cuba may advise the Chase National Bank that it desires to sell a stated amount not less than \$5,000,000 of said bonds held in portfolio whereupon unless within a period of 10 working days following each such advice, the Republic of Cuba and the Chase National Bank shall reach an agreement with respect to the purchase of the bonds which the Republic then desires to sell, the Republic is to be at liberty to sell said bonds to any respon-

sible banking institution upon terms not less favorable to the Republic than those offered by the Chase National Bank. The proceeds are to be applied to the payment of principal and interest of the \$20,000,000 credit.

7. Out of the proceeds of the collection of revenues under the public-works laws during the fiscal year ending June 30, 1931, the Republic is to pay the Chase National Bank not later than November 1, 1930, the sum of \$1,000,000; not later than February 1, 1931, the sum of \$1,000,000; not later than May 1, 1931, the sum of \$1,000,000; and not later than August 1, 1931, the sum of \$1,000,000. This fund is to be applied to the payment of serial certificates now outstanding in the hands of the Republic maturing December 31, 1931, or whenever moneys are available for the purpose, the bank is to use its best efforts to acquire such certificates for the Republic in advance of their maturities at prices not in excess of the face amount thereof and interest less customary commission, and as acquired is to cancel and deliver them to the Republic. Until applied for the purchase and payment of such certificates the bank is to allow interest upon the moneys still here at the rate of 4 percent per annum.

8. The bonds are to be free of all Cuban taxes—general, municipal, or otherwise. The interest thereon is to be secured until June 30, 1935, by a first charge or lien upon the necessary part of 90 percent of the revenues collected under the public-works law, subject only to the prior rights of the holders of the serial certificates held by the public, and the sinking-fund payments and interest on the bonds after said date are to be secured by a first charge or lien upon the necessary part of 90 percent of the revenues collected under the public-works law as amended in 1928.

9. The form of the bonds and all other details in connection with the transaction are to be subject to the approval of our counsel and the same practice is to be followed as in similar matters involving marketing securities of foreign governments in the United States, including ascertaining if the State Department of that Government finds any objection to the arrangement as proposed. We also understand that the proper official of the Republic of Cuba will supply us with the information customarily required in connection with marketing bonds of similar character.

In consideration of the above the Chase National Bank respectfully requests the State Department to advise of its attitude so that it may complete formally its negotiations with the Government of the Republic of Cuba.

Very respectfully yours,

JAMES BRUCE, *Vice President.*

On February 8, 1930, from the Department of State, Washington, a letter to the Chase National Bank, 18 Pine Street, New York, N.Y., reading as follows (reading):

SIRS: The Department refers to your letter dated January 31, 1930, concerning a proposal for new financing by the Cuban Government, whereunder the Republic of Cuba is to propose an issue of \$80,000,000 of 5½ percent public-works gold bonds to be dated January 1, 1930.

In reply to your request to be advised of the attitude of the State Department with respect to this proposed financing, the Department desires to confirm the notification made to you by telephone to the effect that the Government of the United States does not perceive occasion for raising any objection to the proposal in question.

Very truly yours,

FRANCIS WHITE, *Assistant Secretary.*  
(For the Acting Secretary of State).

Mr. PECORA. I have no further questions to ask the witness.

The CHAIRMAN. Do any members of the committee desire to ask any questions?

Senator COUZENS. I would like to ask if you have any record of the amount of these public-works revenues that have been collected from the beginning and how much have been assigned or used for the retirement of these certificates or to pay the interest thereon?

Mr. MORGAN. It will take a couple of minutes.

Senator COUZENS. Do you have the total?

Mr. MORGAN. I have the entire public-works schedule, Senator [exhibiting document to Senator Couzens].

Senator COUZENS. Can you prepare a statement and put it in the record tomorrow, without holding up yourself or the committee? Can you do that?

Mr. MORGAN. Your question explicitly was what the public-works revenues have been and what proportion has been utilized for the payment of debts?

Senator COUZENS. And interest.

Mr. MORGAN. Yes; year by year?

Senator COUZENS. Will you prepare that statement?

Mr. MORGAN. Yes, sir.

Mr. BISBEE. And the 90 percent calculated?

Senator COUZENS. Yes; 90 percent.

Mr. MORGAN. You want the income from taxes?

Senator COUZENS. As I understand it, 90 percent of these revenues were assigned for this debt service?

Mr. MORGAN. Yes, sir.

Senator COUZENS. That is what I want—the amount of it and how much was actually used for that purpose.

Mr. MORGAN. They were the first lien; the obligations were a lien on the 90 percent. But they were free to use the money for other purposes.

Senator COUZENS. If they used the revenue for other purposes, what became of the lien?

Mr. MORGAN. The lien was satisfied.

Senator COUZENS. But assuming that they used the fund and the debt service was not met, what was the purpose of the lien? Or what good was the lien?

Mr. MORGAN. Each fiscal year stood on its own bottom.

Senator COUZENS. What kind of a bottom did it stand on? That is what I want to find out.

Mr. MORGAN. Yes. Well, that is what I will be glad to show you.

Senator COUZENS. If each year's revenues were used up because there were no particular maturities in that year, I want to know what good the lien was. You had no assurance, as I understand it, that these revenues were reserved to pay off the certificates at all. In other words, they could use up all the revenues and then fail to make good on the service, and the lien would not be worth anything; and that, of course, would be a cheat upon the purchasers of the Cuban bonds. Would that be so?

Mr. MORGAN. Excuse me, Senator, but that would scarcely be the case unless the Cuban Government should entirely default in its obligation. It was a first lien on the revenue.

Senator COUZENS. I understand; but if they failed to make good the debt service and had used up, even with good intentions, the public-works revenue, then your lien would not amount to anything, would it?

Mr. MORGAN. But the prior lien was the debt, was it not?

Senator COUZENS. Yes; but I say, before the debt was paid or before the maturities came due—and you said they did not come due every year—the revenues collected every year might be used for any other purpose.

Mr. MORGAN. But at the cornerstone of the public-works law was the provision that the maturities and interest should never exceed the calculated revenues of any year. Do you see?

Senator COUZENS. I understand; but there was no compulsion about reserving those revenues for the purpose of the debt service, that I can see.

Mr. MORGAN. It was set up in a separate account. We went over that in some detail yesterday.

Senator COUZENS. It was set up in an account, but the actual cash was not reserved in any place for the debt service when the debt came due.

Mr. MORGAN. It has, as a matter of fact, since February 1932—

Senator COUZENS. Oh, yes; after Cuba got into trouble; yes.

Mr. MORGAN. It was not necessary before that.

Senator COUZENS. What you put over in February 1932 you thought necessary to do, didn't you?

Mr. MORGAN. I thought it was wise to do it, in view of conditions.

Senator COUZENS. It having not been done previously, it was not considered necessary, although it may have been necessary had the Cuban Government defaulted on any of its debt service?

Mr. MORGAN. Of course, if that were so, and that is the—

Senator COUZENS (interposing). What I am trying to point out is that the responsibility of the issuing house in my judgment could not be relied upon, because you had taken no step until February 1932 to protect these public-works revenues to apply on the debt service. That is the point I am trying to make, and that is the reason I want the figures.

Mr. MORGAN. The only answer I can make is that experience justified the men who drew the contract up.

Senator COUZENS. It only justified it because Cuba came through and took care of its debt service without using the lien, without having to make it necessary for you to exercise the lien on the revenues, and I think that that is looseness which the purchasers of the Cuban bonds should not have been required to expect to exist.

Mr. ALDRICH. Senator, Mr. Rosenthall says he can explain that.

The CHAIRMAN. Very well; he may come forward and testify.

Mr. PECORA. He has not been sworn yet.

#### **TESTIMONY OF LOUIS S. ROSENTHALL, SECOND VICE PRESIDENT, THE CHASE NATIONAL BANK, NEW YORK CITY**

The CHAIRMAN. Mr. Rosenthall, you solemnly swear that the testimony you will give at this hearing will be the truth, the whole truth, and nothing but the truth. So help you, God.

Mr. ROSENTHALL. I do.

The CHAIRMAN. You may question him.

Senator COUZENS. Mr. Rosenthall has heard the discussion and he can answer the question.

Mr. ROSENTHALL. After the closing of the National Bank of Cuba in 1920 a law was passed prohibiting the Cuban Government from depositing any funds whatsoever in any banks. For that reason the special public-works revenues were never deposited in any bank.

Senator COUZENS. What became of them?

Mr. ROSENTHALL. They were kept in the treasury, together with all other funds of the Cuban Government, together with other trust funds.

Senator COUZENS. Kept in what form?

Mr. ROSENTHALL. They were kept along with other revenues in the Treasury Department.

Senator COUZENS. What was the nature of the revenues—coin or bills or bonds or what?

Mr. ROSENTHALL. The revenues collected in Cuba were 90 percent, perhaps, in American bills and the rest Cuban coins, consisting of silver and gold.

Senator COUZENS. So that all of this currency and gold and the American bills that you refer to was kept in the vault in Cuba?

Mr. ROSENTHALL. Kept in the Cuban Treasury.

Senator COUZENS. Kept in the Cuban Treasury without any earning capacity at all?

Mr. ROSENTHALL. That is right.

Mr. PECORA. Commingled with all the other funds?

Mr. ROSENTHALL. Apparently so, but they were kept separately on the books and reports were rendered periodically, but it was impossible for the Government to make any deposits in any bank.

Along in the fall of 1931 I was down in Cuba in charge of the branch. It occurred to me, in view of the declining revenues, that an attempt should be made to in some way prevail upon the Cuban Government to deposit those funds in advance. Now, we had the legal difficulty there of it being impossible for Cuba to do that. A study was made of the laws, and the wording of the public-works agreement was that all payments which were due in June and December—

Senator COUZENS (interposing). What year?

Mr. ROSENTHALL. Each year during the period of the financing—the wording was about as this:

On or before June 25 and December 25 the necessary amounts should be turned over to the fiscal agents or trustees.

Now we thought that at that time, in view of that wording, inasmuch as the funds had to be deposited on or before the 25th of those months, it would be legally possible for the Government to anticipate those payments by perhaps 3 or 4 or 5 months. On that basis I talked to General Machado and Ruiz Mesa, the Secretary of the Treasury, and they agreed with me that it would be possible to make those payments in anticipation of those dates, which would be an added safeguard to the bank in its capacity as fiscal agent.

On that basis agreements were worked out, and thereafter moneys were deposited periodically in anticipation of those debts.

We made a special exchange of letters as a result of that.

The Cuban Government took the position it was not depositing in a bank; that it was anticipating those payments long prior to the 25th of June and the 25th of December. The general agreements have never been approved by Congress. The various bond agreements have been approved by Congress. Therefore they were not looked upon in a strict sense as deposits. They were looked upon as anticipated payments to cover the debt service on December 31 and June 30 of each year.

Senator COUZENS. If you had not made that subsequent agreement, I still contend that you really did not have an actual lien on those public-works receipts.

Mr. ROSENTHALL. We had a legal lien on them. They were pledged for the service of the public-works obligations.

Senator COUZENS. Yes; but you did not have the money there.

Mr. ROSENTHALL. We did not have the funds in our possession; that is true.

Senator COUZENS. And you did not know whether they were there, whether they were there or not or how you could identify them.

Mr. PECORA. How could you enforce it if the funds were not segregated?

Mr. ROSENTHALL. To enforce it obviously would be very difficult. What happened was this: Payments were made periodically by the Government of the amount of public-works revenues, and inasmuch as all payments had been made to date for the service of those obligations no attempt had been made to go into the treasury to verify the amounts that were there. The treasury, however, published statements on the 30th of each month, and those were received by the bank, and we took those figures as being correct. All payments were made, and there was no reason for asking permission to go into the Treasury Department, which, in my opinion, probably would have been denied in any event.

Mr. PECORA. Mr. Rosenthal, the public-works law of 1925 created special revenues for the service of the public-works indebtedness.

Mr. ROSENTHALL. It did.

Mr. PECORA. And the loan agreements that were entered into with respect to this financing provided that 90 percent of those revenues were to be impressed with a lien.

Mr. ROSENTHALL. The law did not provide they be impressed with a lien.

Mr. PECORA. The agreements did.

Mr. ROSENTHALL. The agreements.

Mr. PECORA. The loan agreements did.

Mr. ROSENTHALL. That is right.

Mr. PECORA. Impressed with a lien, for the benefit of the purchasers of the securities that were issued under those loan agreements?

Mr. ROSENTHALL. That is right.

Mr. PECORA. Now, if, as a matter of fact, these revenues were not set apart but were commingled with general treasury funds, how could that lien have been enforced?

Mr. ROSENTHALL. I am not certain, of course, that they were commingled. They were kept in the same treasury. All of the funds of the Cuban Government were kept in the Cuban Treasury.

Mr. PECORA. Why, it has always been asserted here since this inquiry this week has lauched into these Cuban loans that there was segregation of these revenues for the purpose of protecting the holders of the securities.

Mr. ROSENTHALL. I do not think anyone can truthfully say that they were kept apart in the Cuban Treasury. They were kept separate on the books. I do not suppose that the moneys were separated. I do not think anyone knows that from personal knowledge. That is impossible.

Mr. PECORA. Why could not some provision have been made for segregating those funds as trust funds?

Mr. ROSENTHALL. They were as far as existing laws permitted. They were separated—

Mr. PECORA (interposing). They were merely separated in a book-keeping account.

Mr. ROSENTHALL. They were separated as funds kept in the treasury, as were all other funds. There were at that time 10 or 15 of those funds in Cuba. There were certain funds, for example, for the Morgan loans and Speyer loans. They were all trust funds, and all the trust funds were handled in that same way. The treasury issued a statement on the last day of each month listing the various funds held though the treasury itself retained possession of those funds.

Mr. PECORA. Do you recall in the course of the evidence submitted to the committee this week that there was a memorandum or letter—I believe there was one from Mr. Bruce—in which reference was made to the fact that President Machado had gone into the trust funds and depleted them very seriously?

Mr. ROSENTHALL. I do.

Mr. PECORA. To the alarm of even our Government? Do you recall that reference?

Mr. ROSENTHALL. I remember that letter very well.

Mr. PECORA. What were those trust funds that were referred to in that communication?

Mr. ROSENTHALL. Well, they were various trust funds of the Government. On this monthly statement of the Cuban Treasury all of the trust funds were shown, and we knew—I was down there; Mr. Bruce was down there—we knew that the amount of cash in the treasury was a great deal less than the aggregate of those trust funds. It had been so for several years in any event, and while there had been no removals of special public-works revenues, as proven by the fact that we received the full amounts needed each period—

Mr. PECORA (interposing). You did not know whether you received the full amount of the public-works revenues, did you?

Mr. ROSENTHALL. We had certification each time from the Minister of Finance that we received public-works revenues. We always received certification.

Senator COUZENS. I think that is not the fact. The bank had to put up money to make those payments from time to time?

Mr. ROSENTHALL. Payments from the public-works revenues at those times were not sufficient to cover the payments. That was at a later date, Senator.

The CHAIRMAN. Did these statements show how much of the public-works revenue was diverted by the Cuban Government for other purposes than taking care of these certificates?

Mr. ROSENTHALL. At the time that I speak of there were no special public-works funds diverted, because it required practically all of the funds to service the public-works obligations.

The CHAIRMAN. Yes; but there were times when those funds were used for other purposes?

**Mr. ROSENTHALL.** Not special public-works funds, except in the early part of the financing, when only a relatively small amount of the public-works funds was used, and then the Cuban Government, after setting aside sufficient to service those obligations, was fully entitled to use the surplus to carry on the public-works program, and that was done, and it was a perfectly legal thing.

**Senator COUZENS.** I still insist that there were not adequate steps taken for the protection of the security holders with respect to these revenues, and especially is that true when you advertised the fact that these loans were a lien upon the public-works revenues.

**Mr. ROSENTHALL.** They were set aside, of course, in the only manner that they could be under the law.

**Mr. PECORA.** Which means that they were only set aside in a bookkeeping account, not by an actual segregation of the funds?

**Mr. ROSENTHALL.** Well, that is true in the treasury, although on the dates when the moneys were due the moneys were forthcoming to take care of the service of those obligations.

**Senator COUZENS.** Well, that was just a matter of chance.

**Mr. PECORA.** So far as you knew, some of those moneys might have come from general taxation resorted to for general budgetary purposes?

**Mr. ROSENTHALL.** We receive certifications in each instance that they were special public works revenues.

**Mr. PECORA.** You had to depend on those certifications?

**Mr. ROSENTHALL.** We did.

**Mr. PECORA.** You had no control over the situation?

**Mr. ROSENTHALL.** No; we did not.

**Mr. PECORA.** So that you could go behind the certifications, could you?

**Mr. ROSENTHALL.** No.

**Mr. PECORA.** And it has been developed here in the course of the evidence this week that at one time at least the Cuban Government contemplated going into these special revenues to the extent of \$9,000,000 for general budgetary purposes. Do you remember that evidence?

**Mr. ROSENTHALL.** They asked permission to use \$9,000,000 of those revenues. They wanted the financing so set up that there would never be more than 9 million required to take care of that financing. Then they wished to use whatever surplus there might be for general budgetary purposes, which was denied them at the time that they made the request, indicating that they did make that request before taking any action. Later that never was done.

**Mr. PECORA.** Do you know of your personal knowledge whether anything whatsoever was done by the Chase interests for checking up on the expenditures that were made under this public-works program?

**Mr. ROSENTHALL.** Checking up on all of the expenditures?

**Mr. PECORA.** Checking up on the expenditures to be sure that all the expenditures were proper and reasonable expenditures?

**Mr. ROSENTHALL.** Not—no; there was no checking up at that time; no. We have a list of—

**Mr. PECORA (interposing).** You recall the document put in evidence today consisting of a letter or memorandum from Mr. Bruce in which he makes some reference to graft?

Mr. ROSENTHALL. I do remember that, yes, but he had no knowledge of any—Mr. Bruce went to Habana and stayed a very few days. I think he stayed 8 or 10 days, more or less, and in the letter were general observations that he made after that trip. I do not think that Bruce's letter was based on facts in many instances. It could not have been. It contained his impression, after being down there, hearing conversations around various places, and then he wrote the letter as a result of that.

Mr. PECORA. Did you know that he had written this letter?

Mr. ROSENTHALL. I did not until recently; no, sir.

Mr. PECORA. Did anyone connected with the bank here in New York get in touch with you about any of those comments of Bruce to find out from you, in view of the fact that you were on the ground there nearly all the time, whether or not any of those observations of Bruce were flights of imagination or whether they were based on fact?

Mr. ROSENTHALL. No, I do not recall that they did, although I do think that they were the usual thing that a person might write after being down there a few days and talking to people in general around.

Mr. PECORA. You mean that was in the atmosphere down there, so that even a visitor for a few days would get the notion that graft was quite prevalent in all the public works?

Mr. ROSENTHALL. No; I don't think that.

Senator COUZENS. I know it would not be as bad as Tammany.

Mr. ROSENTHALL. Oh, I don't think that.

Mr. PECORA. I am a judge of Tammany.

Mr. ROSENTHALL. My own opinion is, whenever there was a large construction program—

Mr. PECORA (interposing). But I promised not to campaign here, Senator, so I will not go any further.

Mr. MORGAN. Senator, I can give you those figures, I think.

Senator COUZENS. Go ahead.

Mr. MORGAN. With one exception. That is to say, I would like to give you the total revenues collected, and showing that the lien was 90 percent on the total revenues.

Senator COUZENS. Go ahead.

Mr. MORGAN. In the first column, if you please, Mr. Reporter, set up "Public-works fund—Revenues collected", and in the second column "Debt service paid from public-works revenues." This is for the year 1925-26.

Senator COUZENS. You can just give us the totals. I do not think you need go into it year by year.

Mr. MORGAN. Oh!

Senator COUZENS. If you have not made the totals, you can make up the statement and hand it in. Tomorrow will be all right.

Mr. MORGAN. Very good. Thank you.

The CHAIRMAN. The committee will stand adjourned until 10 o'clock tomorrow morning.

(Accordingly, at 4:45 p.m., the subcommittee was in recess until 10 a.m. the following day.)

## COMMITTEE EXHIBIT No. 54, OCTOBER 26, 1933

NEW ISSUE, \$40,000,000 REPUBLIC OF CUBA PUBLIC WORKS 5½ PERCENT SINKING FUND GOLD BONDS, DATED JANUARY 1, 1930, DUE JUNE 30, 1945

Total authorized issue, \$80,000,000. To be presently outstanding, \$40,000,000. Principal and semiannual interest (June 30 and Dec. 31) payable in gold coin of or equivalent to the present standard of weight and fineness of the United States of America gold coin, at the Chase National Bank of the City of New York, in New York City, or Habana, at the holder's option, without deduction for any Cuban taxes present or future. Redeemable as an entirety at any time at 105 percent of the principal amount thereof and accrued interest on 60 days' notice. Callable for the sinking fund at 100 and accrued interest on 30 days' notice. Coupon bonds in the denomination of \$1,000 registrable as to principal only.

The bonds will be entitled to the benefit of a sinking fund, payable in equal installments in cash and/or bonds previously purchased, semiannually on December 31, 1935, and on June 30 and December 31 in each year thereafter to and including June 30, 1945, sufficient to retire the bonds by maturity.

The following information regarding the bonds is from information furnished by His Excellency Mario Ruiz Mesa, Secretary of the Treasury of the Republic of Cuba:

## SECURITY

The public works 5½-percent sinking fund gold bonds are direct obligations of the Republic of Cuba. These bonds are specifically secured as provided in an agreement with the Republic of Cuba, by a first preferential lien and charge to the extent required for payment of principal and interest on 90 percent of the revenues collected from certain taxes specified in the Cuban public works law of July 15, 1925, as amended, subject to outstanding public works 5½-percent serial certificates, limited to \$20,000,000 maturing serially on and prior to June 30, 1933. The agreement establishes an intermediate credit for a period of 1 year under which 5½-percent deferred payment works certificates ranking *pari passu* in lien with these bonds and maturing at the expiration of the credit may be issued to an amount not exceeding \$20,000,000, subject to the requirement that, as additional bonds of this issue are sold, the proceeds shall be applied to the payment of advances under the credit and/or the amount of the credit shall be correspondingly reduced.

## PLEGGED REVENUES

The revenues pledged as security for these bonds include the tax imposed on automobiles and other vehicles, importation and consumption of gasoline, one half of 1 percent tax on sales and gross receipts, the surcharge on customs duties, the tax on the export of money or its equivalent, the tax on the rent and income of real property or property rights, and 50 percent of the excess territorial tax.

The amounts collected from the taxes under the public works law in the first 4 fiscal years, after settlement for adjustments and refunds, and the official estimates of the revenues to be derived from such taxes for each fiscal year of the 20-year period ending June 30, 1945, are as follows:

Year ending June 30	Amounts collected	Official estimates
1926.....	\$12,162,623.25	\$10,000,000
1927 <sup>1</sup> .....	15,904,075.20	16,000,000
1928.....	16,680,448.46	16,000,000
1929.....	18,034,340.41	16,000,000
1930-45, inclusive.....	-----	18,000,000

<sup>1</sup> Does not include \$2,958,574.34 transferred to the special fund for public works constituted by the public works law.

## PURPOSE OF ISSUE

The public works law of 1925 contemplates a comprehensive program of improvements, national in character and of great economic importance to Cuba. The program includes the construction of the great Central Highway of over

700 miles in length, traversing the island and connecting the various Provinces with Habana; the construction of water works, bridges, sewer, and drainage systems, public schools, and public buildings. Over 62 percent of the Central Highway is substantially completed and 341 miles are now in use. It is expected that the Central Highway will be completely finished and in use by March of 1931. The public works 5½-percent sinking-fund gold bonds and said \$20,000,000 credit are for the purpose of refunding or paying indebtedness of the Republic incurred for work completed and accepted in accordance with the provisions of the public works law.

## GENERAL

The present population of the Republic of Cuba is estimated in excess of 3,500,000. The total funded debt of the Republic as of the end of the fiscal year June 30, 1929, was \$87,174,200, exclusive of \$20,000,000 public works 5½-percent serial certificates outstanding, of which \$77,660,000 was external. Floating indebtedness as of the same date amounted to approximately \$5,000,000. Between 1904, the year during which the oldest of the external issue now outstanding was made, and January 31, 1930, the Republic of Cuba has retired, through payment of serial maturities or sinking-fund operations, a total of \$47,800,500 of external bonds.

It is expected that application will be made in due course to list these bonds on the New York Stock Exchange.

All offerings are made, when as and if issued and received by us, and subject to the approval of all legal proceedings by Messrs. Rushmore, Bisbee & Stern, of New York, and on questions arising under Cuban laws by Dr. Antonio Sanchez de Bustamante, and Dr. Enrique Hernandez y Cartaya, of Habana.

It is expected that interim receipts or temporary bonds will be delivered in the first instance.

Price 98 and interest, to yield about 5.70 percent.

CHASE SECURITIES CORPORATION,  
The Chase National Bank Building, New York.  
Offices in principal cities.

The statements presented above have been received from official sources, but are in no event to be considered as representations made by us.

NEW YORK, February 1930.

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 COMMITTEE EXHIBIT No. 55, OCTOBER 26, 1933

Number 129.—In the city of Habana, Republic of Cuba, on the 16th day of June 1932, before me, Dr. Francisco Garcia Montes, notary public of the district and college of this capital of which I am a resident and in which I have my office at No. 86 Agular Street, appear in the Treasury Department, where I have been requested to constitute myself, Dr. Mario Ruiz Mesa, Secretary of the Treasury of the Republic of Cuba, of legal age, married, lawyer, native of the Province of Santa Clara, Cuban citizen, and a resident of this city, at No. 248 A. Street, Borough of Medina, and Mr. Louis Samuel Rosenthal, a native of the United States of America, an American citizen, of legal age, married, a banker and a resident of this city at No. 86 Agular Street.

*Capacities.*—Dr. Mario Ruiz Mesa appears in this act in the name and in behalf of the Republic of Cuba, hereinafter called "the Republic", and in his capacity of Secretary of the Treasury, which high office he now holds, and by virtue of and in accordance with the power and authorization to him conferred by presidential decree dated June 16, 1932, by which he was designated for the execution of this deed, a certified copy of said decree being at the end hereof, to all of which I, the notary, attest.

And Mr. Louis Rosenthal appears in this act in the name and behalf of and in his capacity as attorney in fact of the Chase National Bank of the city of New York, hereinafter called "the bank", a banking association organized and existing in accordance with the laws of the United States of North America, with its principal office in the city and State of New York, and doing business in this Republic; under the power of attorney which said banking institution conferred in favor of Mr. William Ignacius Quealy, before the notary of the city of New York, Mr. John F. Bronnan, on the 30th of July, 1932, the original whereof, properly authenticated and with its translation into Spanish, was

protocolized before the notary of this city, Mr. Conrado Ascanio y Saurez, on August 22 of the same year under no. 572, said protocolization having been added to and supplemented for the purposes of the provisions of the final paragraph of section C of article 215 of the notarial code by notarial document executed before Notary Dr. Frank Garcia Montes, of this capital, on April 15, 1929, under seal no. 51, and which power was delegated in its integrity by the said Mr. William Ignacius Quealy in favor of the appearer, Mr. Rosenthal, by another deed executed before the notary of this city, Mr. Francisco Garcia Montes, on the 14th of May, 1930, under no. 130, such power containing, among others the following faculties: Second to do business with the Republic of Cuba or with any Province, municipality, or other governmental department or subdivision thereof, and with its officials and accredited representatives, and to make, by contract or otherwise, any like negotiations with respect to any matter which affects or relates to the legal status of said bank in the Republic of Cuba, or its business, or with respect to the loaning of money or the granting of credits or the obtaining or acceptance of concessions or privileges of any kind from said Republic, Province, or municipality, or other governmental department or subdivision, and to execute any and all contracts or engagements which may thus be made.

I, the notary, certify that the extract agrees exactly with the Spanish translation of the aforesaid protocolized power, a certified copy of which I have before me in this act, without its containing any other clause or particular which amends, alters, or restricts the tenor of what is copied; Mr. Rosenthal declaring that the power which he uses has not been revoked, suspended, or limited in any way. The appearers assure me that they are in the full enjoyment and exercise of their civil rights and I, the notary, find them to have the necessary legal capacity for the execution of this instrument.

The exponent, Dr. Ruiz Mesa, states as follows:

First. That the Republic is indebted, and must pay on June 30, 1932

(a) The interest to said date on all public works 5½ percent serial certificates of the Republic of Cuba, and the principal of \$6,250,000 of said certificates, heretofore issued and now outstanding under the public document no. 143, executed on the 19th day of February 1927, before the notary of Habana, Dr. Conrado Ascanio y Saurez, as amended and supplemented by the public documents 99 and 114, executed, respectively, on the 31st day of May 1927 and the 22d day of June 1928 before the notary of Habana, Dr. Regino Truffin y Perez de Abreu;

(b) The interest to said date on \$40,000,000, principal amount of public works 5½ percent sinking-fund gold bonds of the Republic of Cuba heretofore issued and now outstanding under the public document no. 34, executed on the 26th day of February 1930, before the notary of Habana, Dr. Oscar A. Montero y Beldarrain; and

(c) The interest to said date on \$20,000,000 principal amount of deferred payment work certificates of the Republic of Cuba heretofore issued to construction contractors for public works and by such contractors assigned to the bank, representing an equal aggregate principal amount of advances under the credit of \$20,000,000 established by the bank in favor of the Republic under said public document no. 34, executed on February 26, 1930, before the notary, Oscar A. Montero y Beldarrain.

Second. That of the total amount of \$8,278,125 required to effect the payment of interest and principal specified in the preceding clause first, the Government of the Republic is prepared to and will deposit with the bank the sum of \$6,000,000 on or before June 25, 1932, but that, in order to complete the total sum of \$8,278,125 for the sole purpose of effecting such payments in full when due, the Republic must arrange for the temporary advance to it of the balance of \$2,278,125 in anticipation of the collection of revenues under the general budget of the Republic for the fiscal year July 1, 1932, to June 30, 1933.

The parties hereto, in representation of their respective principals, in order more clearly to establish the rights and obligations of the parties, proceed to execute and formalize this agreement under the terms and conditions hereinafter expressed, and state:

Third. Provided no adverse event or condition shall occur in the meantime which in the opinion of the bank materially and adversely changes the existing situation, the bank agrees to, and on June 25, 1932, will, advance temporarily to the Republic, in anticipation of the collection of revenues under the general budget of the Republic for the fiscal year July 1, 1932, to June 30, 1933, the

sum of \$2,278,124, subject to and upon full performance and observance by the Republic of each of the following conditions, which are hereby declared by the parties to be essential conditions precedent to any obligation of the bank to make such advance under this agreement, namely:

(1) That the Republic shall have proceeded, prior to June 25, 1932, to deliver to and deposit with the bank, at its branch in the city of Habana, funds sufficient, without counting said advance of \$2,278,125, to complete the sum of \$6,000,000, in New York funds, less the principal amount of any public works 5½-percent serial certificates due June 30, 1932, and interest thereon to said date, which shall have been purchased by the Republic and delivered to the bank for cancellation prior to June 25, 1932, in order that by said date the bank may complete the transfer of such sum to its head office in the city of New York for the sole and exclusive purpose of making the payments of interest on and principal of public-works obligations of the Republic as specified in the preceding clauses 1st and 2nd.

(2) That prior to June 25, 1932, or prior to any other date acceptable to the bank before June 30, 1932, and in any event prior to any obligation of the bank to make said advance of \$2,278,125, the general budget of the Republic for the fiscal year July 1, 1932, to June 30, 1933, shall have been duly adopted by the congress of the Republic and approved by its national executive, and shall include therein the following items:

(a) The sum of \$2,278,125, for the purpose of repaying to the bank its said advance of \$2,278,125, in the installments and on or before the dates specified in clause 6 of this agreement.

(b) The sum of \$100,000 for the purpose of providing funds to cover interest, exchange charges, and legal expenses as required under the terms of this agreement, and any other lawful expenses in connection with or incidental to the public-works financing or public-works indebtedness.

(3) That each and all of the other stipulations and agreements be observed and performed by the Republic prior to June 25, 1932, as herein provided, shall have been duly observed and performed.

Nothing contained in this agreement shall extend the time of performance by the Republic of its engagements in the respective public documents referred to in clauses 1 and 2 hereof or otherwise change or modify any of such public documents in any manner or respect.

Fourth. The advance of \$2,278,125 by the bank to the Republic as provided in clause 3 shall be made and effected by the bank setting aside that amount in a separate account at its head office in the city of New York, in trust to be used and applied by it, together with the sum of \$6,000,000 to be delivered to and deposited with it by the Republic as provided in clause 3, solely and exclusively in making the payments for the account of the Republic, of the interest on the public works 5½ percent serial certificates, public works 5½ percent sinking fund gold bonds and deferred payment works certificates, respectively, and the principal of the public works 5½ percent serial certificates, when due on June 30, 1932, as mentioned in clauses 1 and 2.

Fifth. The bank shall have the right at any time and from time to time, to transfer to its head office in New York City the funds making up the said sum of \$6,000,000 to be delivered to and deposited with it by the Republic at its branch office in the city of Habana, as and when such funds are so delivered and deposited.

Sixth. The Republic agrees to repay to the bank its said advance of \$2,278,125 in installments, as follows:

- (a) on or before July 31, 1932, \$500,000.
- (b) on or before August 31, 1932, \$500,000.
- (c) on or before September 30, 1932, \$500,000.
- (d) on or before October 31, 1932, \$500,000.
- (e) on or before November 30, 1932, \$278,125.

And to pay to the bank interest on the amount of each installment, at the rate of 5½ percent per annum from June 25, 1932, to the date of the receipt by the bank of the amount of such installment at its head office in New York City. Such interest on each installment shall be paid on the date the principal of such installment is to be repaid as stipulated in this clause, or on the date of actual repayment if repaid prior to the stipulated date. If any of the respective installments is not repaid at maturity, it shall continue to bear interest at the rate of 5½ percent per annum until it is actually received by the bank in New York City, without it being thereby understood that any

extension of time of payment is granted to the Republic or that the rights of the bank to demand and enforce payment are limited or restricted in any manner. In the event of the failure of the Republic to pay the principal of and interest on any of such installments, when due, the bank shall have the right at its option, by notice in writing addressed and delivered to the Secretary of Treasury of the Republic, to declare all the subsequently maturing installments to be due, and upon delivering such notice all such subsequently maturing installments together with the interest thereon, shall become and be immediately due and payable.

Seventh. The Republic further agrees to pay to the bank in advance, at the time of the execution of this agreement, for its commitment to make said advance of \$2,278,125 as herein provided, a commission computed at the rate of 1 percent per annum on the amount of each of the installments specified in clause 6, from June 25, 1932, to date stipulated in said clause for repayment thereof, which commission, amounting as so computed to \$5,776.21, the bank declares that it receives in this act. If each or any of the respective installments is not repaid to the bank when due, the Republic shall pay to the bank an additional commission computed at the rate of 1 percent per annum on the principal amount of such installment from its due date to the date of its actual repayment; but the fact that such additional commission is paid or payable shall not signify or be interpreted to mean that an extension is granted to the Republic for the repayment of such installment, nor restrict or limit the rights of the bank to demand and enforce the payment thereof, principal and interest. If the Republic shall repay to the bank any of such installments in full, principal and interest, prior to its maturity date as specified in clause 6, the bank shall return to the Republic the portion of the commission theretofore paid to it, computed at the rate of 1 percent per annum on the principal amount of such installment from the date of its actual repayment to the bank to its said maturity date.

Eighth. The Republic is obligated not to make, and agrees that it will not make, any change or transfer whatsoever in the items of its general budget for the fiscal year 1932-33, which are specified in subdivision (2) of clause 3, and such items shall be devoted, in every case, in full and exclusively to the purposes specified in said subdivisions, respectively, and to the payment and complete discharge of the obligations which the Republic assumes in and by this agreement; but the Republic may make transfers which strengthen or increase the amounts of such items, respectively.

Ninth. All amounts which the Republic obligates itself to pay to the bank, in accordance with this agreement, shall be paid, at the option of the bank, at its head office in the city of New York, borough of Manhattan, State of New York, United States of America, or at its Habana branch, in New York funds, and in gold coin of or equivalent to the standard of weight and fineness of the United States of America gold coin existing on the date of this agreement.

Tenth. It is also an essential condition of this agreement, and the Republic agrees, that all sums payable by the Republic as a consequence or by reason of this agreement or of the advance of \$2,278,125 to be made by the bank as herein provided, whether for principal, interest, commission, or expenses, shall be free and exempt, in the hands of whoever may be the holder thereof, from all kinds of Cuban taxes, whether those now existing or those which may be established in future by the Republic or by any province or municipality or other taxing authority thereof or therein.

Eleventh. The Republic shall also pay to the bank all the actual and necessary expenses which the bank may have to incur in the transmission from its Habana office to its head office in New York City, of all the amounts which the Republic must pay under this agreement, including the exchange on New York funds at the rate current on the date of payment, which exchange covering the conversion of United States of America gold dollars in Habana into United States of America gold dollars in New York shall never exceed one eighth of one percentum. The Republic shall also pay all the expenses of transporting gold coin to New York City, as well as the expenses of reminting said gold, if this should be necessary.

Twelfth. This agreement shall not become effective for any purpose unless it shall be ratified or approved by the Congress of the Republic before June 25, 1932, or any other date acceptable to the bank prior to June 30, 1932. All legal details and formalities in connection with the execution of this agreement as a public notarial document shall be subject to approval of counsel for the bank. All legal expenses, including the reasonable fees and expenses of counsel

for the bank in Cuba and New York, and all notarial charges and taxes, payable in connection with or as a result of the execution of this agreement, with a certified copy thereof for the Secretary of the Treasury and another for the bank, shall be for the account of and shall be paid by the Republic, but said expenses are not to exceed \$10,000.

Thirteenth. The parties hereto designate the city of Habana as the place where all notifications, citations, and other judicial and extrajudicial notices emanating from this agreement are to be served, and submit themselves to the judges and tribunals of the Republic in said city, the bank hereby expressly waiving its own domicile.

Fourteenth. Notices under this agreement to the Republic shall be addressed to the Secretary of the Treasury and shall be sufficiently given if delivered to or sent by registered mail addressed to the Secretary of the Treasury at Habana, Cuba. Notices from the Republic to the bank shall be sufficiently given if signed by the Secretary of the Treasury and delivered to the bank at its branch office in the city of Habana.

The appearers, Dr. Mario Ruiz Mesa, in his character of Secretary of the Treasury of the Republic of Cuba, and Mr. Louis Samuel Rosenthal, in his character of attorney in fact and in representation of the Chase National Bank of the City of New York, state that they accept on behalf of their respective principals, all of the terms, conditions, rights, and obligations contained in the foregoing clauses.

I, the notary, certify to being acquainted with the parties who appear, and to being informed by their declarations of their occupations and residences, nothing to the contrary being known to me.

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COMMITTEE EXHIBIT No. 67, OCTOBER 26, 1933

FOR OFFICERS BULLETIN, JUNE 28, 1933, REPUBLIC OF CUBA

An arrangement has been reached with the Cuban Government by the Chase National Bank on behalf of a banking group composed of itself, the National City Bank of New York, and the Continental Illinois National Bank & Trust Co. of Chicago with respect to the public-works obligations due June 30. The arrangement provides for:

(1) An advance by the banking group of \$1,250,000 (covering the principal of public-works serial certificates maturing June 30, 1933) which, together with \$1,684,375 to be provided by the Cuban Government, will enable it to meet all service payments due on June 30 on the public-works obligations, including interest on the bank credit.

(2) The establishment of a definite procedure with respect to future renewals and repayment of the \$20,000,000 bank credit.

(3) Certain modifications, insofar as the bank credit is concerned, of the original agreement under which the public-works bonds and bank credit were issued, for the purpose of enabling the Government, beginning December 31, 1933, to take care of interest charges from public-works revenues on \$20,000,000 of 5½ percent contractors' notes which have a lien on these revenues subject to the lien of the serial certificates, bonds, and bank credit.

First. The \$1,250,000 advance will bear interest at the rate of 5½ percent per annum from June 30, 1933, to the date on which the respective installment repayments are received in New York and will be represented by serial certificates of the June 30, 1933, maturity to be taken over by the bank, ex the June 30 coupon, and held as past due in substantially the same manner as was followed with the December 31, 1932, serial certificate advance outlined in the Officers' Bulletin of December 14, 1932. The certificates will retain their first lien on the public-works revenues and the Cuban Government will continue its practice of depositing with the Chase National Bank semi-monthly the proceeds of the public-works revenues to be applied against the repayment of the principal and accrued interest of the certificates. This advance will have no fixed maturity, but it is expected that liquidation will be effected within 3 months at the outside. The \$1,250,000 represents the final maturity of the public-works serial certificates originally outstanding in the amount of \$20,000,000. Their repayment will remove the lien which heretofore has stood ahead of the public-works bonds and the bank credit.

The participations of the several members of the banking group in this advance are as follows:

	New money	Gross participation
Chase National Bank.....	\$252, 468	\$695, 961
National City Bank.....	139, 289	285, 956
Continental Illinois National Bank and Trust Co.....	130, 583	268, 083
Total.....	522, 330	1, 250, 000

The participations of the several banks in the new money to be advanced are in exact proportion to their respective participations in the \$20,000,000 bank credit.

The advance will be made subject to two conditions:

(1) That the Cuban Government shall have paid to the trustee in New York by June 30, 1933, the amount of \$1,634,375. This amount represents the sum necessary to pay the June 30, 1933, interest on the serial certificates, bonds, and bank credit.

(2) That no adverse circumstance or condition shall occur in the meantime which, in the opinion of the bankers, adversely modifies the situation.

The short-term advance of \$3,106,250, made to the Cuban Government in connection with the December 31, 1932, public-works obligations, as outlined in the Officers' Bulletin of December 14, 1932, was completely repaid by May 25, 1933.

Second. For the purpose of putting the \$20,000,000 bank credit in a more manageable form and for the further purpose of enabling the Government to pay interest on \$20,000,000 of 5½ percent contractors' notes issued in connection with its public-works program and to extend the present June 30, 1935, maturity of such notes to a date subsequent to the complete repayment of the public works bonds and bank credit, the agreement provides:

(1) That the Government will continue to deposit the proceeds of the public-works revenues with the bank semimonthly until the complete and final liquidation of the serial certificates, bonds, and bank credit.

(2) That such revenues shall be applied by the bank first to the payment of interest and principal of the \$1,250,000 of public-works serial certificates, which will now be in the possession of the bank and its associates in connection with the new short-term advance; second, to the payment of interest and sinking fund (sinking fund begins in December 1935) on the public-works bonds; third, to the payment of interest on the bank credit; fourth, to the payment of interest on the 5½-percent contractors' notes; and, fifth, any remaining balance to be applied to the reduction of the principal of the bank credit.

(3) That the maturity of the 5½-percent contractors' notes shall be extended to 1950 and that no public-works funds shall be available to apply against the reduction of the principal of said notes until after the final and complete payment of the public-works bonds and bank credit.

(4) That subject to the Government complying with all its obligations, the \$20,000,000 bank credit will be extended to June 30, 1935, subject to periodic reduction as revenues become available, and will be continued thereafter up to but not later than June 30, 1945, on the condition that all excess public-works revenues, after making the interest and sinking-fund payments outlined above, shall be applied to the reduction of the principal of the bank credit. From June 30, 1935, onward, the Government guarantees a minimum reduction of \$1,000,000 per annum.

(5) That the Government will pay a commission of 1 percent per annum, quarterly in advance, on such remainder of the bank credit as remains unpaid at the beginning of each quarter.

(6) That \$22,223,000 principal amount of the \$40,000,000, of authorized and unissued 5½-percent public-works bonds shall be executed, authenticated, and deposited in escrow with the National City Bank of New York as depository and that the Chase National Bank shall be given an option on behalf of the group to purchase at any time to and including June 30, 1935, a sufficient principal amount of such bonds at the purchase price of 90 percent to pay off the amount of the principal of the bank credit then remaining unpaid. The Government has

the right on 10 days' notice to sell a like amount of bonds at 90 percent to any other party, providing that the proceeds of such sale shall be applied to the repayment of the outstanding balance of the bank credit. The \$17,777,000 balance of unissued public-works bonds will be canceled immediately, and any part of the \$22,223,000 principal amount of escrowed bonds on which either of these limited options is not exercised shall likewise then be canceled, or in any event on July 1, 1935; and none of said bonds may be reissued.

(7) The agreement is subject to the following conditions:

(a) Ratification or approval by the Cuban Congress.

(b) Stamping of the 5½ percent contractors' notes with a form of consent by which the holder specifically agrees and consents to all the provisions of our present agreement with the Government and to the extension of the maturity of his note to June 30, 1950.

On the basis of current public-works revenues collections, the amount available during the fiscal year ending June 30, 1934, for the reduction of the \$20,000,000 bank credit should approximate \$1,500,000. Estimating revenues on the same basis, the credit should have been reduced to something over \$15,000,000 by June 30, 1935.

In general this arrangement is designed to put in systematic form the handling of the Cuban public-works financing and to effect as promptly as conditions permit the repayment of the bank credit. It has been approved Mr. Aldrich and Mr. Shepard Morgan.

A. K. GEESE.



# STOCK EXCHANGE PRACTICES

FRIDAY, OCTOBER 27, 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 the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Gore (substitute for Barkley), Adams (proxy for Costigan), Couzens, Townsend, and Goldsborough (substitute for Norbeck).

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver, David Saperstein, associate counsel to the committee; and Frank J. Meehan, chief statistician to the committee; Eldon Bisbee, Alfred E. Mudge, A. M. Williams, Joseph B. Lynch, Julian L. Hagen, and C. Horace Tuttle, of Rushmore, Bisbee & Stern, and also William Dean Embree and A. Donald MacKinnon, of Milbank, Tweed, Hope & Webb, counsel representing the Chase National Bank and the Chase Corporation; Martin Conboy, counsel for Albert H. Wiggin.

The CHAIRMAN. The subcommittee will come to order. Mr. Morgan hands me a statement in answer to Senator Couzens' question propounded last afternoon before we adjourned, and asked to have it go into the record, regarding the use of special funds for public works.

*Republic of Cuba—Public works revenues (actual collections) and debt service*

Fiscal year	Gross revenues	Value of 90 percent lien	Debt service paid from public works revenues <sup>1</sup>
1925-26	\$13,627,906	\$12,265,116	-----
1926-27	16,366,551	14,729,896	-----
1927-28	17,147,925	15,433,133	-----
1928-29	18,601,817	16,651,636	\$1,100,000.00
1929-30	18,121,937	16,306,744	3,248,843.66
1930-31	15,307,011	13,776,310	4,378,312.41
1931-32	10,756,485	9,680,837	<sup>2</sup> 10,599,964.23
1932-33	<sup>3</sup> 9,380,431	8,442,388	8,140,625.00
Total	119,210,063	107,289,060	<sup>4</sup> 27,467,745.30

<sup>1</sup> External debt.

<sup>2</sup> Seigniorage profit was in part used to meet this payment.

<sup>3</sup> including \$1,000,000 oil company tax anticipation advance.

<sup>4</sup> Serial certificates as follows matured in the period 1931-32 to 1932-33 inclusive and were met in full partly from revenues and partly from advances.

Date :	Amount
Dec. 31, 1931-----	\$6, 250, 000
June 30, 1932-----	6, 250, 000
Dec. 31, 1932-----	6, 250, 000
June 30, 1933-----	1, 250, 000
Total-----	20, 000, 000

[NOTE.—From the foregoing total of \$20,000,000 the following amounts were not paid from public works revenues on the dates named: June 30, 1932, \$250,000 (paid from general budget in first months of next fiscal year); June 30, 1933, \$1,250,000 (paid from advance made by banking group, of which \$867,000 remains outstanding at this date; the difference was paid from public works revenues of the next fiscal year).]

Now, Mr. Pecora, you may proceed.

Mr. PECORA. I will ask Mr. Wiggin to be called to the stand and resume his examination.

### TESTIMONY OF ALBERT H. WIGGIN, NEW YORK CITY—Resumed

Mr. PECORA. Mr. Wiggin, have you with you the records of the Metpotan Co. with respect to a certain trading account that that company or Chase Securities Corporation entered into with J. & W. Seligman & Co. and Dillon, Read & Co. on or about May 15, 1930?

Mr. WIGGIN. I have a memorandum here in regard to it.

Mr. PECORA. Who managed that account?

Mr. WIGGIN. The Metpotan Corporation.

Mr. PECORA. Who initiated the account; who caused it to be formed?

Mr. WIGGIN. I think J. & W. Seligman & Co.

Mr. PECORA. What was that?

Mr. WIGGIN. I think J. & W. Seligman & Co.

Mr. PECORA. You say J. & W. Seligman & Co.?

Mr. WIGGIN. That is my recollection.

Mr. PECORA. Have you a copy of any agreement or agreements with respect to the formation of this joint trading account?

Mr. WIGGIN. Yes, sir.

Mr. CONBOY. It is our file no. 75-44.

Mr. PECORA. Mr. Wiggin, I show you what purports to be a photostatic reproduction of a letter addressed to Messrs. J. & W. Seligman & Co., dated May 15, 1930. Will you please look at it and tell me if you recognize it to be a true and correct copy of such a letter which was caused to be sent by the Metpotan Securities Corporation to Messrs. J. & W. Seligman & Co. on the date borne by the letter?

Mr. CONBOY. I am informed, Mr. Pecora, that that is a Chase Securities Corporation letter and not a Metpotan letter.

Mr. PECORA. That letter was sent by Chase Securities Corporation and signed in its behalf, is that right, Mr. Wiggin?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Mr. Chairman, I offer the letter in evidence, and ask that it may be spread on the record of the subcommittee's hearings.

The CHAIRMAN. It will be received, and the committee reporter will make it a part of the record.

(A letter dated May 15, 1930, addressed to J. & W. Seligman & Co., was marked "Committee Exhibit No. 69, Oct. 27, 1933", and will be found reproduced immediately below where read by Mr. Pecora.)

Mr. PECORA. Now I will read that letter:

MAY 15, 1930.

Messrs. J. & W. SELIGMAN & Co.,  
54 Wall Street, New York, N.Y.

GENTLEMEN: This will confirm the formation of an account in which your interest is 50 percent and our interest is 50 percent, for the purpose of buying and selling shares of the Chase National Bank and Chase Securities Corporation stock, with the understanding that the maximum commitment of the account shall at no time exceed 75,000 shares of stock.

The account will continue for a period of 90 days from date unless sooner terminated or further extended by mutual consent.

We will carry or arrange for the carrying of such stock in the account at a rate of interest to be agreed upon.

If the foregoing is in accordance with your understanding please confirm same by signing and returning to us the copy of this letter enclosed for that purpose.

Yours very truly,

—————, Vice President.

Do you know the name of the vice president that signed the original of this letter? The initials shown are "J. C. A."

Mr. WIGGIN. That stands for Mr. J. C. Andersen.

Mr. PECORA. Then at the lower left-hand corner of this letter is the following:

MAY 17, 1930.

The foregoing is confirmed and accepted by

KENNETH J. —.

And I cannot make out the last name.

Mr. WIGGIN. That is Hannaur they tell me.

Mr. PECORA. Then it was signed by Kenneth J. Hannaur, a partner?

Mr. WIGGIN. I assume so.

Mr. PECORA. That was signed by Mr. Hannaur in behalf of J. & W. Seligman & Co.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. As an indication of their acceptance of this proposal.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Well now, on May 15, 1930, was participation in this trading account given by the original parties thereto to any other person or firm?

Mr. WIGGIN. First I think was the assignment by Chase Securities Corporation to the Metpotan Corporation.

Mr. PECORA. What was that?

Mr. WIGGIN. I think the first assignment or change was the assignment by Chase Securities Corporation to Metpotan Corporation of their interest in the transaction.

Mr. PECORA. When was that assignment made?

Mr. WIGGIN. May 16.

Mr. PECORA. The following day?

Mr. WIGGIN. Yes.

Mr. PECORA. Did Chase Securities Corporation on that day assign to Metpotan Securities Corporation its entire interest in this trading account?

Mr. WIGGIN. Yes, sir.

Mr. CONBOY. Mr. Pecora, it is really not an assignment. It is a communication from Chase Securities Corporation to the effect that the participation of Chase Securities Corporation in the account was for Metpotan Corporation. You have the letter there, our file No. 75-43.

Mr. PECORA. Yes; and I was going to show it to the witness.

Mr. CONBOY. It wasn't really an assignment but a communication.

Mr. PECORA. Mr. Wiggin, was this so-called "assignment" or change of interest in this trading account to Metpotan Securities Corporation by Chase Securities Corporation, evidenced by a letter dated May 16, 1930, addressed to Metpotan Securities Corporation by Mr. J. C. Andersen, vice president of Chase Securities Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I show you what purports to be a photostatic reproduction of such a letter. Will you look at it and tell me if it is a true and correct copy thereof?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Mr. Chairman, I offer it in evidence, and ask that it may be spread on the record of the subcommittee's hearings.

The CHAIRMAN. It will be received, and the committee reporter will make it a part of the record.

(A letter dated May 16, 1930, addressed to Metpotan Securities Corporation by Chase Securities Corporation was marked "Committee Exhibit No. 70, Oct. 27, 1933", and will be found immediately following where read by Mr. Pecora.)

Mr. PECORA. The letter bearing the identification "Committee Exhibit No. 70" of this date, and on letterhead of Chase Securities Corporation, reads as follows:

NEW YORK, May 16, 1930.

METPOTAN SECURITIES CORPORATION,  
60 Cedar Street, New York, N.Y.

GENTLEMEN: We are enclosing copy of a letter to J. & W. Seligman & Co. relating to the formation of an account for the purchase and sale of the Chase National Bank and Chase Securities Corporation stock.

We shall thank you to confirm that the 50 percent interest which we accepted was in your behalf and for your account.

Yours very truly,

J. C. ANDERSEN, *Vice President.*

Now, I show you what purports to be a photostatic reproduction of a letter dated May 16, 1930, addressed to the Chase Securities Corporation by the Metpotan Securities Corporation, by its secretary. Will you please look at it and tell us if it is a true and correct copy of a letter sent under that date to the Chase Securities Corporation in behalf of the Metpotan Securities Corporation with respect to this trading account?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Mr. Chairman, I offer the letter in evidence, and ask that it may be spread in full on the record of the subcommittee's proceedings.

The CHAIRMAN. The letter will be received, and the committee reporter will make it a part of the record.

(A letter dated May 16, 1930, addressed to Chase Securities Corporation by Metpotan Securities Corporation, was marked "Com-

mittee Exhibit No. 71, Oct. 27, 1933"; and will be found immediately following where read by Mr. Pecora.)

Mr. PECORA. The letter which has been marked "Committee Exhibit No. 71" of this date, reads as follows:

MAY 16, 1930.

CHASE SECURITIES CORPORATION,  
60 Cedar Street, New York, N.Y.

GENTLEMEN: We acknowledge receipt of your letter of May 16, 1930, enclosing copy of a letter addressed to J. and W. Seligman & Co.

We confirm that the 50 percent interest which you accepted for the purchase and sale of the Chase National Bank and Chase Securities Corporation stock was in our behalf and for our account.

Yours very truly,

\_\_\_\_\_, Secretary.

Now, Mr. Wiggin, what necessity was there for this account being entered into originally by Chase Securities Corporation with J. and W. Seligman & Co., if as a matter of fact the interest in that account of Chase Securities Corporation was in behalf of Metpotan Securities Corporation?

Mr. WIGGIN. I don't know.

Mr. PECORA. Do you know anyone who does know?

Mr. WIGGIN. I don't think there was any reason for it.

Mr. PECORA. Well, if this joint trading account was designed from the outset to be undertaken with J. and W. Seligman & Co. by the Metpotan Securities Corporation, why wasn't the agreement originally made by the Metpotan Corporation with J. and W. Seligman & Co. instead of by Chase Securities Corporation?

Mr. WIGGIN. I don't know. It might just as well have been made the other way. Why they did not do it, I don't know.

Mr. PECORA. Well, in view of the fact that Chase Securities Corporation wholly owned the Metpotan Securities Corporation, I rather imagine there must have been some reason for taking two bites at the cherry instead of one. Now, can you recall any reason for that?

Mr. WIGGIN. No, sir. I don't see any necessity for taking two bites at it. I do not know why they did not do it the other way.

Mr. PECORA. You will recall that during your examination last week before this subcommittee you gave testimony concerning six prior joint trading accounts that were formed for the purpose of buying and selling the capital stock of the Chase National Bank and Chase Securities Corporation, and that in each one of those instances Chase Securities Corporation originally entered into the agreements under which those trading accounts were formed, but apparently acted also for the Metpotan Securities Corporation in those trading accounts. So that this course seems to have been consistently followed. I wish you would see if you can give the subcommittee any specific reason why those agreements were made for the benefit of the Metpotan Securities Corporation in the name of Chase Securities Corporation?

Mr. WIGGIN. I am advised—and you will understand, Mr. Pecora, that I cannot remember all this—that they were not all made by Chase Securities Corporation, but some were made direct with Metpotan Securities Corporation. But in any event, I can see no reason for their doing it through Chase Securities Corporation. Why they didn't do it direct I don't know.

Mr. CONBOY. Mr. Pecora, just in order to refresh your recollection let me say: Four of those trading accounts were direct with Metpotan Securities Corporation, and the other two were with Chase Securities Corporation and were then turned over to Metpotan Securities Corporation.

Mr. PECORA. You may be right, but I thought it was the other way round.

Mr. CONBOY. You may be right, but that is my recollection.

Mr. PECORA. I thought they were all with Chase Securities Corporation for the account of Metpotan Securities Corporation. However, Mr. Conboy, if that is your recollection I won't dispute it, and the record will indicate what the facts are.

Mr. CONBOY. All right.

Mr. PECORA. Now, Mr. Wiggin, can you tell us this: What was the purpose of either Chase Securities Corporation or Metpotan Securities Corporation entering into this particular trading account formed on May 15, 1930?

Mr. WIGGIN. I think it was for the same purpose that the other accounts had been entered into on previous dates.

Mr. PECORA. Well, what was that purpose?

Mr. WIGGIN. A stabilization of the market in the stock and for increased distribution.

Mr. PECORA. Was that during the years 1929 and 1930 considered a necessity for stabilizing the market in the stock of the Chase National Bank and Chase Securities Corporation, its affiliate?

Mr. WIGGIN. I cannot say that there was always a necessity, no.

Mr. PECORA. Well, these accounts seem to have been running either concurrently at times, or one right after the other, throughout these years.

Mr. WIGGIN. That is right.

Mr. PECORA. Well, was it necessary, or was it considered necessary, for Chase Securities Corporation, or its wholly owned subsidiary, Metpotan Securities Corporation, to join with others for the stabilization of the market with respect to the capital stock of the bank?

Mr. WIGGIN. I don't know that it was necessary, but they evidently thought it advisable.

Mr. PECORA. When you say "They evidently thought it was advisable", to whom are you referring?

Mr. WIGGIN. Chase Securities Corporation and Metpotan Securities Corporation.

Mr. PECORA. Well, you were connected with Chase Securities Corporation, weren't you?

Mr. WIGGIN. Certainly.

Mr. PECORA. Why did you think it was necessary or advisable to stabilize the market through the medium of the formation and operation of these various trading accounts?

Mr. WIGGIN. I thought it was advisable to have a steady market, stabilization in the price of the stock, and buying power as well as selling power.

Mr. PECORA. You thought it was advisable to do it. Now, what was the reason for it?

Mr. WIGGIN. The only reason—

Mr. PECORA (interposing). In other words, what was your judgment to that effect based upon?

Mr. WIGGIN. The only reasons were those that I have given you,

Mr. PECORA. I do not know of any other reasons.

Mr. PECORA. Did you recognize that there was present through those years a necessity to stabilize the market?

Mr. WIGGIN. I thought it advisable.

Mr. PECORA. Did you know of the course of the market at that time with regard to the capital stock of the bank and the Securities Corporation?

Mr. WIGGIN. I presume so.

Mr. PECORA. What was there about it that in your judgment made it advisable to stabilize that market through the formation and operation of these trading accounts?

Mr. WIGGIN. I can add nothing to what I have said on that subject.

Mr. PECORA. I am afraid you have not said very much, except that it was considered advisable. I am trying to get the basis for that conclusion, or for that judgment.

Mr. WIGGIN. I think that is all there is to it.

Mr. PECORA. Do you know whether or not that was a common practice in the case of national banks?

Mr. WIGGIN. I cannot say it was a common practice. I know that it was done in some other cases.

Mr. PECORA. In what other cases?

Mr. WIGGIN. Perhaps I should not say I know it was done.

Mr. PECORA. Having said it, I want to ask you what other cases you referred to.

Mr. WIGGIN. I will have to withdraw that, because I do not know.

Mr. PECORA. Then, was this condition, so far as you know, exceptional for the Chase Bank?

Mr. WIGGIN. I do not think so.

Mr. PECORA. You see, your statements lead to diametrically opposite conclusions about that. One moment you indicate by your answers that other national banks were doing it. Now you say that you do not think that it was an exceptional thing for the Chase Bank to do it.

Mr. WIGGIN. That is not inconsistent, is it?

Mr. PECORA. Why wasn't it an exceptional thing for the Chase Bank to do it?

Mr. WIGGIN. I do not think it was, but I do not know what other banks did it.

Mr. PECORA. Were you not given participations in some of these other trading operations in the stock of other banks?

Mr. WIGGIN. When you say "Were you not given?"—

Mr. PECORA. I mean either you individually or the corporations, like the Shermar Corporation and the Murlyn Corporation, that are owned by you and your immediate family.

Mr. WIGGIN. I cannot remember, but it may have been. I will look it up, if you would like to have me.

Mr. PECORA. Do you recall a trading account that was formed for the purpose of trading in the capital stock of the Bank of Manhattan and the Corn Exchange Bank?

Mr. WIGGIN. I do.

Mr. PECORA. Were you given participations in those trading accounts?

Mr. WIGGIN. I think the corporation was given participation in an account. I do not know that it was a trading account, Mr. Pecora. As I remember it, it was an underwriting and subscription to new capital but I will have to look these things up. I did not know they were going to be asked.

Mr. PECORA. When you were examined last week with regard to these trading accounts I have a present recollection of having asked you with respect to one or more of these trading accounts, whether or not there was any record in the minute books, either of the Chase Securities Corporation or of the Metpotan Securities Corporation, with respect to the formation, conduct, and operation of these trading accounts. My recollection further goes to the extent of your having stated that you would have that looked up.

Mr. WIGGIN. Will you repeat the question, please?

(The reporter read the pending question.)

Mr. WIGGIN (after conferring with associates). I am advised that there is no special record of those transactions.

Mr. PECORA. Is there any record, either special or general, or of any kind whatsoever, in the minute book with respect to those transactions?

Mr. WIGGIN. There are general resolutions giving authority to the officers of the company to buy and sell securities.

Mr. PECORA. Those were general resolutions that empowered the officers of the company to make investments for the portfolios of the corporations, were they not?

Mr. WIGGIN. Suppose I submit these [handing papers to Mr. Pecora].

Mr. PECORA. The resolutions referred to by the witness are offered in evidence. There are two of them, each dated October 19, 1933.

Mr. CONBOY. No. That is the date of the certification. It is not the date of the resolutions.

Mr. PECORA. One of them is a certification by the assistant secretary of the Chase Corporation that the kind of resolution referred to by the witness was adopted at a meeting of the executive committee of the board of directors of the Chase Securities Corporation held on February 29, 1928. I offer this certificate of the adoption of such resolution in evidence.

The CHAIRMAN. Let it be admitted and entered in the record.

(The document referred to, certificate of resolution of executive committee, Board of Directors, Chase Securities Corporation, Feb. 29, 1928, was received in evidence, marked "Committee Exhibit No. 72, Oct. 27, 1933", and was read into the record by Mr. Pecora on page 2830.)

Mr. PECORA. The other certificate produced by the witness is dated October 19, 1933, and attests to the adoption of a resolution by the

board of directors of the Chase Securities Corporation at a meeting of the board held on July 1, 1931, I offer such certificate in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and entered on the record.

(The document referred to, certificate of resolution of Board of Directors of Chase Securities Corporation, July 1, 1931, was received in evidence, marked "Committee Exhibit No. 73, Oct. 27, 1933", and is as follows:)

COMMITTEE EXHIBIT No. 73, OCTOBER 27, 1933

OCTOBER 19, 1933.

I, William H. Semon, assistant secretary of the Chase Corporation do hereby certify that the following is a true copy of the resolution adopted at a regular meeting of the board of directors of Chase Securities Corporation held July 1, 1931:

"Resolved, That the resolutions heretofore adopted by the board of directors concerning the borrowing of funds, the pledging of securities, and the transfer thereof be, and the same hereby are, amended so that the same will read as follows:

"Resolved, That the chairman of the board, any vice chairman of the board, the president, any executive vice president, any vice president, the treasurer, the secretary, any assistant treasurer, and any assistant secretary, be, and they hereby are, authorized and empowered to act on behalf of this corporation as follows:

"(1) Severally to borrow such sums of money as from time to time may be deemed advisable in connection with the transaction of its business: *Provided, however,* That all promissory notes or other instruments or obligations evidencing such loans shall be executed in the name and on behalf of this corporation by any two of either the chairman of the board, a vice chairman of the board, the president, an executive vice president, or any vice president, or by any one of said officers in conjunction with either the treasurer, the secretary, any assistant treasurer, or any assistant secretary.

"(2) Severally to pledge any and all stocks, bonds or other choses in action, securities, and other personal property now or hereafter owned by the corporation, as security for its obligation or obligations, and, in that connection, to execute written assignments thereof, and to transfer the same personally, or to appoint one or more attorneys, with full power of substitution for that purpose, in such manner as is necessary or usual.

"(3) Severally to sell, assign, transfer, and deliver any shares of stock, bonds or other choses in action, securities, and other personal property, now or hereafter owned by the corporation, upon such terms as shall be deemed advisable, and in that connection, to execute written assignments thereof, and to transfer the same personally or to appoint one or more attorneys, with full power of substitution, for that purpose, in such manner as is necessary or usual."

In witness whereof I have hereunder set my hand and affixed the seal of said corporation the date first above mentioned.

[SEAL]

W. H. SEMON.

Senator COUZENS. May I ask, Mr. Wigginn, if you prepared that statement with respect to the amount of some \$120,000,000 of securities you charged off, as to what amount you had sold and what you still retained in your portfolio?

Mr. WIGGIN. I will have to find out. May I read this memorandum?

Senator COUZENS. Yes.

Mr. WIGGIN. Of the write-downs and reserves of \$120,000,000, \$71,592,059 represents write-downs and reserves against assets still held by the corporation.

Senator COUZENS. The rest had been sold?

Mr. WIGGIN. The rest had been sold; yes.

Senator COUZENS. The difference between this \$70,000,000 and the \$120,000,000 has been sold, and the rest is in your portfolio?

Mr. WIGGIN. That is right, sir.

Mr. CONBOY. Mr. Pecora, you asked a question a little while ago. Perhaps you want the information now. Our information is that none of Mr. Wiggin's companies had any participation in any bank stock-trading accounts other than Chase.

Mr. PECORA. The evidence of Mr. Wiggin last week, as I recall it, is distinctly to the contrary. The Shermar Corporation was given participation by—

Mr. WIGGIN. Other than Chase.

Mr. PECORA. Other than Chase?

Mr. CONBOY. You asked if there were any participations in the stocks of other banks than the Chase, and that is the information we are able to give you.

Mr. WIGGIN. Let me, perhaps, clear it up. I do not want any misunderstanding. You referred to the Manhattan Co. stock.

Mr. PECORA. I referred to the Bank of Manhattan Co. and also to the Corn Exchange Bank stock.

Mr. WIGGIN. The Manhattan Co. was not, as I recall it, a trading account. It was simply an underwriting of the increased capital. There may have been some other account. I do not recall, but I do recall that one. I will have to look things up to be absolutely sure.

Mr. PECORA. I will tell you what I will ask you to look up in that connection. Look up any participations given to the Shermar Corporation either by the Chase Securities Corporation or by the Metropolitan Securities Corporation, or, in fact, by any other person of corporation or entity which was a participant in any joint account.

Mr. WIGGIN. You are speaking of bank stocks?

Mr. PECORA. Not only of bank stocks, but any joint account formed to deal in the securities of any corporation.

Mr. WIGGIN. Yes.

Mr. PECORA. Because I want to examine you on that line.

The certificates of the adoption of the resolutions that have been offered in evidence, and which were produced by the witness, have been marked "Committee Exhibits 72 and 73", respectively. Exhibit no. 72 reads as follows (reading):

OCTOBER 19, 1933.

I, William H. Semon, assistant secretary of the Chase Corporation, do hereby certify that the following is a true copy of the resolution adopted at a regular meeting of the executive committee of the board of directors of Chase Securities Corporation held on February 29, 1928:

"Resolved, That the resolution adopted by the executive committee on January 11, 1928, regarding the matters hereinafter severally dealt with, be, and the same hereby is, amended to read as follows:

Resolved, That the chairman of the board, the chairman of the executive committee, the vice chairman of the executive committee, the president, any vice president, the treasurer, the secretary, any assistant treasurer, any deputy treasurer, any assistant deputy treasurer and any assistant secretary, be and they hereby are authorized and empowered to act on behalf of this corporation as follows:

1. Severally to borrow such sums of money as from time to time may be deemed advisable in connection with the transaction of its business: *Provided, however,* That all promissory notes or other instruments or obligations evidencing such loans shall be executed in the name and on behalf of this corporation by any two of either the chairman of the board, the chairman of the

executive committee, the vice chairman of the executive committee, the president, or any vice president, or by any one of said officers in conjunction with either the treasurer, the secretary, any assistant treasurer, any deputy treasurer, any assistant deputy treasurer or any assistant secretary.

"2. Severally to pledge any and all stocks, bonds or other choses in action, securities and other personal property now or hereafter owned by the corporation, as security for its obligation or obligations and, in that connection, to execute written assignments thereof, and to transfer the same personally or to appoint one or more attorneys, with full power of substitution for that purpose, in such manner as is necessary or usual.

"3. Severally to sell, assign, transfer and deliver any shares of stock, bonds, or other choses in action, securities and other personal property, now or hereafter owned by the corporation, upon such terms as shall be deemed advisable and, in that connection, to execute written assignments thereof, and to transfer the same personally or to appoint one or more attorneys, with full power of substitution, for that purpose, in such manner as is necessary or usual."

In witness whereof I have hereunder set my hand and affixed the seal of said corporation the date first above mentioned.

W. H. SEMON.

Will you be good enough, Mr. Wiggin, to point out, anywhere in this resolution, any power or authority conferred by this resolution upon any of the officers of the Chase Securities Corporation to enter into trading accounts of the kind that have been the subject of your examination heretofore?

Mr. WIGGIN. There is nothing specific there.

Mr. PECORA. Is there anything even generally conferring any such power to enter into these trading accounts that have been the subject of your examination?

Mr. WIGGIN. No. I think it may be implied. It is not specific.

Mr. PECORA. I ask you a similar question, or questions, with regard to the resolution certified to and marked "Committee's Exhibit No. 73", which seems to be in the same language as the resolution embodied in Committee's Exhibit No. 72. Is there anything in that resolution which confers any power or gives any authority to the directors or the officers of the Chase Securities Corporation to use the funds of the company or its powers for the purpose of going into these trading accounts?

Mr. WIGGIN. Nothing specific.

Mr. PECORA. There is nothing in that resolution either.

Last week you indicated that you would cause a search to be made of the minute books of these two corporations with a view of ascertaining whether or not those minute books contained any resolutions or any record with regard to these trading accounts; and this morning you produce these two certificates as some evidence of the adoption of resolutions empowering those two corporations to enter into these transactions. You now say that these resolutions do not confer any such power or authority upon the corporation or its officers and directors.

Mr. WIGGIN. I do not think they specially conferred that power. I think it is implied in the resolution, that they did have power.

Mr. PECORA. What portion of the resolution implies that? Will you read the portion that you think implies the delegation of that power or the conferring of that power upon the officers or directors of either of these corporations?

Mr. WIGGIN. I should say paragraph 3 in the quotation, the last one.

Mr. PECORA. Which reads?

Mr. WIGGIN (reading) :

Severally to sell, assign, transfer and deliver any shares of stock, bonds, or other choses in action, securities and other personal property now or hereafter owned by the corporation, upon such terms as shall be deemed advisable, and in that connection to execute written assignments thereof and to transfer the same personally or to appoint one or more attorneys with full power of substitution for that purpose, in such manner as is necessary or usual.

Mr. PECORA. Have you been advised by any counsel or lawyer that that paragraph in these resolutions gives power or authority to the board of directors or to any of the officers of the Chase Securities Corporation to engage in these trading accounts on behalf of the corporation?

Mr. WIGGIN. No, sir. I never saw these until this morning.

Mr. PECORA. Are you now advised by any counsel to that effect?

Mr. WIGGIN. No, sir.

Mr. PECORA. Have you been able to find anything in the minute books or other records of the Metpotan Securities Corporation which relates to these trading accounts in the capital stock of the Chase Bank and its affiliate?

Mr. WIGGIN. There is nothing especially.

Mr. CONBOY. We have not made any search of Metpotan, because your question the last time was with reference to Chase Securities. It did not relate to Metpotan; but we will do that.

Mr. PECORA. Now, as a matter of fact, was it ever contemplated at the time the Chase Securities Corporation was formed as the investment affiliate of the Chase National Bank that it was to engage actively with others in stock-market trading accounts?

Mr. WIGGIN. I cannot say. I do not know what was contemplated at the time.

Mr. PECORA. You were the executive head of the bank at the time of the creation of the Chase Securities Corporation.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And you were the first executive head of the Chase Securities Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Don't you know the purposes for which it was formed?

Mr. WIGGIN. It was organized, as you know, as I have already testified, to do business that the bank did not do, and so that the stockholders of the bank would have an opportunity to participate in that business.

Mr. PECORA. What kind of business did you have in mind?

Mr. WIGGIN. We had in mind at that time shares instead of bonds.

Mr. PECORA. You had in mind what?

Mr. WIGGIN. Shares. Stocks instead of bonds; because the bank could buy bonds but it could not buy shares.

Mr. PECORA. That is, you had in mind the Chase Securities Corporation investing in stocks as distinguished from bonds?

Mr. WIGGIN. Yes; or sharing in underwriting of stocks.

Mr. PECORA. Sharing in the underwriting of stocks is one thing; but indulging in stock-market trading operations is another thing. You recognize such a distinction, do you not?

Mr. WIGGIN. Frequently one overlaps the other. Syndicates sometimes become, with their right to purchase shares, trading accounts.

Mr. PECORA. When syndicates engage in underwriting operations they organize a trading or syndicate account for a limited period of time for the purpose of promoting the distribution of the stock in the open market, do they not?

Mr. WIGGIN. Frequently.

Mr. PECORA. But the formation and conduct of trading accounts in the stock market of the kind that you have been examined about are not such syndicate operations, are they?

Mr. WIGGIN. Oh, no.

Mr. PECORA. They are of a different status and kind entirely.

Mr. WIGGIN. Entirely; yes, sir.

Mr. PECORA. And was it ever in the mind of anyone whose judgment contributed to the formation of the Chase Securities Corporation that it should engage in stock market trading operations, as distinguished from underwriting operations, and as distinguished from the making of investments in capital shares?

Mr. WIGGIN. I do not think so; and yet I cannot speak for what may have been in other people's minds 16 years ago.

Mr. PECORA. What was in your mind at that time about the purposes for which the Chase Securities Corporation was formed?

Mr. WIGGIN. I can only repeat what I stated a moment ago, that the Chase Bank stockholders had opportunity for sharing in a business that the bank did not do.

Mr. PECORA. Did that business include trading accounts in the open market?

Mr. WIGGIN. I cannot say what was in my mind 16 years ago. I do not think that was in my mind. It may have been, but I do not think so.

Mr. PECORA. Can you conceive, as the executive head of a national bank, that it was ever in your mind that a securities affiliate wholly owned by the shareholders of the bank would or should be organized, among other thing, for the purpose of engaging in joint-trading accounts in the open market to deal in various kinds of securities, including common stock?

Mr. WIGGIN. I can conceive it, but I do not think it was in my mind at the time.

Mr. PECORA. Do you think that is a proper function of a securities affiliate wholly owned by the shareholders of a national bank?

Mr. WIGGIN. I think they were perfectly justified in the Chase stock accounts.

Mr. PECORA. In what?

Mr. WIGGIN. In the Chase stock-trading accounts.

Mr. PECORA. Can you find a similar justification in your own mind for the Chase Securities Corporation as the affiliate of the Chase National Bank engaging in trading accounts dealing in securities other than the shares of the bank?

Mr. WIGGIN. I think it depends on what shares and when and what and a great many things.

Mr. PECORA. As a matter of fact, the Chase Securities Corporation, during the years of its existence, participated either on its own

behalf or in behalf of the Metpotan Securities Corporation, its wholly owned subsidiary, in trading accounts that dealt in common shares of many other corporations than the Chase National Bank, did it not?

Mr. WIGGIN. Yes, sir; more after 1928 or 1929 than earlier.

Mr. PECORA. Now we are getting down to a much more recent period than 1917 or 1916; 1917 was the year of the organization of the Chase Securities Corporation. What prompted the Chase Securities Corporation to engage in these trading accounts in the open-market dealing in securities other than the Chase National Bank from 1928 down?

Mr. WIGGIN. I think the times.

Mr. PECORA. What do you mean by that? That is a very general statement. You say you think, the times.

Mr. WIGGIN. I cannot answer that any better than that, sir.

Mr. PECORA. What do you mean by the "the times"? You do not mean the newspaper by that name, do you?

Mr. CONBOY. There are two of them by that name.

Senator COUZENS. I assume you mean the speculative atmosphere?

Mr. WIGGIN. I think perhaps that covers it. There was a great deal of atmosphere. There were a great many people who began to think you did a great injustice to everybody if you did not have equity stocks. It even got to be the custom to think that trust funds—it was a pity to limit them so that they could not invest in equity stocks; that we were doing a great injustice to them. In other words, it was the times.

Mr. PECORA. Did you yield to the temper of the times in that respect?

Mr. WIGGIN. I am afraid so.

Mr. PECORA. Do you now think that it is a wholesome thing for a bank affiliate today to do that?

Mr. WIGGIN. I think it depends entirely on the security. Whether it is a bond or a share is not necessarily the dividing line. You must bear in mind that there has been at least about as much shrinkage in bonds as there is in shares. People have lost their money in bonds just the same as they have in shares. So we must not draw the line because of the difference in the title of the security.

Mr. PECORA. What I am driving at is this. Do you now think, Mr. Wiggin, that it is a wholesome and proper function for a national bank affiliate to engage in that kind of speculation that you had in mind when you answered Senator Couzens' question in which that term was used?

Mr. WIGGIN. Well, is not this academic under the present law?

Mr. PECORA. The provision for separating banks from investment affiliates in the present law gives the bankers a rather substantial period of time for the divorcement of the two. We do not know what efforts may be made to amend that law. We do know that propaganda has manifested itself to amend the securities law that was passed at the same session of Congress. We want to get your views and opinions as a banker and financier of experience, on the record here. So it is not entirely academic.

Mr. WIGGIN. I see. Let me have the question again, please.

(The question referred to was read by the reporter as above recorded.)

Of course under present conditions an effort is being made to liquidate these affiliate companies, so that possibly what they are going to do with future investments is not an important question at this time. But answering your question as to my opinion as to whether they should make any speculative investments—is that your question?

Mr. PECORA. Whether they should indulge in the kind of speculation you mentioned in answer to Senator Couzens' question, or implied that the Chase Securities Corporation had engaged in.

Mr. WIGGIN. Of course I do not think they should make any investments that do not prove profitable.

Mr. PECORA. That does not answer the question.

Mr. WIGGIN. I do not mean to treat it lightly, Mr. Pecora, but as you know, speculation is a very indefinite term.

Mr. PECORA. You ascribed a certain meaning to it when you answered Senator Couzens' question a few moments ago. You must have had in your mind some definition for speculation. Do you now think that a national bank affiliate should engage in stock-market speculation of the kind that you then had in mind?

Mr. WIGGIN. No, sir; if for no other reason than respect for public opinion.

Senator COUZENS. Oh. That is a new one! So public opinion does have some effect upon Wall Street?

Mr. WIGGIN. I think it has a pretty good effect.

Mr. PECORA. What is your own personal judgment?

Mr. WIGGIN. I certainly would not do anything today that, if it turned out unfortunately, was going to be criticized. And that is what would happen if we did make a mistake. Therefore I would not take the risk.

Senator COUZENS. Then these hearings are a good thing, aren't they?

Mr. WIGGIN. I hope so, Senator.

Mr. PECORA. Do you think they educate public opinion with respect to the existence of certain evils in banking and stock market circles?

Mr. WIGGIN. I hope so.

Mr. PECORA. I show you a photostatic reproduction of a tabulation entitled "The Chase Corporation, formerly Chase Securities Corporation, trading accounts in which Chase Securities Corporation participated, other than trading accounts operated in connection with security offerings, 1928 to 1932." I believe it appears among the records of the Chase Securities Corporation or the bank by the identification number 35-24. Will you please look at it and tell us if this photostatic reproduction is a true copy of such a statement or tabulation among the records of the Chase Bank or the Chase Corporation?

Mr. CONBOY. This is a true copy of a record that was prepared for the benefit of the committee at the request of the committee's counsel?

Mr. PECORA. That is right. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and entered on the record.

(The document referred to, entitled "The Chase Corporation, formerly Chase Securities Corporation, trading accounts in which Chase Securities Corporation participated, other than trading accounts operated in connection with security offerings 1928 to 1932", was received in evidence, marked "Committee Exhibit No. 74, Oct. 27, 1933", and will be found on page 2858.)

Mr. PECORA. This statement, which is marked "Committee's Exhibit No. 74", shows participation by the Chase Securities Corporation in February 1928, down to and including March 1931, in trading accounts formed to trade in issues of the following corporations: Continental Paper Bag Mills, 6½ percent bonds. Are they bonds?

Mr. WIGGIN. Those are bonds; yes.

Mr. PECORA. Bank of East Prussian Land Owners, 6 percent 3-year bonds; General Gas & Electric Co., common stock; Twin Cities Rapid Transit Co., first lien and refunding bonds, 5½ percent; Washington Gas Light Co., common stock; International Paper & Power Co., preferred stock; Sinclair Consolidated Oil Corporation, common stock; Republic of Poland, 8-percent bonds; Prairie Oil & Gas Co., common stock; Prairie Pipe Line Co., stock; Chicago Traction Securities Co., stock; American Woolen Co., preferred and common stock; International Paper & Power Co., preferred stock; Transcontinental Oil Co., stock account; Utility Power & Light Corporation, preferred stock; Utility Power & Light Corporation, class A stock; Transcontinental Oil Co., common stock; Utility Equities Corporation, common stock; Cuba Cane Sugar Corporation, reorganization option warrants; Transcontinental Oil Co., common stock; International Paper & Power Co., first 5-percent bonds; Vacuum Oil Co., common stock; Seaboard Air Line Railway Syndicate. That traded in common stock of the Seaboard Air Line Railway Co., did it not, Mr. Wiggin?

Mr. WIGGIN. Bonds and stocks, I am told.

Mr. PECORA. Bethlehem Steel Corporation, common stock; Grigsby-Grunow, common stock; St. Louis & San Francisco Railway Co., both preferred and common stock; Canadian International Paper Co., first preferred 6-percent stock—

Mr. HARGREAVES. No; those were bonds.

Mr. PECORA. Oh, yes, bonds. Thank you. Mission Securities Co. That is a syndicate account. Did it deal in capital stock?

Mr. WIGGIN. I should not think it belonged there.

Mr. PECORA. It is here.

Mr. WIGGIN. Yes. I do not see how they could deal in that stock.

Senator COUZENS. What is that?

Mr. PECORA. Mission Securities Co.

Mr. WIGGIN. It apparently was a syndicate.

Mr. PECORA. Did they deal in the common stock of that corporation?

Mr. WIGGIN. I should not think it belonged on the list, from the information I get.

Mr. PECORA. It appears on the list, and the list was prepared by the Chase Corporation for our information. The question is, Did that syndicate deal in capital shares as distinguished from bonds or debentures?

Mr. WIGGIN. I am advised they had a right to deal in common stock of the Tidewater Oil Co., but that they never did.

Mr. PECORA. Republic of Cuba, 5½-percent serial bonds; International Hydro-Electric Co., 6-percent bonds; National Steel Car Lines, 5-percent bonds; Curtis Publishing Co., preferred stock; McKesson & Robbins, 5½-percent bonds.

Now, Mr. Wiggin, I have here an exhibit consisting of many sheets of photostatic reproductions of certain tabulations and statements which were furnished to us or to the committee at my request by the Chase Corporation and which purport to be a statement of the month-by-month and year-by-year operations of all of these trading accounts that were participated in by the Chase Securities Corporation and/or the Metpotan Corporation. Will you kindly look at this batch of photostatic reproductions and treat it as one exhibit and tell us whether it constitutes true and correct copies thereof?

Incidentally, let me add to that question that according to our calculation the trading operations shown by these photostatic copies of records indicate an aggregate volume of operations amounting to about \$860,000,000. You can have that statement checked up by any of your associates, if you wish.

Mr. CONBOY. You mean, when you add the purchases and sales?

Mr. PECORA. The total volume of the operations involves \$860,000,000.

Mr. CONBOY. \$430,000,000 bought and a similar amount sold?

Mr. PECORA. Not necessarily.

Mr. CONBOY. Is not that what the \$860,000,000 means? It means purchases and sales.

Mr. PECORA. It does not necessarily follow that they were all sold. It shows that volume of transactions on both the buying and selling sides.

Mr. CONBOY. That is, it is not all purchases and it is not all sales. It is the aggregate of purchases and sales; and the volume is about equal, is it not?

Mr. PECORA. Well, our calculation does not show the proportions.

Mr. CONBOY. I think you could inquire, Mr. Pecora, and find that out right alongside of you there.

The CHAIRMAN. The statement will probably show.

Mr. PECORA. In order that there may be no misapprehension about this last batch of photostatic statements that I have shown to Mr. Wiggin, let me say that they relate simply to the month-by-month and year-by-year tradings in these trading accounts that dealt solely with the stock of the Chase National Bank and the Chase Securities Corporation.

Mr. CONBOY. Mr. Hargreaves tells me that is the fact.

Mr. PECORA. That is the fact. I offer that batch of photostatic statements in evidence.

Mr. CONBOY. We have pretty nearly checked through them. Do you want us to finish?

Mr. PECORA. Oh, yes. I thought you had checked them.

The CHAIRMAN (after a pause). Have you checked them now?

Mr. CONBOY. These tabulations or summaries were prepared at your request, and the copies that you have just exhibited are correct photostats of the summaries that were thus prepared.

Mr. PECORA. And are the data shown on those photostatic reproductions correct?

Mr. CONBOY. Correctly indicated?

Mr. PECORA. Yes.

Mr. CONBOY. Yes, sir.

Mr. PECORA. And that is your answer, Mr. Wiggin, so far as you know?

Mr. CONBOY. Mr. Wiggin has no personal knowledge of it.

Mr. WIGGIN. So far as I know.

Mr. PECORA. Have you been informed that they are correct?

Mr. WIGGIN. Mr. Hargreaves advises me they are compiled from the records.

Mr. PECORA. I offer them in evidence.

The CHAIRMAN. Let them be admitted and entered on the record.

(The batch of photostatic copies of statements and tabulations so offered and identified were received in evidence, collectively marked "Committee Exhibit No. 75, Oct. 27, 1933", and will be found on page 2860.)

Mr. PECORA. Mr. Wiggin, I understand that the calculation has been made by our investigators jointly with officials of the Chase Securities Corporation and the Chase National Bank, which shows the following: That the total volume in dollars and cents of the purchases made through the medium of these trading accounts in the shares of the Chase National Bank and the Chase Securities Corporation was \$430,772.795; that the total volume in dollars and cents of the sales made in those trading accounts of the shares of the Chase National Bank and the Chase Securities Corporation was \$429,949,210; making a total of operations, both on the buying and the selling side, of \$860,722,005. I understand that those figures have been checked up by the officers of the bank and the Securities Co. and have been found to be correct. Can you verify that?

Mr. CONBOY. Will you permit Mr. Hargreaves to make the statement of corroboration in connection with what this would amount to?

Mr. PECORA. Yes.

Mr. HARGREAVES. These figures are correct. They include purchases made for other interests in these various accounts which have been referred to in the testimony by Mr. Wiggin. Other parties in these various accounts.

Mr. PECORA. Do they show correctly the total volume of trading, both on the buying and selling side, in dollars and cents, of all of these trading accounts that were participated in by the Chase Securities Corporation or the Metpotan Securities Corporation?

Mr. HARGREAVES. Yes.

Mr. PECORA. In the stock of the bank?

Mr. HARGREAVES. Yes, sir.

Mr. PECORA. I will offer that summarized statement in evidence and ask it be spread upon the record.

The CHAIRMAN. Let it be admitted and placed in the record.

(Calculation of total volume in dollars and cents of purchases and sales through the medium of certain trading accounts in the shares of The Chase National Bank and The Chase Securities Corporation was received in evidence, marked "Committee Exhibit 76, of Oct. 27, 1933", and is here printed in the record in full as follows:)

## COMMITTEE EXHIBIT No. 76, OCTOBER 27, 1933

	Purchases		Sales	
	Shares	Money	Shares	Money
Chase National Bank and Chase Securities Corporation stock, old:				
1928.....	71,869.0	\$45,973,648.08	70,758.0	\$45,763,743.55
1929.....	61,106.0	66,044,849.87	61,623.0	65,804,381.48
Total.....	132,975.0	112,018,497.95	132,381.0	111,568,125.03
Chase National Bank and Chase Securities Corporation stock, new:				
1929.....	716,000.6	150,692,148.92	684,709.0	145,815,916.33
1930.....	762,593.1	112,294,762.76	769,291.9	113,913,242.05
1931.....	523,802.2	31,380,413.51	531,618.8	34,116,493.89
1932.....	310,624.0	11,069,978.18	316,906.4	11,238,307.80
Total.....	2,313,020.0	305,447,303.37	2,302,526.4	305,083,960.57
Chase National Bank and Chase Securities Corporation Rights:				
1928.....	74,273.0	3,942,521.46	74,275.0	3,942,651.92
1929.....	67,230.2	9,364,195.29	67,229.2	9,364,125.88
1930.....	.6	277.00	1.6	346.41
Total.....	141,602.8	13,306,993.75	141,505.8	13,307,124.21
	2,446,996	430,772,795.00	2,434,907.0	429,949,210.00
				430,772,795.00
				860,722,005.00

Mr. PECORA. Now Mr. Wiggin, let us get back to this trading account that was formed on May 15, 1930, between the Chase Securities Corporation for the benefit of the Metpotan Securities Corporation and J. & W. Seligman & Co. Subsequent to May 15, 1930, was a participation in that trading account given to any other person, firm, or interest?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. To whom?

Mr. WIGGIN. Dillon, Read & Co. accepted an interest of 7,500 shares in the account on May 28, 1930, at which time the maximum commitment of the account was increased from 75,000 shares to 90,000 shares.

Mr. PECORA. Was their participation in this joint or trading account evidenced by any writings?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I show you what purports to be a photostatic reproduction of a letter addressed to Messrs. J. & W. Seligman & Co., dated May 28, 1930. I ask you if that is a true and correct copy of such letter sent to J. & W. Seligman & Co. on behalf of the Metpotan Securities Corporation with respect to this trading account. [Handing same to Mr. Wiggin.]

Mr. WIGGIN (after examining same). Yes, sir.

Mr. PECORA. I offer it in evidence and ask to have it spread upon the record.

The CHAIRMAN. Let it be admitted in evidence and placed in the record.

(Letter of May 28, 1930, to J. & W. Seligman & Co. was received in evidence and marked "Committee Exhibit 77 of October 27, 1933.")

Mr. PECORA. The exhibit marked "Committee Exhibit No. 77" reads as follows:

MAY 28, 1930.

Messrs. J. W. SELIGMAN & Co.,  
New York, N.Y.

GENTLEMEN: Referring to our letter of May 15, 1930, confirming the formation of an account to buy and sell shares of Chase National Bank and Chase Securities Corporation stock, this is to advise you that the limit of the account has been increased from 75,000 shares to 90,000 shares of stock.

We also confirm that Messrs. Dillon, Read & Co. have been allotted an interest of 7,500 shares in the account.

Will you please confirm that the foregoing is in accordance with your understanding.

Yours very truly,

VICE PRESIDENT.

Mr. PECORA. Signed by the vice president of the Metpotan.

At whose instance was this participation in this trading account given to Dillon, Read & Co., Mr. Wiggin?

Mr. WIGGIN. I am not sure, but I think at Dillon, Read & Co.'s request.

Mr. PECORA. Well, what did they know about the existence of this trading account that prompted them to make the request for permission to participate in it?

Mr. WIGGIN. I do not know.

Mr. PECORA. Were any members of the firm of Dillon, Read & Co. at that time directors of the Chase National Bank?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Who?

Mr. WIGGIN. Mr. Dillon.

Mr. PECORA. Mr. Clarence Dillon?

Mr. WIGGIN. Yes, sir. Wait a minute. [Addressing associates:] Is that right? I have gone ahead of my dates here.

Mr. PECORA. This was in May 1930.

Mr. WIGGIN (after conferring with associates). Yes, sir; undoubtedly he was a director.

Mr. PECORA. Do you know of any reason for giving Dillon, Read & Co. a participation in this trading agreement?

Mr. WIGGIN. I do not know how it came about, but I do know that they were considered very desirable partners in a transaction of this kind.

Mr. PECORA. They were considered what?

Mr. WIGGIN. Desirable partners, desirable associates in a transaction of this kind.

Mr. PECORA. You said that the purpose of this trading account was to stabilize the market.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, why was it necessary for Dillon, Read & Co. to be given a participation therein and assume a risk merely to stabilize the market for the bank shares?

Mr. WIGGIN. And to increase the distribution, you will remember I said.

Mr. PECORA. Well, that was what was said last week.

Mr. WIGGIN. I think I said that this morning. I meant to, anyway.

Mr. PECORA. All right; what interest did Dillon, Read & Co. have in the attaining of those two purposes, namely, stabilization of the market and the distribution of these shares?

Mr. WIGGIN. I think they expected to make money. Probably went into it for that purpose.

Mr. PECORA. When did the trading account terminate?

Mr. WIGGIN. On August 13, 1930.

Mr. PECORA. Do you know the extent of the trading that was done for the benefit of this account?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was it?

Mr. WIGGIN. Total purchases 93,315 and a fraction shares. Total sales 20,021 shares.

Mr. PECORA. Leaving a balance of 73,294 shares in the possession of the syndicate at the termination of the account?

Mr. WIGGIN. That is right, sir.

Mr. PECORA. And what was done with those shares?

Mr. WIGGIN. They were taken down pro rata by the members of the account at the net cost figure.

Mr. PECORA. What were the respective proportions of the three participants in this trading account? Originally as the account was formed J. & W. Seligman & Co. and the Metpotan Corporation each had a 50 percent interest?

Mr. WIGGIN. Yes.

Mr. PECORA. Now how were those proportions changed upon the admission of Dillon, Read & Co. into the trading account? I understand that the proportion was as follows: Metpotan Securities Corporation eleven twenty-fourths interest.

Mr. WIGGIN. That is right, sir.

Mr. PECORA. J. & W. Seligman & Co., eleven twenty-fourths interest.

Mr. WIGGIN. Yes.

Mr. PECORA. Dillon, Read & Co., two twenty-fourths interest.

Mr. WIGGIN. Correct.

Mr. PECORA. Making a total of 100 percent. Is that right?

Mr. WIGGIN. That is correct, sir.

Mr. PECORA. Was there any profit accruing to the trading account from its operations?

Mr. WIGGIN. No. There was no profit. The stock was taken down at the net cost to the participants, and at the time it was taken down it was selling for less than it cost them, so figuring the market value at the time they took it down it would have shown a loss.

Mr. PECORA. What was paid by the participants in this trading account at its termination when they took up the remaining 73,294 shares?

Mr. WIGGIN. They took down the stock at an average price of approximately \$170 and a fraction per share.

Mr. PECORA. That involved an aggregate of \$12,523,314.67, did it not?

Mr. WIGGIN. That is right.

Senator COUZENS. The result of that operation then was less distribution than when you started, was it not?

Mr. WIGGIN. Yes. The syndicate bought more stock than they sold.

Senator COUZENS. So instead of getting greater distribution you got a contraction of distribution?

Mr. WIGGIN. Much of this stock that they bought they did not succeed in selling. Nevertheless there may have been an increase in number of shareholders. That I cannot answer without looking it up.

Mr. PECORA. Well, the syndicate bought 93,000-odd shares and sold 20,000-odd shares?

Mr. WIGGIN. That is right, sir.

Mr. PECORA. So that, as Senator Couzens has observed, one of the two purposes for which the trading account was formed failed of accomplishment, namely, that of distributing the stock?

Mr. CONBOY. Would you permit Mr. Wiggin just to consult about that for a minute?

Mr. PECORA. Yes.

(Mr. Wiggin consulted with his associates.)

Mr. WIGGIN. Is there a question unanswered?

Mr. PECORA. Read the question, Mr. Reporter.

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

Mr. WIGGIN. That is right; and yet there may have been an increase in the number of shareholders regardless of that.

Senator COUZENS. Well, there may have been an increase in the number of shareholders, but the fact was that there was a greater concentration of power or holding of the stock in one hand?

Mr. WIGGIN. That is right. Correct.

Mr. PECORA. What was the course of the market for the stock during the life of this trading account which you say commenced on May the 15th, 1930, and terminating on August 13, 1930? As a possible guidance to you, let me say, Mr. Wiggins, our research shows that the market quotations of the stock on May 15, 1930, were 164 bid, 166 asked, and on August 12, 1930, the day before the termination of this trading account, the quotations were 133 bid, 135 asked.

Mr. WIGGIN. Well, the trend was downward. There may have been days when it went up, but the trend was that way.

Mr. PECORA. The trend was generally downward during that 90-day period?

Mr. WIGGIN. Yes.

Senator COUZENS. When the stock was distributed among these three participants did they hold it or did they put it out on the market, or do you know?

Mr. WIGGIN. I do not know. Each man was his own master after that.

Senator COUZENS. Was the Chase in that, Mr. Pecora?

Mr. PECORA. The Metpotan.

Senator COUZENS. Did the Metpotan hold theirs or did they sell theirs on the market?

Mr. WIGGIN. The Metpotan Co. held that stock until they used it in the purchase of Harris Forbes & Co. That purchase was made with Chase stock.

Senator COUZENS. So that it was an exchange of stock?

Mr. WIGGIN. Yes. It was a purchase of the company with the Chase stock in the treasury of the company.

Senator COUZENS. Are there existing now any pools or trading agreements or syndicates to deal in Chase National Bank stock?

Mr. WIGGIN. Not that I know of.

Senator COUZENS. You do not know of your own knowledge?

Mr. WIGGIN. No.

Senator COUZENS. Or by anybody's?

Mr. WIGGIN. I know of none.

Mr. PECORA. When was the next joint trading account formed in which either the Chase Securities Corporation or the Metpotan Securities Corporation became participants following the termination of this last one?

Mr. WIGGIN. August 12, 1930.

Mr. PECORA. That is another trading account was formed practically upon the termination of the one that you have just been questioned about?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And who caused that trading account to be formed?

Mr. WIGGIN. I cannot tell you whose initiative it was, but they were the same participants who were in the previous one.

Mr. PECORA. It had the same participants, and those participants were given the same interest that they had in the one that was just terminated; is that right?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was the reason for terminating that trading account on August 12, 1930, and immediately forming a new one with the same participants, and those participants having the same respective shares therein?

Mr. WIGGIN. I think the reason was that the Metpotan wanted to take down their interests in the first trading account to use in the purchase of the Harris Forbes business, and the simple way was to dissolve that account and then start a fresh one so they could have their stock for that purpose.

Senator COUZENS. Was August the 1st the date when the transaction took place between the Harris Forbes and the Chase?

Mr. WIGGIN. Yes, sir. It was in the month of August.

Mr. PECORA. In the month of August?

Mr. WIGGIN. Yes.

Mr. PECORA. I show you a photostatic reproduction of what purports to be a letter sent to Messrs. J. & W. Seligman & Co. under date of August 12, 1930, and I ask you if you recognize it as being a true and correct copy of such a letter caused to be sent by the Chase Securities Corporation or the Metpotan Corporation to J. & W. Seligman & Co. with respect to the trading account that was formed on August 12, 1930? [Handing paper to Mr. Wiggin.]

Mr. WIGGIN (after examining same). Yes, sir.

Mr. PECORA. I offer it in evidence and ask to have it spread upon the record.

The CHAIRMAN. Let it be received in evidence and placed in the record.

(Letter of August 12, 1930, to J. & W. Seligman & Co. was received in evidence and marked "Committee Exhibit 78 of October 27, 1933.")

Mr. PECORA. Committee exhibit marked "No. 78" in evidence reads as follows:

AUGUST 12, 1930.

Messrs. J. & W. SELIGMAN & Co.  
New York, N.Y.

DEAR SIR: This will confirm the formation of an account for the purpose of buying and selling shares of the Chase National Bank and Chase Securities Corporation stock with the understanding that the maximum commitment of the account shall at no time exceed 16,000 shares of stock. We shall carry or arrange for the carry of such stock in the account at a rate of interest to be agreed upon.

The account will continue for a period of 90 days from date, unless sooner terminated or further extended by mutual consent of all the members.

The members of the account and their respective interests are as follows: J. & W. Seligman & Co., eleven twenty-fourths; Dillon, Read & Co., two twenty-fourths; Metpotan Securities Corporation, eleven twenty-fourths.

If the foregoing is in accordance with your understanding, please confirm the same by signing and returning to us a copy of this letter enclosed for that purpose.

Yours very truly,

\_\_\_\_\_, Treasurer.

August —, 1930.

The foregoing is confirmed and accepted.

J. & W. SELIGMAN & Co.  
By \_\_\_\_\_.

Mr. PECORA. Do you know the name of the treasurer who signed that letter for the Metpotan?

Mr. WIGGIN. They tell me Mr. Shaible was the treasurer who signed that letter at that time.

Mr. PECORA. Who managed this trading account?

Mr. WIGGIN. Metpotan.

Mr. PECORA. And what were the purposes for which it was formed?

Mr. WIGGIN. I think the same as before.

Mr. PECORA. That is, to stabilize the market and to obtain a wider distribution of the stock of the Chase National Bank and of Chase Securities Corporation?

Mr. WIGGIN. Yes, sir.

The CHAIRMAN. You say here "We will carry or arrange for the carrying of such stock—" the letter is very faint.

Mr. PECORA (reading):

We will carry or arrange for the carry of such stock in the account at a rate of interest to be agreed upon.

The CHAIRMAN. Yes. Did you arrange that by borrowing from the Chase National Bank?

Mr. WIGGIN. I do not know where they borrowed.

Mr. PECORA. It is easily possible to find out from the records of either the bank or the Metpotan Securities Corporation?

Mr. WIGGIN. Yes.

Mr. PECORA. Can you find that out readily?

Mr. CONBOY. It is being done now.

Mr. PECORA. I notice according to this letter, committee exhibit no. 78, that this trading account was formed for a period of 90 days unless sooner terminated or further extended by mutual consent. When was it terminated?

Mr. WIGGIN. Terminated on July 8, 1931.

Mr. PECORA. Before the termination of this account did Dillon, Read & Co. withdraw from it?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. When did they withdraw?

Mr. WIGGIN. On November 17, 1930.

Mr. PECORA. Do you know why they withdrew?

Mr. WIGGIN. I do not.

Mr. PECORA. Did they lose interest in the stabilization of the market or in the wider distribution of the stock at that time?

Mr. WIGGIN. I do not know. I will see if I can find out. [After conferring with his associates.] I do not know, and I cannot seem to find out.

Senator COUZENS. In the meantime I am curious to know why you created this second trading agreement after the two objectives of the first had failed; namely, you had failed to stabilize the market and you had failed to secure a wider distribution.

Mr. PECORA. And they had failed to make a profit.

Senator COUZENS. And you had failed to make a profit. And so, on the same day that you terminated the first trading agreement, you organized another trading agreement in spite of the almost complete failure of the first agreement. Just why did you do that?

Mr. WIGGIN. I think this is the answer, Senator. It was really a continuation of the same account. The termination and restarting was to aid in the detail of having the Metpotan take down the number of shares that they were going to use for the Harris Forbes purchase.

Senator COUZENS. So, in spite of the fact that on August 12 you failed of wider distribution, and you also failed to stabilize the market, yet you were continuing and did continue until Dillon, Read & Co. at last got tired on November of the same year and they withdrew, and then you continued until the following year; is that correct?

Mr. WIGGIN. Apparently.

Senator COUZENS. I do not think you demonstrate very well the accuracy of your statement with respect to the purpose for organizing these trade agreements.

Mr. WIGGIN. The success of it—I agree.

Senator COUZENS. I mean that the purpose that you ascribe for organizing the agreements does not seem to have been sustained by the results you obtained.

Mr. WIGGIN. Certainly you are right in this case.

Senator COUZENS. And yet in spite of that you continued the operations.

Mr. PECORA. For another 11 months.

Mr. WIGGIN. Yes, they did.

Senator COUZENS. Have you any idea to what extent, if at all, your purposes were attained?

Mr. WIGGIN. Oh, if we could go back 4 years we would do a great many things differently, Senator.

Senator COUZENS. How many times during this long period did you analyze the situation to determine whether your objectives were being realized or not?

Mr. WIGGIN. I do not know. Of course the number of shareholders did increase steadily from 1917 up to the present date.

Senator COUZENS. How much did they increase though during these operations?

Mr. WIGGIN. Between what dates, Senator?

Senator COUZENS. Well, the dates of—

Mr. PECORA. Say from May 1930 to July 1931, the life of the last two trading accounts?

Mr. WIGGIN. Well, I have not got just those dates. I have December 1930, 67,997 shareholders, and December 1931, 75,728. There was an increase in the year.

Mr. PECORA. Well, you cannot definitely ascribe any part of that increase to the operations of these trading accounts, can you?

Mr. WIGGIN. Oh, I think so. I think so.

Mr. PECORA. Do you mean that, Mr. Wiggin?

Mr. WIGGIN. Yes. I do not know about this particular trading account, but about the trading accounts I will say yes.

Senator COUZENS. And yet out of a purchase of 90,000 shares in one trading agreement you only disposed of some 20,000?

Mr. WIGGIN. Yes, but they may have increased the number of shareholders, regardless of that, you understand.

The CHAIRMAN. Where did you get the 16,000 shares in this last account?

Mr. WIGGIN. They never did acquire the full 16,000 shares. The total purchases in that account were 9,288 shares.

The CHAIRMAN. And where did you purchase those?

Mr. WIGGIN. In the over-the-counter market.

Senator COUZENS. They were off of the exchange at that time?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What did you say was the total number of shares purchased by this trading account during its life?

Mr. WIGGIN. My memorandum shows that it was 9,288 shares.

Mr. PECORA. And how many shares were sold?

Mr. WIGGIN. Nine thousand and forty shares, and—

Mr. PECORA (interposing). Leaving how many shares on hand at the termination of the account?

Mr. WIGGIN. Two hundred and forty-eight shares.

Mr. PECORA. And those shares were distributed between the two participants that remained in the account at the time of its termination?

Mr. WIGGIN. That is right.

Mr. PECORA. What was the trend of market quotations for the stock—

Mr. WIGGIN (interposing). Downward.

Mr. PECORA (continuing). From August 12, 1930, to July 9, 1931?

Mr. WIGGIN. Generally downward.

Senator COUZENS. What were the quotations at the end of the agreement in July of 1931?

Mr. WIGGIN. The market on July 8, 1931, is reported to me as being 75.

Mr. PECORA. Our record shows 74 bid and 75 asked on July 8, 1931. At the beginning of this account, August 12, 1930, the quotations were 138 bid and 135 asked.

Senator COUZENS. Thank you, Mr. Pecora.

Mr. PECORA. Well, Mr. Wiggin, was this account profitable?

Mr. WIGGIN. No, sir; there was no—Well, at the time when the stock was distributed it was selling at less than it cost the participants.

Senator COUZENS. I do not think that answers Mr. Pecora's question.

Mr. PECORA. Was it profitable, because you might have been indulging in short selling operations.

Mr. WIGGIN. There was none of that.

Mr. PECORA. What did you say?

Mr. WIGGIN. At the time when the stock was distributed it cost the participants 124 and the market was 75.

Mr. PECORA. That was only for 200-odd shares left in the account?

Mr. WIGGIN. Very true. But you see all profits and sales were adjusted. There was no cash distributed or called for in the windup of the syndicate. That was all adjusted in the stock that was delivered. So that showed the result.

Senator COUZENS. I still do not get the point. During this period you purchased some 9,200 shares, on a falling market all the time, so that there must have been accumulated losses all over that time. How was that statement made up?

Mr. WIGGIN. The purchases of stock cost \$1,236,437. The amount realized from sales was \$1,205,456. They had left in the account 248 shares. When they delivered the stock to the participants they gave them the 248 shares, and it cost them that difference.

Senator COUZENS. I understand that, but you could not have sold many of those shares at a market of 75, could you?

Mr. WIGGIN. Oh, no.

Senator COUZENS. You were not selling very rapidly at that time?

Mr. WIGGIN. You see, the account ran for pretty nearly a year, and this quotation of 75 was the price at the end of the period.

Senator COUZENS. So during the operating period you must, because of the small difference between those two amounts, have been selling at about the same prices you were paying?

Mr. WIGGIN. Yes, sir. The cost was \$31,000.

Senator ADAMS. During the course of these trading-account operations did your own holdings, and those of the companies that you controlled, increase or decrease?

Mr. WIGGIN. In between 1930 and 1931?

Senator ADAMS. Yes.

Mr. WIGGIN. I will have to find that out.

Mr. BISBEE. Do you mean at the beginning?

Senator ADAMS. Oh, no; in the general course of the trading account operations.

Mr. PECORA. Now, Mr. Wiggin—

Mr. WIGGIN (interposing). I am getting an answer to Senator Adams' question.

Mr. PECORA. Pardon me.

Mr. WIGGIN. I can give you some figures that may help in getting at this matter.

Senator ADAMS. All right.

Mr. WIGGIN. This was organized in August of 1930 and terminated July 31, 1931, this particular account that you are talking about.

Senator ADAMS. Really, what I was inquiring about was whether you were really a personal buyer or seller of the stock during the operation of the trading accounts, and whether your personal holdings, or those of your companies, increased or decreased.

Mr. WIGGIN. I haven't got the exact figures.

Senator ADAMS. Well, can you give us the general figures?

Mr. WIGGIN. On October 9, 1929, the total family holdings were 116,528 shares. On December 21, 1931, which was after that, they were 217,666 shares.

Senator ADAMS. So there was an increase in your personal and family holdings during the course of those trading accounts?

Mr. WIGGIN. Yes, sir. Now, is there some question remaining unanswered?

Mr. PECORA. Not any question that I put to you. But I am now going to put some questions to you.

Mr. WIGGIN. All right.

Mr. PECORA. This last trading account, which terminated on July 8, 1931—was it followed by any other trading account in which Metpotan Securities Corporation or Chase Securities Corporation was a participant?

Mr. WIGGIN. It was not followed by any other trading account.

Mr. PECORA. That is my information, too. Well, according to our recapitulation, Mr. Wiggin, of these eight trading accounts that you have been examined about, there was a total number of 869,894 shares of the capital stock of the Chase National Bank and Chase Securities Corporation purchased for those trading accounts, and the total number of shares of that same stock that were sold was 795,813, making a grand total of buying and selling operations for the purpose of all eight of those trading accounts of 1,665,707 shares.

Mr. CONBOY. We cannot confirm that figure, Mr. Pecora, for the reason, as I am informed, that it includes—

Mr. PECORA (interposing). That there was a split-up of the stock.

Mr. CONBOY (continuing). For the reason that it includes the Dominick & Dominick figures, which have not been made available to us.

Mr. PECORA. Well, now, Mr. Wiggin, I show you what purports to be an original letter addressed to me as counsel to this committee, dated September 20, 1933, signed by Mr. Hargreaves, Secretary of Chase Corporation. Please look at it and tell me if you recognize it to be the letter that was sent to me by Mr. Hargreaves in behalf of Chase Corporation.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Mr. Chairman, I offer the letter in evidence and ask that it may be spread on the record of the subcommittee's proceedings.

The CHAIRMAN. The letter will be received and the committee reporter will make it a part of the proceedings.

(A letter dated Sept. 20, 1933, from Mr. Hargreaves to Mr. Pecora was marked "Committee Exhibit No. 79, Oct. 27, 1933", and will be found immediately following where read by Mr. Pecora.)

Mr. PECORA. The committee reporter will leave out any pencil or pen and ink notations on this letter. The letter which has been

marked "Committee Exhibit No. 79" of this date, is written on the letterhead of the Chase Corporation, and reads as follows:

NEW YORK, September 20, 1933.

FERDINAND PECORA, Esq.,

*Counsel United States Senate Subcommittee on  
Banking and Currency.*

DEAR SIR: Pursuant to request for information no. 31 of your Mr. LaPadula we beg to advise that the following schedule shows profits or losses of Metpotan Securities Corporation on Chase stock transactions for the years 1928 to 1932, inclusive, both on a book basis and on a tax basis:

*Metpotan Securities Corporation profit and loss on Chase stock units*

Calendar year	Book basis	Tax basis
1928.....	\$580, 694. 89	\$706, 846. 01
1929.....	1, 828, 264. 82	1, 801, 769. 99
1930.....	14, 892. 06	1 391, 610. 31
1931.....	1 2, 386, 011. 24	1 2, 103, 591. 68
1932.....	118, 783. 74	146, 159. 83
	156, 614. 27	159, 573. 84
Difference in basis.....	2, 959. 57	-----
	159, 573. 84	-----

<sup>1</sup> Red figures.

Yours very truly,

H. HARGREAVES, *Secretary.*

Mr. PECORA. Mr. Wiggin, I observe that your corporation, the Shermar Corporation, was given participation in some of these eight trading accounts, but was not given participation in the others of those eight trading accounts. Under what circumstances did your corporation, the Shermar Corporation, acquire a participation in such of those trading accounts as it was given such participation in?

Mr. WIGGIN. Only when they needed it.

Mr. PECORA. What was that answer.

Mr. WIGGIN. Only when they needed it.

Mr. PECORA. You say only when they needed it? When who needed it?

Mr. WIGGIN. The Metpotan Securities Corporation.

Mr. PECORA. What did they need any participation on the part of Shermar Corporation for?

Mr. WIGGIN. On the Dominick & Dominick first account they gave options for 80,000 shares, I think it was, and only had 30,000 or 40,000 shares, and I don't know which. Shermar Corporation simply supplied what they needed.

Mr. PECORA. Now, it has already appeared, principally by means of the letter by Mr. Hargreaves that I have just offered in evidence, that during the 5 calendar years 1928 to 1932, both inclusive, the Metpotan Securities Corporation, as a result of its participation in those 8 trading accounts that were formed to trade in the stock of the Chase National Bank, derived total profits of about one hundred and fifty and odd thousand dollars. Now I want to ask you, Mr. Wiggin, if during those 5 calendar years comprised in that period of time, from 1928 to 1932, both inclusive, your corporation, the Shermar Cor-

poration, traded extensively in the open market in the shares of the Chase National Bank and Chase Securities Corporation?

Mr. WIGGIN. They traded, I think, quite largely; yes, sir.

Mr. PECORA. They traded very extensively, didn't they?

Mr. WIGGIN. I think so.

Mr. PECORA. Do you recall with what resultant profit or loss throughout this 5 years the Shermar Corporation conducted such trades?

Mr. WIGGIN. I think the Shermar Corporation showed a profit on the transactions.

Mr. PECORA. Do you know of about what amount for that 5-year period?

Mr. WIGGIN. I would have to look it up, but would say a substantial profit.

Mr. PECORA. You say you would have to look it up?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. But he says with a substantial profit.

Mr. PECORA. Thank you, Senator Couzens. Now, Mr. Wiggin, during that same period of time did the Murlyn Corporation, which you have also indicated was owned by you and your family, also trade extensively in the open market in the stock of the Chase National Bank and Chase Securities Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. There was another corporation that you have referred to in your testimony heretofore as being owned entirely by you and your family, called Clingston Co., Inc.?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Did that company also trade extensively in the open market in the stock of the Chase National Bank and Chase Securities Corporation during that 5-year period?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know whether the trading operations of the Murlyn Corporation in the Chase stock in that 5-year period, resulted in an aggregate profit or loss to the Murlyn Corporation?

Mr. WIGGIN. I will find out in just a minute. [After consulting an associate:] They realized a profit, but I cannot give you now the amount.

Mr. PECORA. You say you cannot give the amount of the profit?

Mr. WIGGIN. No, sir.

Mr. PECORA. During that same 5-year period did the Clingston Co., Inc., also trade extensively in the open market in the shares of the Chase National Bank and Chase Securities Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And do you know whether those operations resulted for that 5-year period in a profit to the Clingston Co., Inc.?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know the amount?

Mr. WIGGIN. No, sir.

Mr. PECORA. Now, the figures that we have obtained from data examined by us, tend to show that for this 5-year period the open market operations of the Shermar Corporation in the stock of the Chase National Bank and the Chase Securities Corporation, resulted in a profit to that corporation of \$5,594,333.26, and that the profits

accruing to the Murlyn Corporation from its similar operations for the same period of time amounted to \$386,161.30, and that the profits of the Clingston Co., Inc., for similar operations for the same period of time resulted in profits to that corporation of \$4,445,242.46, or aggregate profits for the three corporations of \$10,425,657.02. Have you any means of verifying those figures, Mr. Wiggin?

Mr. WIGGIN. We haven't got that. We will have to study it and see.

Mr. PECORA. Will you see that that is done between now and your next appearance before this subcommittee?

Mr. WIGGIN. Yes, sir.

Mr. CONBOY. Mr. Pecora, just so that we may be clear on what years are covered, let me ask—

Mr. PECORA (interposing). The five calendar years 1928 to 1932, both inclusive, with this exception that in the case of Clingston Co., Inc., the figures include the calendar year 1927, which according to our data, showed a profit to Clingston Co., Inc., for that year of \$666,621.40, which is included in the total for that company that I have given, namely, \$4,445,242.46.

Senator ADAMS. Mr. Pecora, in figuring those profits are they cash profits? Or is any consideration given to rise and fall of capital value?

Mr. PECORA. No; it is cash value.

Mr. CONBOY. Mr. Pecora, are you certain that the computations you read off did not include the year 1927 for any other company than Clingston Co., Inc.?

Mr. PECORA. Yes. I am certain that my data showed for the other two companies that their profits are for the five calendar years 1928 to 1932, both inclusive, but that for Clingston Co., Inc., the profits are for the six calendar years 1927 to 1932, both inclusive.

Mr. CONBOY. All right.

Mr. PECORA. Now, Mr. Wiggin, it has been shown that the Metpotan Securities Corporation during that 5-year period, 1928 to 1932, as a result of its trading operations in the stock of the bank, derived a profit, estimated on a book basis of only \$156,614.27, but that the same profit on a tax basis was estimated at \$159,573.84; and it appears that a profit of very nearly 10½ million dollars was acquired by your three companies in practically the same period of time. Can you explain the reason for the profits accruing to your personal companies from their market operations in the stock of the Chase National Bank; can you tell us why they exceeded so greatly the profits from similar operations undertaken by and on behalf of the Metpotan Securities Corporation?

Mr. WIGGIN. The entire family holdings, including the corporations, if treated altogether, would show, if sold at the market, a very different result.

Mr. PECORA. Would show what?

Mr. WIGGIN. A very different result in the matter of profits. You see the family at the end of 1932 had 194,000 shares of stock that had shrunk in market value from 280 to whatever it was, about 40 a share at that time. They had not sold it. If they had sold it they would have had a much worse result than these corporations. These

corporations had bought and sold, and we still held ours in the whole family.

Mr. PECORA. But that has nothing to do with my question.

Mr. WIGGIN. I think it has a great deal to do with it.

Mr. PECORA. I am asking about the operations of these three corporations as separate entities, and comparing them with the operations in the matter of a profit or loss result during the same period of time, in the same security, namely, Chase Bank stock and the securities affiliate of the Chase National Bank. How do you account for that astounding difference in the amount of profit derived by your three companies and that derived by Metpotan Securities Corporation?

Mr. WIGGIN. Well—

Senator COUZENS (interposing). Before you answer that question I should like to know what you mean by profit. Was it a paper profit or a cash profit? Do you know, Mr. Pecora?

Mr. PECORA. The profits I have stated in my questions, I understand, are entirely cash profits.

Senator COUZENS. They were cash profits, and therefore returned to the Income Tax Bureau. Is that correct?

Mr. WIGGIN. They were cash profits and went into the profits of the companies. What each showed I cannot tell you at this moment, but it is all available.

Senator COUZENS. I do not understand yet. What I am trying to get at is: Those profits, some 10½ million dollars, were not merely inventory profits or paper profits, were they?

Mr. PECORA. They were actually realized cash profits. Is that right, Mr. Wiggin, assuming that my figures are correct?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. They represent actual realized cash profits, don't they?

Mr. WIGGIN. Correct.

The CHAIRMAN. The income tax of the corporations would be different from that of individuals.

Mr. PECORA. I want to return to the question I have already asked. How do you account for the fact that during this 5-year period of time the market operations in the stock of the Chase Bank and the Chase Securities Corporation engaged in by the Metpotan Securities Corporation resulted in profits to that corporation of about \$159,000, whereas the market operations in the same stock for the same period of time, undertaken by your three corporations, the Shermar, the Murlyn, and the Clingston, resulted in profits to those corporations of around \$10,000,000?

Mr. WIGGIN. They were entirely different sorts of operations.

Mr. PECORA. They were open market operations, were they not?

Mr. WIGGIN. Metpotan's operations were buying and selling constantly.

Mr. PECORA. What was the kind of operations your three companies indulged in?

Mr. WIGGIN. Much longer holdings.

Mr. PECORA. What is that?

Mr. WIGGIN. Held for a much longer time.

Mr. PECORA. Was there anything to prevent the Metpotan Co. from displaying the same sort of judgment that was displayed by your three companies in those years in dealings with Chase National Bank stock?

Mr. WIGGIN. Their purpose was quite different. They went in on a trading account.

Mr. PECORA. Were they not in business to make profits, too?

Mr. CONBOY. You did not let him finish his answer.

Mr. PECORA. I did not mean to interrupt.

Mr. WIGGIN. Their purpose was quite different. They went in on trading accounts.

Mr. PECORA. You also said they went in to make profits, did you not?

Mr. WIGGIN. Yes.

Mr. PECORA. The Metpotan Securities Co. was not averse to making profits through these trading accounts, was it?

Mr. WIGGIN. No, sir.

Mr. PECORA. One of the purposes for which they went in was to make profits, if profits were possible, isn't that so?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Can you tell us, then, why it was that your three corporations, through their market operations in this capital stock of the Chase National Bank and the Chase Securities Corporation, conducted those operations in a manner that yielded profits to them of around \$10,000,000, whereas the Metpotan Securities Corporation, the wholly owned subsidiary of the Chase Securities Corporation, which, in turn, was wholly owned by the shareholders of the Chase National Bank, of which you were the executive head during that time, could only make profits of around \$159,000?

Mr. WIGGIN. Their purpose was quite different. They went in and out. They went in, not to tie up their money for long accounts, but simply to purchase and sell.

Mr. PECORA. The Metpotan Corporation, I presume, was entitled to receive the benefit of your advice and judgment and wisdom and knowledge of stock market operations, just as your three companies received it, was it not?

Mr. WIGGIN. Yes, sir. They came out very much better than the whole family.

Mr. PECORA. Who did?

Mr. WIGGIN. Metpotan.

Mr. PECORA. I am not talking about the whole family. I am talking about these three companies that are owned by you and the family, and comparing their operations with the Metpotan's operations. Can you account for the difference in the results of their operations, as compared with the results of the Metpotan Co.'s operations?

Mr. WIGGIN. Their method was purchasing and selling every day.

Mr. PECORA. And what was the method of your companies?

Mr. WIGGIN. Not purchasing and selling every day, but buying for a long time.

Mr. PECORA. What is that?

Mr. WIGGIN. A long-time operation, not for a short-time operation.

Mr. PECORA. You have said before that the Metpotan Co., among other reasons, went into these trading accounts for the purpose of making a profit; and we see that they did make a profit throughout these 5 years of around \$159,000, whereas your 3 companies in those 5 years made profits of around \$10,000,000 trading in the same stock. How can you account for it, if you can account for it at all?

Mr. WIGGIN. I do not know that I can add to that answer. The two accounts were two entirely different kinds of accounts. The Wiggin family corporations were long-time accounts and these other accounts were in and out.

Senator ADAMS. They were managed by different people?

Mr. WIGGIN. I had nothing to do with the managing of them.

Senator ADAMS. The question is whether anyone was claiming credit, by reason of superior business intelligence of one group over the other.

Mr. WIGGIN. Simply this. Those corporations bought and held. It was an investment with them, and when they sold they were entitled to what had happened in this long period of time. The other company was buying and selling each day, just in and out.

Mr. PECORA. It appears from Mr. Hargreaves' letter to me, marked "Committee's Exhibit 79" of this date, that for the calendar year 1931 the Metpotan Securities Corporation sustained a loss, on the book basis, of \$2,386,011.24, and on a tax basis of \$2,103,591.66, as a result of its operations as a participant in these trading accounts for that calendar year, whereas the Shermar Corporation, for that calendar year, that same calendar year in which the Metpotan Securities Corporation sustained a loss of over \$2,000,000, according to my data, made profits from its market operations in Chase Bank stock of \$4,198,492.22. Can you account for that difference?

Senator ADAMS. Mr. Pecora, does not that suggest that they were playing the other side of the market? If one fellow's guess is wrong the fellow that plays the other side wins.

Mr. PECORA. I do not know. I am trying to get the explanation from Mr. Wiggin.

Mr. WIGGIN. The Shermar profit that year resulted from the merger of another family corporation with it, the Murlyn Corporation, which enabled them to cover what then appeared on their account as a short sale of Chase stock. When they merged that account was liquidated and balanced out, and gave that big profit to the Shermar Corporation.

Mr. PECORA. According to my data the Murlyn Corporation, during that calendar year of 1931, traded in Chase National Bank stock to an extent that gave it profits of \$37,523.80

Mr. WIGGIN. You mean that that particular profit came that year?

Mr. PECORA. Yes.

Mr. WIGGIN. They may have had it for a long, long time.

Mr. PECORA. Yes; but they made profits in transactions in the stock of thirty-seven thousand and odd dollars.

Mr. WIGGIN. I do not know how long they had it. They may have had it for years. I would have to look that up.

Mr. CONBOY. Are you aware of the date of the merger?

Mr. PECORA. February 4, 1931.

Mr. CONBOY. Yes. That profit was only for the first month of the year that you referred to—that is, the profit of Murlyn.

Mr. PECORA. Mr. Wiggin, in subsequent examination of you it is my purpose to go further into the facts with regard to the merger to which you have just referred.

At this time I want to offer in evidence a tabulated statement showing the market quotations of prices for the capital stock of the Chase National Bank and Chase Securities Corporation from September 21, 1927, to December 31, 1931, and the price range between high and low, down to 1933, up to about the past month. I understand that this summary or tabulation has been examined by officers of the Chase Bank who are here now, and that they confirm the accuracy of the figures. Is that right, Mr. Conboy?

Mr. CONBOY. That is true.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted and entered on the record.

(The paper referred to, list of Chase National Bank stock-market prices, Sept. 21, 1927, to Dec. 31, 1931, etc., was received in evidence, marked "Committee's Exhibit No. 80", and the same will be found on page 2875.)

Mr. WIGGIN. May I read a memorandum which I will submit for the record?

Mr. CONBOY. It deals with Metpotan. It also deals with these holdings you have just been speaking about.

Mr. PECORA. All right.

Mr. CONBOY. It will probably be of some help to you over the week-end.

Mr. PECORA. Have you a copy of it?

Mr. CONBOY. He will give you this.

Mr. WIGGIN (reading):

To remove any misconception as to the objects and operations of the trading accounts for the purchase and sale of Chase stock, in which Metpotan Securities Corporation participated, I wish to make a very brief statement: Shortly after the consolidation of the Chase National Bank and the Metropolitan Bank in 1921 a number of large blocks of Chase stock came on the market. In order to protect stockholders from the decline in prices likely to accompany their absorption, the shares were purchased by Metpotan and marketed as the opportunity presented itself. The assistance of several investment and distributing houses was obtained in connection with the sale of these shares. Their ready disposition and the consequent increase in the number of stockholders suggested further efforts in that direction in the belief that the business of the bank would grow in proportion as its goodwill was enhanced by enlarging the number of persons interested in its success. Accordingly efforts were made to that end, and with such success that between December 23, 1921, and September 8, 1933, the number of stockholders increased from 2,189 to 89,196, of whom only 18,895 were directly attributable to the six consolidations which occurred during that period.

Beginning about 1928 the public demand for bank stocks increased so rapidly that, notwithstanding almost constant and rapid increase in the market price, 1,109,655 share were transferred during the year 1929 and, between December 13, 1928, and December 11, 1929, approximately 38,000 names were added to our list, of which only 3,892 were the direct result of consolidations. Notwithstanding that the market price has generally decreased during the intervening

three years and approximately ten months, the number of shareholders has increased from 50,510 to 89,196.

Having been introduced in the manner above mentioned to the practice of marketing shares of the bank and of the Chase Corporation, Metpotan was thereafter utilized as a vehicle for the shares of those institutions purchased and sold in the effort to increase the number of stockholders, to stabilize the market and render it as orderly as possible.

Since 1921, Metpotan has participated in 22 trading accounts; some were operated at a profit, some at a loss. The net result of the operations of all the accounts has been a profit of less than \$600,000. These accounts were not organized to advance the price of the stock and then liquidate. On the contrary, the thought was to provide both a purchasing power and a distributing power so that the stockholders might profit by the more orderly resulting market. I believe that were it not for the steadying effect of the Metpotan trading accounts, Chase would have advanced in 1929 far beyond the high price of 287, which it then reached.

That is in regard to the Metpotan. Now I would like to read in regard to this matter that you brought up.

Mr. PECORA. All right.

Mr. WIGGIN. On October 9, 1929, Shermar Corporation was short 60,396 shares. This was its maximum short position. At that time none of the other family companies had any Chase stock. Mr. Wiggin then owned 76,421 shares. The rest of the family owned a total of 100,503 shares.

So that the net of the entire group was a long position of 116,528 shares. This was the minimum of the group holdings from July 1929, when the stock was split up, to December 31, 1932. At no time since the split-up of the stock has Mr. Wiggin owned less than 67,930 shares.

Mr. PECORA. When were these two statements prepared that you just read into the record, Mr. Wiggin?

Mr. WIGGIN. The first statement with regard to Metpotan has been prepared within 2 or 3 days.

Mr. PECORA. Do you know who prepared it?

Mr. WIGGIN. Mr. Lynch prepared it.

Mr. PECORA. And when was the second statement prepared?

Mr. WIGGIN. About 2 weeks ago.

Mr. PECORA. About 2 weeks ago?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. By whom?

Mr. WIGGIN. Mr. Lynch prepared it.

Mr. PECORA. Who is Mr. Lynch?

Mr. WIGGIN. Of Rushmore, Bisbee & Stern.

Mr. PECORA. Now, Mr. Chairman, I understand Mr. Aldrich wishes to make a statement.

The CHAIRMAN. Mr. Aldrich desires to make a brief statement at this point.

#### TESTIMONY OF WINTHROP W. ALDRICH, PRESIDENT, THE CHASE NATIONAL BANK OF NEW YORK CITY—Resumed

Mr. ALDRICH. Mr. Chairman, in order that there shall be no misunderstanding on the part of the present stockholders of the bank as to what the attitude of the present management of the bank is with regard to the participation by the affiliates of the bank in trad-

ing accounts in bank stock, I would like to state that it is absolutely opposed to such transactions.

As a matter of fact, today the Metpotan Corporation does not deal in Chase stock in any way whatever, and as long as I have anything to do with the management the market in Chase stock shall not be affected by the operation of trading accounts by the affiliates of the bank.

The CHAIRMAN. Now the committee, to meet the convenience of all parties concerned, will adjourn until Tuesday at 10 o'clock. All witnesses under subpoena will be present at that time.

(Accordingly, at 1:10 p.m., the committee adjourned until 10 a.m. on the following Tuesday.)

COMMITTEE EXHIBIT 74, OCTOBER 27, 1933

The Chase Corporation formerly Chase Securities Corporation—Trading accounts in which Chase Securities Corporation participated, other than trading account operated in connection with security offerings (1928-32)

Issue	Date of formation	Date of settlement	Result of account to Chase Securities Corporation	Managers	Other participants where known
Continental Paper Bag Mills 6½'s.....	Feb 1928	Apr. 1928	\$996.41.....	Chase Securities Corporation, 25 percent.	Bankers Trust Co., 25 percent; International Securities Co., 50 percent.
Bank of East Prussian Landowners, 3 yr. 8's.	Mar 1928	May 1928	\$54.97.....	Blair & Co., Inc , 50 percent.....	Chase Securities Corporation, 50 percent.
General Gas & Electric Co , common.....	do.....	Sept. 1928	\$98,217.06 and 1,000 shares of stock.....	Pynchon & Co., 60 percent.....	Chase Securities Corporation, 20 percent Shermar Corporation, 20 percent.
Twin City Rapid Transit Co., first lien refunding 5½'s.	May 1928	Feb. 1929	\$2,135.99.....	Federal Securities Corporation, 30 percent.	Chase Securities Corporation, 25 percent H. M. Byllesby & Co., 25 percent; Halsey, Stuart & Co., 20 percent.
Washington Gas Light Co , common.....	do.....	June 1929	\$268,568.90.....	Pynchon & Co. 15% <sup>100</sup> percent.	Chase Securities Corporation, 18% <sup>100</sup> percent; Shermar, 12% <sup>100</sup> percent; Utilities Power & Light Co., 37% <sup>100</sup> percent; D. A. Pearson, 5 percent, J. O'Donnell, 3½ percent.
International Paper & Power, preferred..	Oct. 1928	July 1930	140 shares, at \$110 79 per share.....	Chase Securities Corporation, 20 percent.	International Securities Corporation, 60 percent Bankers Trust Co., 20 percent.
Sinclair Consolidated Oil Corporation, common.	do.....	May 1929	\$27,892.23.....	A. W. Cutten.....	Chase Securities Corporation and others
Republic of Poland 8's.....	Nov. 1928	Jan. 1929	\$676.31.....	Bankers Co., 20 percent.....	Chase Securities Corporation, 20 percent; Blair & Co, Inc , 20 percent; Guaranty Co , 20 percent, Kuhn, Loeb & Co., 20 percent.
Prairie Oil & Gas Co., common.....	Dec. 1928	Feb. 1929	7,216 shares for \$530,930.32.....	A. W. Cutten.....	Chase Securities Corporation, 21,750 shares, and others.
Prairie Pipe Line Co.....	do.....	do.....	\$6,693.04.....	do.....	Chase Securities Corporation, 7,250 shares and others.
Chicago Traction Securities.....	Jan. 1929	Sept. 1931	4,725 shares, \$1,865,500 bonds, for \$1,448,148.55.....	Chase Securities Corporation, 25 percent.	Utilities Power & Light Co , 50 percent Shermar, 25 percent.
American Woolen Co , preferred, common.	do.....	Feb. 1931	5,000 shares common, 5,350 shares preferred for \$292,933.99.....	Brown Bros. & Co., 33½ percent.	Chase Securities Corporation 16¾ percent; Shermar, 16¾ percent; Hayden, Stone & Co., 33½ percent.
International Paper & Power Co., preferred.	Apr. 1929	July 1930	950 shares at \$86.20 per share.....	Chase Securities Corporation, 10 percent.	International Paper & Power Co., 80 percent; Bankers Co., 10 percent.
Transcontinental Oil Co. stock account..	June 1929	Aug. 1929	\$209,620.97 and 23,901 shares common.	Theo. Schulze & Co., Inc.....	Chase Securities Corporation and others.
Utility Power & Light Corporation—Preferred.	do.....	Mar. 1930	\$2,721.69.....	Pynchon & Co.....	Do.
Class A.....	June 1929	Sept. 1930	5,620¾ shares for \$235,852.97.....	do.....	Chase Securities Corporation and others.
Transcontinental Oil Co., common.....	July 1929	Nov. 1930	12,400 shares Ohio Oil for \$511,687.75.	Stroud & Co.....	Do.

Utility Equities Corporation, common.....	July 1929		2,266 shares for \$113,585.95.....	First National Old Colony Corporation.	Chase Securities Corporation, Stone, Webster & Blodgett, Brown Bros., Cassat & Co.
Chase National Bank stock units.....	July 1929	Nov 1929	\$225,108.93.....	Dominick & Dominick.....	Chase Securities Corporation 40,000 shares, Shermar 40,000 shares.
Cuba Cane Sugar Corporation reorganization option warrants	Aug. 1929	April 1930	590 warrants for \$1,213.73.....	Hayden Stone & Co.....	Chase Securities Corporation and others.
Transcontinental Oil Co., common	Sept. 1929	Mar 1930	9,297 shares for \$111,385 04.....	Stroud & Co.....	Do.
International Power & Paper first 5's.....	Sept. 1929	Dec. 1929	\$10,000 bonds at \$86.60 per bond.....	Chase Securities Corporation, 50 percent	Bankers Co., 25 percent, Harris Forbes & Co., 25 percent.
Vacuum Oil Co., common.....	Sept. 1929	Apr 1930	220 shares for \$27,571 02.....	Bancamerica Blair Corporation..	Chase Securities Corporation and others.
Seaboard Air Line Ry Syndicate.....	Sept. 1929	( <sup>2</sup> )		Dillon Read & Co.....	Do.
Bethlehem Steel Corporation common.....	Oct. 1929	( <sup>3</sup> )	9,654 shares for \$1,120,283 68.....	Guaranty Co, 30 percent.....	Bankers Co. 25 percent, National City 25 percent, Chase Securities Corporation 10 percent, J. & W. Seligman & Co. 10 percent.
Chase National Bank stock units.....	Jan 1930	Mar 1930	\$23,268 54.....	Dominick & Dominick.....	Chase Securities Corporation, 2,475 shares, Shermar, 825 shares.
Grigsby Grunow Co., common.....	Apr 1930	Nov 1930	12,485 shares at \$36 50 per share.....	Guaranty Co, 25 percent.....	Chase Securities Corporation, 25 percent Continental Ill. Co., 50 percent.
St. Louis San Francisco Ry, preferred and common.	Apr. 1930	July 1931	37,300 common at \$30 04 per share.....	Dillon Read & Co.....	Chase Securities Corporation \$6,666,666.67, Murlyn \$3,333,333.33.
Canadian International Paper Co first 6's.		Jan. 1931	92,000 bonds at \$87.65 per bond.....		
Mission Securities Corporation syndicate	June 1930	Open.....	Advanced \$1,323,256.50.....	Chase Securities Corporation, 50 percent	Bankers Co. 25 percent, Harris Forbes Co 25 percent.
Republic of Cuba 5½'s serial.....	Sept. 1930	July 1931	7,000 bonds at \$93.1014 per bond.....	Bancamerica Blair.....	Chase Securities Corporation 16¾ percent, Shermar 8¾ percent.
International Hydro Electric 6's.....	Nov. 1930	Jan 1931	\$572 08.....	Chase Securities Corporation, 50 percent.	Equitable Corporation 13¾ percent, Chase National Bank 14¾ percent, Blair 26¾ percent, Cont. Ill. Co. 25 percent.
National Steel Car Lines 5's.....	Jan 1931	Mar. 1931	\$1,567.83.....	Guardian Detroit Co. 33¾ percent.	Bankers Co. 25 percent, Harris Forbes & Co. 25 percent.
Curtis Publishing Co., preferred.....	Mar. 1931	Oct. 1931	\$600.35.....	Chase Securities Corporation, 50 percent.	White Weld Co 33¾ percent, Chase Securities Corporation 33¾ percent.
McKesson & Robbins 5½'s.....	Mar. 1931	May 1931	13,000 bonds at \$87.27 per bond.....	E. B. Smith & Co.....	Cassatt & Co. 50 percent.

<sup>1</sup> Red figures.

<sup>2</sup> Still open; advanced \$982,951.98.

<sup>3</sup> Various.

## COMMITTEE EXHIBIT 75, OCTOBER 27, 1933

[Metpotan account, Chase National Bank and Chase Securities Corporation stock (new)]

	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance forward 1931 .....					16, 776. 145	\$511, 672. 42 <sup>1</sup>
1932						
January .....	30, 432	\$1, 100, 809. 51	31, 515	\$1, 079, 592. 87	15, 693. 145	532, 889. 06
February .....	33, 966	1, 332, 538. 19	40, 518	1, 516, 705. 48	9, 141. 145	348, 721. 77
March .....	21, 420	872, 740. 03	23, 520, 840	949, 296. 00	7, 040. 305	272, 165. 80 <sup>1</sup>
April .....	20, 974	672, 441. 18	18, 557, 250	639, 855. 76	9, 457. 055	304, 751. 22
May .....	23, 867	641, 585. 63	20, 073	582, 246. 07	13, 236. 055	364, 090. 78
June .....	27, 926	611, 030. 84	24, 793	606, 566. 69	16, 369. 055	368, 554. 93
July .....	12, 138	313, 401. 81	19, 847	477, 106. 76	8, 660. 055	204, 849. 98
August .....	43, 004	1, 685, 847. 81	45, 605	1, 643, 138. 13	6, 059. 055	247, 559. 66
September .....	47, 966	2, 100, 113. 66	47, 691	2, 079, 316. 71	6, 334. 055	268, 356. 61
October .....	18, 645	692, 667. 54	14, 714, 400	577, 802. 67	10, 264. 655	383, 221. 48
November .....	14, 865	529, 017. 55	15, 123	554, 238. 79	10, 006. 655	358, 000. 24
December .....	15, 431	537, 784. 43	14, 944	532, 441. 87	10, 493. 655	363, 342. 80
Total .....	310, 624	11, 089, 978. 18	316, 906. 490	11, 238, 307. 80		

Metpotan account, Chase National Bank and Chase Securities Corporation stock (new)						
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance forward, 1930 .....					14, 542. 652	\$1, 525, 212. 80
1931						
January .....	32, 461. 160	\$3, 115, 112. 98	41, 764. 505	\$3, 951, 805. 71	5, 239. 307	688, 520. 07
February .....	17, 399. 700	1, 782, 145. 46	19, 402. 765	2, 001, 449. 56	3, 236. 242	469, 215. 97
March .....	13, 430. 400	1, 367, 136. 04	10, 680. 100	1, 085, 390. 13	5, 986. 542	750, 961. 88
April .....	21, 120. 020	1, 899, 880. 78	16, 525. 250	1, 483, 177. 12	10, 581. 312	1, 167, 665. 54
May .....	40, 164. 435	3, 017, 633. 28	34, 204. 735	2, 584, 817. 97	16, 531. 012	1, 600, 480. 85
June .....	48, 876. 825	3, 433, 885. 73	49, 412. 850	3, 519, 025. 21	15, 994. 987	1, 515, 341. 37
July .....	28, 216. 250	2, 050, 295. 31	25, 650. 875	1, 828, 394. 65	18, 560. 362	1, 737, 242. 03
August .....	19, 761. 000	1, 220, 852. 10	16, 902. 120	1, 031, 104. 17	21, 409. 242	1, 926, 989. 96
September .....	99, 486. 842	5, 790, 807. 57	97, 354. 042	4, 545, 629. 00	23, 542. 042	3, 172, 168. 53
October .....	78, 202. 000	3, 436, 612. 46	83, 153. 480	3, 644, 913. 41	18, 590. 562	2, 963, 867. 58
November .....	26, 337. 000	1, 275, 994. 51	28, 190. 000	1, 373, 351. 89	16, 737. 562	2, 896, 510. 20
December .....	98, 166. 583	2, 964, 229. 54	98, 128. 000	2, 933, 056. 08	16, 776. 145	511, 672. 42
Total .....	523, 602. 215	31, 354, 585. 76	521, 368. 722	32, 368, 126. 14		

Group account (new), Chase National Bank and Chase Securities Corporation stock (new)						
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance forward, 1930 .....					539	\$86, 846. 07
1931						
January .....	200	\$17, 779. 99	200	\$17, 640. 40	539	66, 985. 66
February .....		206. 40			539	67, 194. 06
March .....		231. 45				67, 425. 51
April .....		224. 75				67, 660. 26
May .....		217. 98				67, 868. 24
June .....		241. 31				68, 109. 55
July .....		234. 60				68, 344. 15
August .....		45. 56	539	68, 389. 71		
Total .....	200	19, 184. 04	739	86, 080. 11		

<sup>1</sup> Reserve.

COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

	Group account (old), Chase National Bank and Chase Securities Corporation stock (new)				
	Purchases, amount	Sales		Balance	
		Shares	Amount	Shares	Amount
Balance forward, 1930.....				445	\$57,689.80
1931					
January.....				445	57,689.80
February.....				445	57,689.80
March.....				445	57,689.80
April.....				445	57,689.80
May.....				445	57,689.80
June.....				445	57,689.80
July.....				445	57,689.80
August.....				445	57,689.80
September.....				217	57,689.80
October.....	\$6,000.91	223	\$51,102.39	43	12,588.32
November.....		43	12,588.32		
Total.....	6,000.91	445	63,690.71		

	Joint account Chase National Bank and Chase Securities Corporation stock (new)				Special reserve for undelivered stock no. 1 Chase National Bank and Chase Securities Corporation stock				
	Amount purchased	Sales		Balance		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance forward, 1930.....			248	\$30,338.46			8,818.125	\$1,567,665.67	
1931									
January.....	\$104.50		248	30,442.96			8,818.125	1,567,665.67	
February.....	94.71		248	30,537.67			8,818.125	1,567,665.67	
March.....	105.19		248	30,642.86	1,875	\$333.33	8,816.250	1,567,332.34	
April.....	102.14		248	30,745.00			8,816.250	1,567,332.34	
May.....	99.07		248	30,844.07			8,816.250	1,567,332.34	
June.....	109.67		248	30,953.74	15,000	2,666.67	8,801.250	1,564,665.67	
July.....	27.52	248	\$30,981.26		206,250	36,666.66	8,595.000	1,527,999.01	
August.....							8,595.000	1,527,999.01	
September.....									
Total.....	642.80	248	30,981.26				8,818.125	1,567,665.67	

	Metpotan account, Chase National Bank and Chase Securities Corporation Stock (new)					
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance forward 1930.....					11,073.958	\$1,606,945.81
1930						
January.....	18,456.958	\$3,023,164.83	17,144.833	\$2,841,063.91	12,386.083	1,789,046.73
February.....	26,748.417	4,448,180.83	22,977.792	3,856,279.78	16,156.708	2,380,947.78
March.....	51,045.796	8,814,511.51	43,984.796	7,514,623.60	23,217.708	3,680,855.69
April.....	16,765.250	2,810,238.20	44,795.208	7,414,835.70	14,812.250	1,923,761.81
May.....	23,220.000	3,757,197.92	22,857.000	3,718,800.79	14,449.250	1,885,364.68
June.....	94,395.535	13,983,112.92	44,517.300	6,014,839.58	45,428.985	7,082,908.66
July.....	8,032.993	1,079,650.95	9,066.790	1,223,376.61	44,395.188	6,939,183.00
August.....	65,820.710	10,773,616.49	107,133.365	17,224,621.66	3,082.533	488,177.83
September.....	27,196.995	3,901,802.20	24,425.115	3,565,410.23	5,864.413	824,569.80
October.....	48,516.600	5,839,519.79	48,511.725	5,998,062.04	5,869.288	966,027.55
November.....	48,481.160	4,946,065.17	46,697.140	4,780,366.95	7,743.308	831,725.77
December.....	71,576.013	6,228,573.01	64,776.670	5,535,085.98	14,642.651	1,525,212.80
Total.....	500,256.427	69,605,633.82	496,787.734	69,687,366.83		

1 Deficit.

## COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

	Joint account, Chase National Bank and Chase Securities Corporation Stock (new)					
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
1930						
May.....	64,045.800	\$10,822,770.38	4,527	\$758,199.90	59,518.800	\$10,064,570.48
June.....	25,761	4,069,323.79	10,719	1,555,282.44	74,560.800	12,578,611.83
July.....	2,811	486,185.84	3,746	512,324.76	73,625.800	12,552,472.41
August.....	3,299	509,908.88	76,536.800	13,008,871.86	388	53,508.93
September.....	3,560	513,943.76	3,735	540,659.44	213	26,793.25
October.....	2,539	311,496.50	2,492	306,324.08	260	31,965.67
November.....	588	58,073.60	600	59,808.30	248	30,230.97
December.....		107.49			248	30,338.46
Total.....	102,603.800	16,771,809.24	102,355.800	16,741,470.78		

	Group account (old), Chase National Bank and Chase Securities Corporation Stock (new)					
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance forward 1929.....					10,747	\$1,585,619.60
1930						
January.....	10,967	\$1,797,285.96	8,833	\$1,449,728.07	12,881	1,933,177.49
February.....	21,758	3,614,294.75	19,059	3,187,871.38	15,560	2,369,000.86
March.....	42,221	7,308,237.61	32,640	5,538,406.96	25,161	4,129,431.51
April.....	15,950	2,694,468.51	21,769	3,646,517.24	19,342	3,177,382.78
May.....	19,454.750	3,188,880.30	14,688	2,387,100.49	24,108.750	3,979,162.59
June.....	22,613	3,613,708.24	7,019	984,661.03	39,702.750	6,608,209.80
July.....	1,515	203,370.00	2,272	320,447.13	38,945.75	6,491,132.67
August.....		34,918.30	38,500.750	6,468,361.17	445	57,689.80
September.....					445	57,689.80
October.....					445	57,689.80
November.....					445	57,689.80
December.....					445	57,689.80
Total.....	134,478.750	22,455,163.67	144,780.750	23,983,093.47		

	Group account Chase National Bank and Chase Securities Corporation stock (new)					
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
1930						
July.....	7,281	\$1,017,632.26	7,368	\$1,030,156.67	177	\$12,524.41
August.....	5,750	793,797.73	5,358	741,404.52	315	39,868.80
September.....	8,117	1,186,382.03	7,963	1,166,696.89	469	59,553.04
October.....	2,193	269,355.43	2,132	262,667.90	530	66,241.47
November.....	975	101,703.93	966	102,972.10	519	64,973.30
December.....	938	83,284.65	918	81,411.88	539	66,846.07
Total.....	25,254	3,452,156.03	24,715	3,385,309.96		

<sup>1</sup> Deficit.

COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

Group account Equitable Trust Co. Stock						
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
	1930					
March.....	6,906	\$941,087.46	913	\$123,169.38	5,993	\$817,918.08
April.....	6,781	909,464.47	274	36,393.06	12,500	1,690,989.49
May.....	6,781	883,675.29	53	6,861.24	19,228	2,567,703.54
June.....			19,228	2,567,703.54		
Total.....	20,468	2,734,127.22	20,468	2,734,127.22		

Joint account Equitable Trust Co stock						
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
	1930					
May.....	8,872	\$1,177,230.25	2	\$268.96	8,870	\$1,176,961.29
June.....	2,001	267,023.50	10,871	1,443,984.79		
Total.....	10,873	1,444,253.75	10,873	1,444,253.75		

Metpotan account, Equitable Trust Co. stock						
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
	1930					
March.....	7,706	\$1,046,776.63	212	\$29,021.90	7,494	\$1,017,754.73
April.....	8,624	1,142,181.25	1,001	135,285.30	15,117	2,024,650.68
May.....	13,543	1,769,597.50	139	17,367.16	28,521	3,776,881.02
June.....	26	3,483.00	28,547	3,780,364.02		
Total.....	29,899	3,962,038.38	29,899	3,962,038.38		

Metpotan account, Interstate Trust Co. stock						
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
	1930					
April.....	11,768	\$624,365.06	1	\$53.71	11,767	\$624,311.35
May.....	1,621	77,319.00			13,288	701,630.35
June.....			13,288	701,630.35		
Total.....	13,289	701,684.06	13,289	701,684.06		

COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

		Special reserve for undelivered stock No. 1, Chase National Bank and Chase Securities Corporation stock					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
Balance from 1929						9,470.625	\$1,638,666.63
1930							
January				93.750	\$16,666.66	9,376.875	1,667,000.02
February				13.125	2,333.34	9,363.750	1,664,666.68
March				142.500	25,333.34	9,221.250	1,639,333.34
April				369.375	65,666.67	8,851.875	1,573,666.67
May				20.625	3,666.67	8,831.250	1,570,000.00
June				1.875	333.33	8,829.375	1,569,666.67
July		.208		2.083	333.33	8,827.500	1,569,333.34
August						8,827.500	1,569,333.34
September				9.375	1,666.67	8,818.125	1,567,666.67
October					1.00	8,818.125	1,567,665.67
November						8,818.125	1,567,665.67
December						8,818.125	1,567,665.67
Total		.208		652.708	116,001.01		

		Metpotan, Chase rights					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
Balance forward, 1929						1	\$69.41
1930							
January		.600	\$57.00			1.600	126.41
March			220.00	1.600	\$346.41		
Total		.600	277.00	1.600	346.41		

		Metpotan account, Chase National Bank and Chase Securities Corporation stock (new)					
		Purchase		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
1929							
July		121,612.667	\$24,384,648.38	89,104.667	\$18,273,323.37	32,508	\$6,111,325.01
August		33,323.583	7,539,917.44	58,742.333	13,032,682.27	7,089.250	618,560.18
September		49,842.584	13,183,367.42	49,130.792	12,197,742.75	7,801.042	1,604,134.85
October		55,381.583	12,421,218.86	56,352.250	12,938,767.88	6,780.375	1,086,635.83
November		70,845.458	11,392,813.53	47,187.708	8,113,931.81	30,438.125	4,365,517.55
December		19,210.166	3,372,142.30	38,574.333	6,130,714.04	11,073.958	1,606,945.81
Total		350,166.041	72,294,107.93	339,092.083	70,687,162.12		

		Group account, Chase National Bank and Chase Securities Corporation stock (new)					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
1929							
July		113,953	\$23,373,318.05	89,134	\$18,561,266.45	24,819	\$4,812,051.60
August		38,643.500	9,142,282.41	57,908	12,907,073.50	5,554.500	1,047,280.51
September		61,826.750	15,386,542.64	60,772.250	15,097,650.35	6,609	1,336,152.30
October		67,161.625	16,034,544.07	68,230.625	16,415,024.03	5,540	955,672.34
November		45,503	7,603,944.51	32,364	5,828,248.79	13,679	2,731,368.56
December		15,423	2,574,575.98	23,355	3,720,324.94	10,747	1,585,619.60
Total		342,510.875	74,115,207.66	331,763.875	72,529,588.06		

COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

		Metpotan account, Chase National Bank and Chase Securities Corporation stock (old)					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
Balance forward, 1928.....						106	<sup>1</sup> \$43,906.12
1929							
January.....	569	\$591,819.00	536	\$472,467.12	139	75,445.76	
February.....	2,399	2,239,320.00	2,265	2,116,147.80	273	198,617.96	
March.....	1,662	1,825,884.00	1,774	1,963,530.08	161	60,971.88	
April.....	7,253	8,649,944.60	5,291	6,220,681.32	2,123	2,490,235.16	
May.....	1,983	2,139,128.38	1,571	1,985,503.94	2,535	2,643,859.60	
June.....	3,267	3,190,155.08	2,781	2,747,392.60	3,021	3,086,622.08	
July.....	1,468	1,666,338.00	4,489	4,752,960.08			
Total.....	18,601	20,302,589.06	18,707	20,258,682.94			

		Four-Four account Chase National Bank and Chase Securities Corporation stock (old)					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
Balance forward, 1928.....						265	<sup>1</sup> \$129,417.49
1929							
January.....	5,989	\$5,443,076.67	5,547	\$4,792,096.24	707	521,562.94	
February.....	4,738	4,421,186.32	4,915	4,610,950.80	530	331,798.46	
March.....	9,336	9,817,797.52	9,075	9,628,441.40	791	521,154.58	
April.....	9,732	11,536,837.54	10,553	12,091,221.32	<sup>1</sup> 30	<sup>1</sup> 23,179.20	
May.....	30	33,179.20					
Total.....	29,825	31,252,127.25	30,090	31,122,709.76			

		Metpotan account, American Express Co. stock					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
1929							
April.....	3,500	\$1,200,925.00			3,500	\$1,200,925.00	
May.....	700	226,360.00	100	\$32,496.00	4,100	1,394,809.00	
June.....	225	69,545.00	245	77,121.32	4,080	1,387,232.68	
July.....	100	36,833.33	4,180	1,424,066.01			
Total.....	4,525	1,533,683.33	4,525	1,533,683.33			

		Metpotan account, American Express Co. stock C/D					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
1929							
May.....	1,100	\$361,540.00			1,100	\$361,540.00	
June.....	345	109,661.32			1,445	471,201.32	
July.....			1,445	\$471,201.32			
Total.....	1,445	471,201.32	1,445	471,201.32			

<sup>1</sup> Deficit.

## COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

		Metpotan account, Park Bank stock					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
1929							
September.....		600	\$125,800 00	600	\$125,800 00	-----	-----
Total.....		600	125,800 00	600	125,800 00	-----	-----
		Joint account, Chase National Bank and Chase Securities Corporation stock (old)					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
Balance forwarded, 1928.....						146	<sup>1</sup> \$67,144 78
1929							
January.....		50	\$48,162 97	191	\$165,438 97	5	<sup>1</sup> 189,420 78
February.....			198,911.56	5	4,490 78	-----	-----
Total.....		50	237,074.53	196	169,929.75	-----	-----
		Metpotan account, undelivered no 1, Chase National Bank and Chase Securities Corporation stock (new)					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
1929							
July.....		14,751.667	\$2,950,333.33	166.667	\$33,333.33	14,585.000	\$2,917,000.00
August.....		1,823.125	-----	1,106.250	196,666.66	15,301.875	2,720,333.34
September.....			-----	1,273.125	226,333.33	14,028.750	2,494,000 01
October.....			-----	3,270.000	581,333.33	10,758.750	1,912,666 68
November.....			-----	1,250.625	222,333.33	9,508.125	1,690,333 35
December.....			-----	37.500	6,666.67	9,470.625	1,683,666 68
Total.....		16,574.792	2,950,333.33	7,104.167	1,266,666.65	-----	-----
		Metpotan account, reserve for undelivered stock No. 2, Chase National Bank and Chase Securities Corporation stock (new)					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
1929							
September.....		187.500	\$32,500.00	-----	-----	187.500	\$32,500.00
October.....			-----	187.500	\$32,500.00	-----	-----
Total.....		187.500	32,500.00	187.500	32,500.00	-----	-----

<sup>1</sup> Deficit.

## COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

Metpotan account, reserve for special undelivered Chase National Bank and Chase Securities Corporation stock (new)						
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
1929						
July.....	6,000 000	\$1,200,000.00	3,205 000	641,000.00	2,795	\$559,000.00
August.....	561.458	100,000.00	3,356.458	659,000.00		
Total.....	6,561.458	1,300,000.00	6,561.458	1,300,000.00		

  

Group account, Chase National Bank & Chase Securities Corporation, rights						
	Purchases		Sales		Balance	
	Rights	Amount	Rights	Amount	Rights	Amount
1929						
May.....	6,190	\$668,542.00	449	\$55,653.64	5,741	\$612,888.36
June.....	20,589.200	2,316,402.08	12,367	1,511,692.16	13,963.200	1,417,698.28
July.....	472	2,018,065.91	14,435.200	3,435,664.19		
Total.....	27,251.200	5,003,009.99	27,251.200	5,003,009.99		

  

Metpotan account, Chase National Bank & Chase Securities Corporation, rights						
	Purchases		Sales		Balance	
	Rights	Amount	Rights	Amount	Rights	Amount
1929						
May.....	2,188.400	\$236,384.60	4,637.400	\$583,695.52	1 2,449	1 \$347,310.92
June.....	35,896.600	3,920,616.74	10,196.600	1,231,615.12	23,251	2,341,690.70
July.....	1,891.200	195,376.40	26,100.600	2,542,377.25	41,600	1 5,310.15
August.....	2	320.00	32 600	3,360.10	11	1 8,350.25
September.....	.400	70.00			11,400	1 8,280.25
October.....		8,209.00	10 600	48.94	800	1 120.19
November.....	.400	208.56			1,200	88.87
December.....			200	18.96	1	69.41
Total.....	39,979	4,361,185.30	39,978	4,361,115.89		

  

Group account, Chase National Bank & Chase Securities Corporation, stock (old)						
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
1929						
April.....	9,753	\$11,205,699.50	3,706	\$4,238,457.00	6,047	\$6,967,242.50
May.....	1,800	1,973,515.62	1,341	2,152,543.44	6,506	6,788,214.68
June.....	1,071	1,037,553.88	547	527,926.20	7,030	7,297,842.36
July.....	6	36,290.03	7,036	7,334,132.39		
Total.....	12,630	14,253,059.03	12,630	14,253,059.03		

1 Deficit.

## COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

	Joint account, Chase National Bank & Chase Securities Corporation stock (old)					
	Purchases		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance forward 1927.....					64	<sup>1</sup> \$69,352.59
1928						
January.....	1,425	\$815,727.48	861	\$458,104.12	628	290,270.77
February.....	1,743	974,178.10	1,851	759,863.92	1,020	504,584.95
March.....	708	415,639.40	1,852	1,051,455.84	<sup>1</sup> 124	<sup>1</sup> 131,231.49
April.....	652	399,211.00	487	317,508.04	41	<sup>1</sup> 49,528.53
May.....	719	612,495.16	690	585,981.19	70	<sup>1</sup> 23,014.56
June.....	248	149,543.70	109	64,098.28	209	62,430.86
July.....	304	158,064.61	303	166,042.76	210	54,452.71
August.....	190	104,135.53	389	189,880.88	11	<sup>1</sup> 21,292.64
September.....	174	74,493.51	285	166,037.20	<sup>1</sup> 100	<sup>1</sup> 122,836.83
October.....	657	388,200.00	288	169,523.47	269	95,840.20
November.....	1,167	715,739.80	1,226	780,588.58	210	80,991.42
December.....	928	669,373.44	992	767,509.64	146	<sup>1</sup> 67,144.78
Total.....	8,915	5,476,801.73	8,833	5,476,593.92		

	Metpotan account, Chase National Bank & Chase Securities Corporation stock (old)					
	Purchase		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance forward 1927.....					<sup>1</sup> 478	<sup>1</sup> \$263,705.76
1928						
January.....	1,847	\$1,011,881.20	974	\$549,594.08	395	198,581.36
February.....	91,800	51,466.80	483	272,883.36	3,800	<sup>1</sup> 22,835.20
March.....	2,682,200	1,513,226.00	597	331,562.24	2,089	1,158,828.56
April.....	401	281,366.00	2,244	1,618,872.48	246	<sup>1</sup> 178,677.92
May.....	3,110	2,296,879.20	3,188	2,350,968.96	168	<sup>1</sup> 232,767.68
June.....	654	406,347.00	1,111	675,900.24	<sup>1</sup> 289	<sup>1</sup> 502,320.92
July.....	1,248	1,080,955.92	959	528,635.00		
Total.....	10,084	6,592,122.12	9,556	6,328,416.36		

	Metpotan account, Chase National Bank & Chase Securities Corporation stock (old)					
	Purchase		Sales		Balance	
	Shares	Amount	Shares	Amount	Shares	Amount
1928						
July.....	748	\$406,572.00	558	\$313,916.56	190	\$91,655.44
August.....	704	388,758.68	819	445,334.48	75	35,079.64
September.....	71	42,207.08	95	55,827.40	51	21,459.32
October.....	645	322,330.00	254	151,497.68	342	193,791.64
November.....	1,305	837,222.00	1,279	824,649.68	368	206,363.96
December.....	2,737	1,998,406.00	2,999	2,248,676.08	106	<sup>1</sup> 43,908.12
Total.....	6,110	3,995,995.76	6,004	4,039,901.88		

<sup>1</sup> Deficit.

COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

Metpotan account—Special carry 1 and 2, Chase National Bank & Chase Securities Corporation stock (old)						
Purchases		Sales		Balances		
Shares	Amount	Shares	Amount	Shares	Amount	
Balance forward 1927.....						1 \$325.00
1928						
January.....				1		325.00
February.....				1		325.00
March.....				1		325.00
April.....				1		325.00
May.....				1		325.00
June.....				1		325.00
July.....	22	\$8,831		23		9,128.00
August.....			20	3	\$28	1,128.00
September.....				3	8,000	1,128.00
October.....				3		1,128.00
November.....				3		1,128.00
December.....				3		1,128.00
Total.....				22	8,831	20 8,028

Metpotan account, Chase National Bank and Chase Securities Corporation (rights)						
Purchases		Sales		Balance		
Rights	Amount	Rights	Amount	Rights	Amount	
1928						
June.....	31,849	\$1,727,762.58	28,305	\$1,750,383.40	3,544	\$22,620.82
July.....	3,337	98,104.84	6,768	68,916.46	113	6,567.56
August.....	52	1,402.00	158	7,881.48	7	88.08
September.....			5	32.08	2	56.00
October.....	75	2,588.00	75	2,574.00	2	70.00
November.....	3	70.00	5	140.00		
Total.....				35,316	1,829,927.42	35,316 1,829,927.42

Joint account, Chase National Bank and Chase Securities Corporation (rights)						
Purchases		Sales		Balance		
Rights	Amount	Rights	Amount	Rights	Amount	
1928						
June.....	3,264	\$179,274.96	3,061	\$184,608.48	203	\$45,333.52
July.....	201	6,970.94	404	1,637.42		
Total.....				3,465	186,245.90	3,465 186,245.90

Four-Four account, Chase National Bank and Chase Securities Corporation (rights)						
Purchases		Sales		Balance		
Rights	Amount	Rights	Amount	Rights	Amount	
1928						
June.....	32,201	\$1,731,494.38	31,476	\$1,888,902.98	825	\$157,408.60
July.....	3,065	189,026.76	3,890	31,618.16		
Total.....				35,366	1,920,521.14	35,366 1,920,521.14

1 Deficit.

COMMITTED EXHIBIT 75, OCTOBER 27, 1933—Continued

		Four-Four account, Chase National Bank and Chase Securities Corporation (rights)			
		Purchases		Sales	
		Rights	Amount	Rights	Amount
1928					
January.....		35	\$1,470.00	35	\$1,470.00
Total.....		35	1,470.00	35	1,470.00

		Metpotan account, Chase National Bank and Chase Securities Corporation (rights)					
		Purchases		Sales		Balances	
		Rights	Amount	Rights	Amount	Rights	Amount
1928							
January.....		50	\$2,100	50	\$2,100		
February.....		19	798	15	630	4	\$168
March.....		2	84	5	210	1	42
April.....		14	980	15	1,022		
May.....		5	395	5	395		
Total.....		90	4,357	90	4,357		

		Four-Four account, Chase National Bank and Chase Securities Corporation stock (old)					
		Purchases		Sales		Balances	
		Shares	Amount	Shares	Amount	Shares	Amount
Balance forward 1927.....						1 178	1 \$128,511.57
1928							
January.....		4,702	\$2,675,841.53	3,624	\$2,061,547.23	900	\$495,782.73
February.....		1,271	704,838.56	1,301	721,170.42	870	469,450.87
March.....		4,120	2,386,806.95	4,475	2,579,022.20	515	277,235.62
April.....		6,998	4,649,601.96	7,513	4,926,837.58		
Total.....		17,091	10,417,089.00	16,913	10,288,577.43		

		Four-Four account, Chase National Bank and Chase Securities Corporation stock (old)					
		Purchases		Sales		Balance	
		Shares	Amount	Shares	Amount	Shares	Amount
1928							
April.....		3,369	\$2,268,956.42	3,274	\$2,292,642.08	95	1 \$23,685.66
May.....		4,463	3,298,288.31	4,660	3,393,028.20	1 2	1 118,425.55
June.....		3,901	2,530,727.40	3,439	2,213,672.28	460	198,629.57
July.....		2,222	1,196,924.72	2,236	1,246,489.32	446	149,064.97
August.....		1,068	586,727.08	1,514	789,684.88		1 63,892.85
September.....		2,329	1,337,048.67	2,174	1,296,476.75	155	1 13,320.93
October.....		2,476	1,456,851.00	2,087	1,172,466.29	544	271,063.78
November.....		3,897	2,423,735.68	4,234	2,733,602.28	207	1 38,802.82
December.....		5,972	4,383,549.21	5,914	4,474,183.88	265	1 129,417.49
Total.....		29,697	19,482,808.47	29,432	19,612,225.96		

Deficit.

COMMITTEE EXHIBIT 75, OCTOBER 27, 1933—Continued

		Joint account, Chase National Bank and Chase Securities Corporation, (rights)					
		Purchases		Sales		Balance	
		Rights	Amount	Rights	Amount	Rights	Amount
Balance forward 1927.....						3	\$130.46
January 1928.....				3	\$130.46		
Total.....				3	130.46		

		Metpotan account Mutual Bank stock			
		Sales		Balance	
		Shares	Amount	Shares	Amount
Balance forward, 1927.....				10	\$7,646
January 1928.....		10	\$7,646		
Total.....		10	7,646		

<sup>1</sup> Deficit.

*Metpotan account Chase National Bank and Chase Securities Corporation stock (old)*

Date	Balance (short)		Metpotan interest in account	Date	Metpotan net position (long)
	Shares	Amount			
1928					
Mar. 5.....	5,200	\$27,740.40	5,200		790,850
Mar. 6.....	6	28,130.32	6		787,300
Mar. 7, 8.....	20	35,819.12	20	{Mar. 7 Mar. 8	762,750 697,200
Mar. 9-11.....	120	90,911.12	120		528,200
Mar. 12.....	116	88,431.88	116		527,950
Mar. 13.....	182	125,781.64	182		485,450
Mar. 14.....	162	114,601.64	162		497,750
Mar. 15-18.....	182	125,800.04	182	{Mar. 15 Mar. 16	479,500 485,000
Mar. 19.....	82	70,800.04	82		613,750
Mar. 20, 21.....	52	53,970.04	52	{Mar. 20 Mar. 21	628,500 609,750
June 6-10.....	53	399,101.00	53	{June 6 June 7 June 8	60,250 51,500 25,000
June 28.....	100	397,609.04	100		460,850
July 12.....	8	490,874.42	8		430,950
July 13-15.....	8	491,412.82	8		439,350
July 17.....	9	491,866.62	9		375,300
July 18.....	10	492,366.62	10		260,250
Dec. 6.....	19	90,234.76	19		86,750
CHASE NATIONAL BANK AND CHASE SECURITIES CORPORATION RIGHTS					
1928					
June 22.....	245	113,041.92	245		350,450
June 23, 24.....	200	111,956.72	200		393,200
June 25.....	1,156	189,819.64	1,156		185,500

Four-Four account Chase National Bank and Chase Securities Corporation stock, (old)

Date	Short balance		Met-potan interest in account	Date	Metpotan net position (long)
	Shares	Amount			
1928					
Jan. 3-4	198	\$189,768.95	491 $\frac{1}{2}$		1,067.000
Jan. 5	165	121,215.91	411 $\frac{1}{4}$		1,068.250
Jan. 6	51	57,135.48	123 $\frac{3}{4}$		1,059.250
Apr. 11	122	125,561.38	301 $\frac{1}{2}$		2,073.200
Apr. 27	52	133,984.42	13		804.500
Apr. 28-29	63	142,193.54	153 $\frac{1}{2}$		720.750
May 4-6	23	129,244.11	53 $\frac{1}{4}$	(May 4 May 5)	474.250
May 7	40	138,705.51	10		388.250
May 22	1	118,468.83	$\frac{3}{4}$		264.000
May 31	2	118,425.55	$\frac{1}{2}$		325.250
Aug. 30	15	62,386.09	33 $\frac{1}{2}$		203.500
Sept. 4	33	73,364.29	83 $\frac{1}{4}$		86.950
CHASE NATIONAL BANK AND CHASE SECURITIES CORPORATION (RIGHTS)					
1928					
June 22	1,395	162,636.52	3483 $\frac{3}{4}$		350.450
June 23-24	1,170	155,661.52	2921 $\frac{1}{2}$		393.200
June 25	1,797	261,095.64	4491 $\frac{1}{4}$		185.500
June 26	1,046	225,940.40	2611 $\frac{1}{2}$		225.900
June 27	646	203,828.36	1611 $\frac{1}{2}$		377.600
June 28	236	185,369.08	59		460.850

Joint account Chase National Bank and Chase Securities Corporation stock, (old)

Date	Short balance		Met-potan interest in account	Date	Metpotan net position (long)
	Shares	Amount			
1928					
Feb. 10-13	295	\$229,309.23	1477 $\frac{1}{2}$	{Feb. 10 Feb. 11	78.700
Mar. 22	291	234,836.53	1451 $\frac{1}{2}$		71.200
Mar. 23-25	284	230,501.29	147		1,858.500
Mar. 26	328	255,424.57	164		1,938.750
Mar. 27-29	24	72,478.89	12		1,958.200
Mar. 30	124	132,470.89	62		2,044.700
Mar. 31-Apr. 1	124	131,231.49	62		2,208.450
Apr. 2	139	140,215.29	691 $\frac{1}{2}$		2,156.950
Apr. 3-4	160	146,815.41	75		2,157.700
Apr. 5-8	192	172,303.41	96		2,139.450
Apr. 9	287	199,534.81	1181 $\frac{1}{2}$		2,161.200
Apr. 10	205	217,342.57	1321 $\frac{1}{2}$		2,068.700
Apr. 11	269	219,898.25	1341 $\frac{1}{2}$		2,028.450
Apr. 16	97	137,112.25	381 $\frac{1}{2}$		2,028.700
Apr. 17	3	95,271.57	11 $\frac{1}{2}$		2,028.450
Apr. 18	63	132,861.77	311 $\frac{1}{2}$		2,061.700
Apr. 26-29	5	82,073.53	21 $\frac{1}{2}$		2,073.200
Sept. 5	5	40,652.36	21 $\frac{1}{2}$		2,373.250
Sept. 6	9	43,076.04	41 $\frac{1}{2}$		2,348.000
Sept. 7-9	9	43,040.90	41 $\frac{1}{2}$		2,815.500
Sept. 10-11	9	43,076.04	41 $\frac{1}{2}$		1,594.500
Sept. 12	14	45,830.64	7		804.500
Sept. 13-19	10	43,430.64	5	{Sept. 13 Sept. 14 Sept. 17 Sept. 18 Sept. 19	720.750
Sept. 20	40	60,856.64	20		103.250

*Joint account Chase National Bank and Chase Securities Corporation stock (old)—*  
Continued

Date	Short balance		Met-potan interest in account	Date	Metpotan net position (long)
	Shares	Amount			
1928					
Sept. 21-27.....	90	\$116,967.13	45	{Sept. 21 Sept. 24 Sept. 25 Sept. 26 Sept. 27	106.790 64.540 67.540 67.040 89.540
Sept. 28-30.....	100	122,836.33	50		42.790
Oct. 1.....	23	78,276.00	11½		120.290
Oct. 2.....	7	68,965.00	3½		158.900
Oct. 3.....	59	99,231.60	29½		134.400
Oct. 4.....	37	86,533.60	18½		136.150
Oct. 5-7.....	62	101,106.60	31		118.150
Oct. 8-9.....	22	77,999.60	11	{Oct. 8 Oct. 9	132.400 141.400
Oct. 10.....	2	66,439.60	1		166.300
CHASE NATIONAL BANK AND CHASE SECURITIES CORPORATION (RIGHTS)					
1928					
June 22-24.....	68	11,350.64	34	{June 22 June 23	350.450 393.200
June 25.....	147	16,540.16	73½		185.500
June 26.....	129	15,002.80	64½		225.800
June 27.....	111	14,072.80	55½		377.600
June 28.....	1	8,106.80	½		460.850

*Metpotan account Chase National Bank and Chase Securities Co. stock (old)*

Date	Short balance		Metpotan interest of account	Date	Metpotan net position (long)
	Shares	Amount			
1929					
Jan. 28.....	11	\$53,269.24	11		197.500
Feb. 19.....	95	143,367.52	95		32.500
Feb. 20.....	49	105,697.20	49		87.250
Feb. 21-24.....	20	78,969.92	20		168.750
CHASE NATIONAL BANK AND CHASE SECURITIES CO. (RIGHTS)					
1929					
May 31.....	2,449	347,310.92	2,449		8,344.334
June 1-2.....	4,636.80	631,257.14	4,636.80		7,300.384
GROUP ACCOUNT CHASE NATIONAL BANK AND CHASE SECURITIES CO. (RIGHTS)					
1929					
July 1-2.....	1	102.00	.60	{July 1 July 2	91,463.876 89,094.876

*Four-Four account, Chase National Bank and Chase Securities Corporation stock (old)*

Date	Short balance		Metpotan interest in accounts	Date	Metpotan net position (long)
	Shares	Amount			
1929					
Apr. 11.....	376	\$570, 173. 49	94.		5, 980. 167
Apr. 12.....	235	398, 892. 89	58 750		6, 300. 583
Apr. 13-14.....	236	400, 095. 81	59		6, 258. 833
Apr. 15.....	72	196, 660. 41	18		6, 521. 500
Apr. 16.....	107	230, 115. 61	28. 750		6, 472. 230
Apr. 17.....	52	200, 991. 61	20. 500		6, 603. 197
Apr. 18.....	57	171, 666. 61	14 250		6, 811. 250
Apr. 19-21.....	52	61, 046. 19	13	Apr. 19	5, 463. 833
Apr. 22.....	50	56, 829. 20	12. 500	Apr. 20	4, 863. 833
Apr. 23.....	40	45, 029. 20	10		4, 971. 500
				Apr. 24	5, 107. 833
				Apr. 25	5, 340. 833
				Apr. 26	5, 649. 000
				Apr. 28	5, 825. 833
Apr. 24-May 3.....	30	33, 179. 20	7. 500	Apr. 29	6, 072. 167
				Apr. 30	6, 305. 667
				May 1	6, 304. 167
				May 2	6, 324. 667
				May 3	6, 382. 667
May 4-5.....	25	27, 069. 20	6. 250		6, 381. 417
				May 6	6, 413. 917
				May 7	6, 349. 917
				May 8	6, 440. 917
				May 9	6, 588. 417
				May 10	6, 701. 917
				May 11	6, 681. 917
May 6-21.....	15	16, 050. 00	3 750	May 13	6, 855. 250
				May 14	6, 738. 917
				May 15	6, 676. 917
				May 16	6, 682. 917
				May 17	6, 687. 250
				May 18	6, 687. 750
				May 20	6, 638. 750
				May 21	6, 614. 084
				May 22	6, 667. 750
May 22-26.....	5	5, 800. 00	1. 250	May 23	7, 416. 917
				May 24	8, 363. 750

*Group account, Chase National Bank and Chase Securities Corporation stock (new)*

Date	Short balance		Metpotan interest in account	Date	Metpotan net position (long)
	Shares	Amount			
1930					
July 14.....	188	\$26, 263. 40	112. 800		106, 267. 005
July 15.....	495	69, 551. 85	297. 000		105, 895. 527
July 16.....	483	68, 343. 03	289. 800		106, 054. 976
July 17.....	382	53, 879. 67	229. 200		105, 665. 368
July 18-20.....	310	44, 258. 67	186. 000		105, 668. 693
July 21.....	523	74, 212. 72	313. 800		105, 592. 070
July 24.....	470	67, 371. 70	282. 000		105, 967. 161
July 25-27.....	566	80, 812. 31	339. 600		105, 968. 520
July 28.....	288	41, 809. 95	172. 800		106, 214. 830
July 29.....	429	61, 769. 59	257. 400		106, 130. 230
July 30.....	199	29, 553. 25	119. 400		106, 275. 021
July 31.....	77	12, 524. 41	46. 200		106, 394. 522
Aug. 1.....	7	2, 771. 83	4. 200		106, 443. 105
Aug. 2-3.....	12	3, 466. 59	7. 200		106, 490. 939
Aug. 18.....	13	4, 926. 11	7. 800		114, 416. 107
Sept. 10.....	239	45, 460. 75	143. 400		13, 443. 144
Sept. 12-14.....	92	24, 185. 18	55. 200	Sept. 12	13, 641. 261
				Sept. 13	13, 644. 261
JOINT ACCOUNT CHASE NATIONAL BANK AND CHASE SECURITIES CORPORATION STOCK (NEW)					
1930					
Aug. 14.....	1, 015	133, 742. 02	465. 208		115, 358. 591
Sept. 26-28.....	62	9, 961. 82	28. 417	Sept. 26	13, 352. 212
Sept. 29.....	8	2, 741. 14	3. 667	Sept. 27	13, 292. 212
Oct. 8.....	201	24, 856. 79	92. 125		13, 385. 347
					25, 067. 954

*Metpotan account, Chase National Bank and Chase Securities Corporation stock (new)*

Date	Short balance		Metpotan interest in account	Date	Metpotan net position (long)
	Shares	Amount			
1930					
Apr. 24	1,880.458	\$475,488.99	1,880.458		32,459.850
Apr. 25-27	741.333	283,790.46	741.333		34,300.815
Apr. 29	6,637.813	1,230,114.22	6,637.813		81,062.135
Apr. 30	4,886.813	937,652.94	4,886.813		34,668.935
May 1	4,040.208	796,369.04	4,040.208		35,860.500
May 2	3,634.208	729,760.76	3,634.208		36,694.040
May 2-4	3,522.208	711,064.46	3,522.208		36,708.040
May 6	1,406.833	352,318.15	1,406.833		44,125.770
May 17-18	9,361.458	1,685,152.16	9,361.458		44,852.093
May 19	9,303.708	1,675,547.84	9,303.708		46,018.710
May 20	9,327.708	1,679,462.14	9,327.708		48,193.718
May 21	7,510.833	1,372,627.22	7,510.833		55,358.617
May 22	7,426.958	1,358,629.73	7,426.958		57,136.258
May 23-25	6,619.958	1,222,968.73	6,619.958	May 23	59,695.967
May 26	5,219.708	987,521.19	5,219.708	May 24	59,711.300
May 27	5,173.708	979,300.71	5,173.708		61,959.806
May 28	5,033.333	984,455.11	5,033.333		62,958.973
May 29-June 1	4,523.333	899,295.81	4,523.333		64,643.808
					81,682.485

COMMITTEE EXHIBIT No. 80, OCTOBER 27, 1933

*Chase National Bank stock market prices*

	Quotations			Quotations	
	Bid	Ask		Bid	Ask
Sept 21, 1927	575	580	Dec 30, 1930	83¼	84¼
Dec 31, 1927	545	549	July 8, 1931	74	75
Mar. 20, 1928			Sept. 17, 1931	46½	47½
Apr. 18, 1928	684	690	Dec. 31, 1931	30	31
Dec. 31, 1928	885	893			
Apr. 11, 1929	214	218		Low	High
July 19, 1929	219	222			
Sept. 10, 1929	231	233			
Nov. 11, 1929	160	167			
Dec. 31, 1928	154	159	Price range.		
Jan. 7, 1930	160	164	1927	422	625
Mar. 7, 1930	176	179	1928	545	893
May 15, 1930	164	166	1929 (old)	845	1,325
July 3, 1930	130	133	1929 (new) (split 5 for 1)	140	283
July 10, 1930	137½	140½	1930	79	181
Aug. 12, 1930	133	135	1931	28¼	110
Oct. 10, 1930	119½	121½	1932	19	49½
Nov. 11, 1930	97½	99½	1933	17¾	38½



# STOCK EXCHANGE PRACTICES

TUESDAY, OCTOBER 31, 1933

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

The subcommittee met, pursuant to adjournment on Friday, October 27, 1933, in the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Gore (substitute for Barkley), Adams (proxy for Costigan), Couzens, Townsend, and Goldsborough (substitute for Norbeck).

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver and David Saperstein, associate counsel to the committee; and Frank J. Meehan, chief statistician to the committee; Martin Conboy, counsel for Albert H. Wiggin; Eldon Bisbee, Alfred E. Mudge, Joseph B. Lynch, and C. Horace Tuttle, of Rushmore, Bisbee & Stern; and also William Dean Embree and A. Donald MacKinnon, of Milbank, Tweed, Hope & Webb, counsel representing the Chase National Bank and the Chase Corporation.

The CHAIRMAN. The subcommittee will come to order. Mr. Wiggin has resumed the stand. You may proceed, Mr. Pecora.

## TESTIMONY OF ALBERT H. WIGGIN—Resumed

Mr. PECORA. Mr. Wiggin, you have already given some testimony with respect to the Shermar Corporation, and with respect to the Murlyn Corporation, and with respect to the Clingston Co., Inc. Do these three companies have generally the same stockholders?

Mr. WIGGIN. The same interests control.

Mr. PECORA. And those interests are yourself and the immediate members of your family?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. At that point may I ask: Have you any Canadian corporations?

Mr. WIGGINS. Not now, but there were some.

Senator COUZENS. When did you have any Canadian corporations?

Mr. WIGGIN. I will have to get that data. [Inquiring of an associate.]

Mr. PECORA. Was there a corporation known as Medfield Corporation, Ltd.?

Mr. WIGGIN. That was one of the Canadian companies.

Senator COUZENS. How many Canadian companies did you have?

Mr. WIGGIN. Three.

Senator COUZENS. Can you give us the names of them?

Mr. WIGGIN. Medfield Corporation, Ltd.; Selcott Corporation, Ltd.; Greenwich Corporation, Ltd. They were all organized in 1925 and dissolved in 1931.

Senator COUZENS. Have you any corporations outside of the United States other than the Canadian corporations, or did you have?

Mr. WIGGIN. No, sir.

Mr. PECORA. For what purpose was the Shermar Corporation created?

Mr. WIGGIN. I have already, as you will remember, testified to that, but will try to give you the complete story on it.

Mr. PECORA. All right.

Mr. WIGGIN. It was organized primarily to relieve me of any personal work in connection with the details, so that the corporation would be an entity run by itself and have its own officers. It was organized in order that my family, who owned a part of it, would be familiar with the business transactions. It was done with the hope that such mistakes as I made in a business way would always be in corporate affairs and not be exposed to the public when I died. It was made expecting that it would be of benefit at the time of my death in the matter of inheritance taxes. And it was hoped that it would help in the matter of income taxes.

Mr. PECORA. Was the Murlyn Corporation created for the same general purposes?

Mr. WIGGIN. For the same general purposes. There was a little sentiment about it. One company had my first daughter's name, and then I started the second company with my second daughter's name.

Mr. PECORA. It was not organized merely for the purpose of giving you an opportunity to make use of your daughter's name, was it?

Mr. WIGGIN. No. It was organized for the same general purposes, but there was a matter of sentiment involved.

Mr. PECORA. How about Clingston Co., Inc.? Was that organized for the same general purposes as the Shermar Corporation and the Murlyn Corporation?

Mr. WIGGIN. Clingston Co., Inc., was a Delaware company, with the right to operate in New Jersey, and was organized primarily to save New York State income taxes—or franchise tax, I should say.

Mr. PECORA. Was it organized to engage in the same kind of business and transactions generally as the Shermar Corporation and the Murlyn Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. How was it hoped that the organization and operation of these three corporations could help in the matter of income tax?

Mr. WIGGIN. Well, as it turned out I don't think it did. But your question was: How was it hoped to do it?

Mr. PECORA. Yes.

Mr. WIGGIN. I think simply on the theory that the 12½ percent tax on corporations would be less than the individual income tax.

Mr. PECORA. And also would distribute the profits through different entities and thereby prevent taxes from being levied in the higher brackets?

Mr. WIGGIN. Well, just as I stated, that it was thought the income tax to a corporation would be less. But it did not work out that way as a matter of fact, for the reasons I have already testified to. These companies paid substantial dividends, so that the stockholders had to pay an income tax on their personal income; and for the reason that they had a large investment in bonds and notes, and they had to pay a tax on its income from those interest items, which meant double taxation.

Mr. PECORA. What was the purpose for the creation of the Medfield Corporation, Ltd., which was one of those Canadian companies you have mentioned?

Mr. WIGGIN. I think the purpose of the Medfield Corporation, Ltd., the same as the other two Canadian companies, was for the purpose of minimizing the tax on other corporations.

Mr. PECORA. How was it sought to accomplish that purpose, through what processes?

Mr. WIGGIN. Well, say they sold securities, that the Shermar Corporation, or whatever company it was, sold securities to the Canadian companies, and took in exchange for those securities the stock and debentures of the Canadian Companies.

Mr. PECORA. Well, by that means how was it hoped to save anything in the matter of income taxes?

Mr. WIGGIN. The investment of the Canadian companies—well, as I understand it, there was no tax on two of those Canadian companies on their earnings.

Senator COUZENS. Were the earnings of those companies all made in Canada? Was that the reason?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. Then you did not make any income-tax return on those corporations whose earnings were made in Canada; is that correct?

Mr. WIGGIN. I will have to get the details on that. I cannot say "no" or "yes" to that question offhand. [After consulting an associate.] I am advised that no income tax was reported in Canada because counsel for the Canadian companies located in Canada said there was no tax to pay.

Mr. PECORA. How did those Canadian companies transact business?

Mr. WIGGIN. When they sold securities the securities were sold in Canada, delivered in Canada, and the money put in bank in Canada.

Mr. PECORA. And in that way it was claimed that the transactions all took place in Canada and hence were not liable to taxation by the United States Government; was that the contention?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That was the scheme and purpose?

Mr. WIGGIN. That was the plan.

Mr. PECORA. Now, those three Canadian companies were all controlled by the same stockholders and interests as the Shermar Corporation, the Murlyn Corporation, and the Clingston Co., Inc.?

Mr. WIGGIN. Yes, sir.

Senator GORE. Did they deal in different lines of stocks, or what was the point in having three Canadian companies?

Mr. WIGGIN. I don't know what the point was in having three companies.

Senator GORE. These three American concerns that you say sold stocks to the Canadian concerns, do you mean that they sold their own stocks, or did they sell stocks generally of other concerns?

Mr. WIGGIN. They sold stocks that they owned at the time, and took the securities of the Canadian companies in payment.

Senator GORE. Was there any effort made in connection with those transactions to take a made loss in the sale of stocks by the American concerns to the Canadian concerns?

Mr. WIGGIN. No, sir. That was done, as I understand it, under the reorganization section of the income-tax law.

Senator COUZENS. Did you make returns on your Canadian corporations which had an income from investments in the United States?

Mr. WIGGIN. Is that the same question as the other one?

Senator COUZENS. No. The previous question, which I think you replied to, was to the effect that you did not make an income-tax return in Canada because your lawyer said it wasn't necessary. Now, I am asking if in the case of any of these Canadian corporations where an income was earned in America you made an income-tax return to the United States?

Mr. WIGGIN. Let me see about that. [Consulting an associate.] Will you read that question? [Which was done.] [Again consulting an associate.] Yes, sir; they have been filed.

The CHAIRMAN. Do you mean that those three Canadian corporations made income-tax returns to the United States each year?

Mr. WIGGIN. Well, they filed their returns; yes, sir.

Senator COUZENS. But you did not file a return unless there was income earned in the United States, did you?

Mr. WIGGIN. Yes, sir; I think so.

Mr. PECORA. Were those Canadian corporations all incorporated in the year 1925?

Mr. WIGGIN. I think so; yes, sir.

Mr. PECORA. And they were all dissolved in the year 1931?

Mr. WIGGIN. I think so.

Mr. PECORA. Do you know what the occasion was for their dissolution in 1931?

Mr. WIGGIN. They were no longer advantageous.

Mr. PECORA. Had they proved advantageous up to that time?

Mr. WIGGIN. I don't know whether they had or not.

Mr. PECORA. Are the books of account of those three Canadian companies still in existence?

Mr. WIGGIN. Oh, I think so.

Mr. PECORA. Where?

Mr. WIGGIN. In New York, I think.

Mr. PECORA. Well, in whose office?

Mr. WIGGIN. Undoubtedly in my office somewhere.

Mr. PECORA. Do you know whether the Medfield Corporation, Ltd., earned any profits on such securities transactions as it had with any one of your other three corporations, like the Shermar Corporation?

Mr. WIGGIN. I don't know. [Consulting an associate.] I don't know but they may have.

Mr. PECORA. Were those profits, if any derived—derived from transactions that it was claimed were had wholly in Canada and hence not subject to taxation by the United States?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Is that true also of the Greenwich Corporation, Ltd.?

Mr. WIGGIN. I don't know but I think very likely so.

Mr. PECORA. And also of the Selcott Corporation, Ltd.?

Mr. WIGGIN. I don't know, but it may have been.

Mr. PECORA. Now, would you describe to the subcommittee as comprehensively as you can the course that those transactions took that were had in the names of those three Canadian corporations and under circumstances which caused them to claim that the transactions occurred entirely outside of the United States?

Mr. WIGGIN. Read the question, please.

(The question of Mr. Pecora was read by the shorthand reporter.)

Mr. WIGGIN. Property was actually sold to the Canadian corporations, and the income on those securities was collected in Canada.

Mr. PECORA. By the income do you mean profit?

Mr. WIGGIN. No. No; I mean the income on the securities that they owned. And when they made sales they made them in Canada. The securities were actually sent to Canada, delivered in Canada, and the cash deposited in a Canadian bank.

Mr. PECORA. The securities that were the subject of those transactions were, however, securities that were transferred to the Canadian companies by the Shermar Corporation or the Murlyn Corporation or the Clingston Co.?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And the transactions all were virtually had for the benefit of the same interests, because the same interests controlled both groups of corporations?

Mr. WIGGIN. Yes, sir.

Mr. CONBOY. May I just speak to the witness a minute?

(Mr. Conboy conferred with Mr. Wiggin.)

Mr. WIGGIN. May I correct a statement I have made in error?

Mr. PECORA. Certainly.

Mr. WIGGIN. The income from the securities owned was not collected in Canada.

The CHAIRMAN. Where was it collected?

Mr. WIGGIN. It was collected by the trust department of the Chase National Bank and held for the account of the Canadian companies.

Senator COUZENS. It was on American securities, though, was it not?

Mr. WIGGIN. I think so; yes.

Senator GORE. Did the three Canadian companies have distinct sets of offices?

Mr. WIGGIN. Yes, sir.

Senator GORE. Different personnel in each one of the offices?

The CHAIRMAN. You stated these Canadian corporations made income-tax returns to the United States, but you did not say whether they paid any income taxes to the United States. Do you know whether they did or not?

Mr. WIGGIN. The taxes were withheld at the source. That is, the bond interest, tax was paid on that.

Mr. PECORA. You do not mean by that that the taxes on anything but the income from the securities were paid?

Mr. WIGGIN. Oh, no; that is all.

Mr. PECORA. That is all you mean; you do not mean taxes on any profits that actually accrued from the transfer of the securities?

Mr. WIGGIN. No, sir.

Mr. PECORA. There were no such income taxes paid on profits derived from the transfers to the Canadian company, were there?

Mr. WIGGIN. I think not.

Mr. PECORA. And the reason—

Mr. WIGGIN. Let me get this right, Mr. Pecora.

Mr. PECORA. All right.

Mr. WIGGIN (after conference with associates). Will you repeat the question now?

(The shorthand reporter read the last full question of Mr. Pecora.)

Mr. WIGGIN. Well, if there was a profit on anything sold to them; yes.

Mr. PECORA. But there were no profits on the occasion of those transfers, because your domestic corporations—by that I mean the Shermar, the Murlyn, and the Clingston Co.—whenever they turned over or transferred securities to any of your Canadian companies, received back stock of the Canadian companies in exchange? Is that the course of the transaction?

Mr. WIGGIN. Let me get this right. Will you repeat that?

(The shorthand reporter read the last question of Mr. Pecora.)

Mr. WIGGIN. That was only the initial transaction. Any other transaction, if there was a sale—I do not know whether there was—at a profit, why, it was of course shown as a profit to the selling company.

Mr. PECORA. That is, a subsequent transfer of those securities so acquired by the Canadian companies would—well, I see your counsel shaking their heads in the negative before I complete my question.

Mr. CONBOY. But that is not correct.

Mr. PECORA. That is why I asked Mr. Wiggin before to describe comprehensively the course of these transactions. Now, can you do it, Mr. Wiggin? Confer with your counsel, if that will enable you to answer the question.

Mr. WIGGIN. May I have repeated what I said before? I think it was quite complete, but perhaps it is not clear.

Mr. PECORA. I do not think it was very enlightening. Let me put it in another way. Let me ask you this line of questions about it: Among the avowed purposes for the creation of these Canadian companies was to save your local or domestic companies income-tax payments to the United States Government?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And you felt that through the creation of the Canadian companies some legal method could be devised to enable you to effect such savings?

Mr. WIGGIN. It was so; yes, sir.

Mr. PECORA. And that was the thought back of the organization of these Canadian companies?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And did they serve that purpose?

Mr. WIGGIN. I don't know.

Mr. PECORA. Well, who does know?

Mr. WIGGIN. I think—I don't know as anybody can answer it. What the final outcome was I don't know.

Mr. PECORA. Your domestic companies were trading in securities continuously, were they not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And whenever they bought securities and wanted to resell them at prices that would enable them to derive profits from the transaction, the resale was by means of an exchange of those securities with the Canadian companies, not for cash but for capital stock of the Canadian companies, and then the Canadian companies effected a resale of them in Canada—was that the process?

Mr. WIGGIN. The initial transaction; yes.

Mr. PECORA. Now tell the committee, please, the whole course of these transactions, will you, and if you want to get any assistance from your counsel about that, why, do not hesitate to do it.

Senator GORE. Mr. Wiggin, I have to leave in a moment and I would like to ask you this question: You organized 3 companies on this side of the line and 3 on the other, apparently triplets on either side of the line. Now did they deal indiscriminately with each other, say, A, B, and C on this side, and X, Y, and Z on the other? Would A trade with X, Y, and Z, and C with X, Y, and Z, and B with X, Y, and Z, or did they kind of pair off?

Mr. WIGGIN. I am not sure there were any trades, but I think there were some.

Senator GORE. And they would have been made just promiscuously one with the other as the occasion happened to call for or justify?

Mr. WIGGIN. I think so. The Canadian companies when they were formed issued their own securities in exchange for securities previously held by the Shermar and other companies, and after that if a Canadian company wanted to sell any securities they made an offer from Canada, the bid for purchase was transferred to Canada, the securities delivered in Canada and cash put in the Canadian bank. If the Shermar Corporation or the other corporations wanted to sell securities and were going to sell to a Canadian company, it took the same form as selling to anybody. If there was a profit it went into profit and paid its income tax.

Mr. PECORA. That is, the Shermar or the other local companies paid an income tax?

Mr. WIGGIN. If there was any profit; yes.

Mr. PECORA. If there was any profit, but in many instances the profit was derived by the Canadian company through the medium or the course of transaction that you have just described?

Mr. WIGGIN. On sales by the Canadian companies; yes, sir.

Mr. PECORA. Now, when the Canadian companies took over in exchange for their own stock securities turned over to it by one of your local companies, were those securities taken over by the Canadian company at cost or at market?

Mr. WIGGIN. At market value.

Mr. PECORA. And then were resold by the Canadian company in Canada?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. As a rule, were those resales made to Canadian interests?

Mr. WIGGIN. I don't think so.

Mr. PECORA. Were they usually made to interests here in America?

Mr. WIGGIN. Usually.

Mr. PECORA. The only reason then for having these transactions take this circuitous route was to enable the Canadian companies to claim that the transactions were had entirely in Canada and hence did not become liable to taxation in favor of the United States Government if no profits were derived therefrom? Is that right, Mr. Wiggin?

Mr. WIGGIN. Will you read that question, please?

(The shorthand reporter read the question of Mr. Pecora.)

Mr. WIGGIN. That is true as to the securities that were sold.

Mr. PECORA. Now, how were the funds or moneys which the Canadian companies derived from those resales of such securities eventually disposed of?

Mr. WIGGIN. The money was reinvested.

Mr. PECORA. The money would be invested?

Mr. WIGGIN. Reinvested.

Mr. PECORA. By the Canadian companies, of course?

Mr. WIGGIN. Yes.

Mr. PECORA. With the aid and assistance of any of your local companies?

Mr. WIGGIN. Oh, I think so.

Mr. PECORA. And upon the dissolution of these three Canadian companies in 1931 what disposition was made of their assets?

Mr. WIGGIN. All of the securities of the Canadian companies were transferred to the Murlyn Corporation in 1931 in consideration of the issuance of capital stock. These were nontaxable transactions and all done under the reorganization section of the Income Tax Act.

Mr. PECORA. That is, the Canadian companies some time prior to their dissolution turned over all of their securities they held in portfolio to the Murlyn Corporation?

Mr. WIGGIN. At the time of the dissolution.

Mr. PECORA. And the Murlyn Corporation issued its own stock?

Mr. WIGGIN. Issued its own stock.

Mr. PECORA. To whom?

Mr. WIGGIN. To its stockholders.

Mr. PECORA. To the stockholders of the Canadian corporations?

Mr. WIGGIN. Yes; to the stockholders of the Canadian corporations, and they were, as you know, the same interests as the domestic corporations.

The CHAIRMAN. Then under this reorganization section that you mentioned they escaped income taxes?

Mr. WIGGIN. Yes, sir. There was no tax involved.

Mr. PECORA. No tax involved in the last stage of those transactions because they involved exchanges of securities?

Mr. WIGGIN. That is my understanding.

Mr. PECORA. Yes; now, did the three Canadian companies have offices in the one place?

Mr. WIGGIN (after conferring with associates). Yes, sir.

Mr. PECORA. And where was that office, Mr. Wiggin?

Mr. WIGGIN. In Montreal in the Place d'Armes.

Mr. PECORA. Did you ever visit the office?

Mr. WIGGIN. No, sir.

Mr. PECORA. Who was in charge of it?

Mr. WIGGIN. James B. Taylor.

Mr. PECORA. How large a personnel did these three companies in Canada have in that office?

Mr. WIGGIN. He was the only officer.

Mr. PECORA. And attended to all the operations of the three companies?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now these three companies in the course of their existence probably handled in the aggregate many millions of dollars of securities?

Mr. WIGGIN (after conferring with associates). I do not know the total volume. There were not many transactions. I will have to look it up to see what the amount was.

Mr. PECORA. Well, whether the transactions were many or few, did they involve in dollars and cents an aggregate of many millions of dollars?

Mr. WIGGIN. I will have to look it up. I do not know. We haven't that here. It was not large.

Mr. PECORA. Where were the books of these three Canadian companies kept currently during their existence?

Mr. WIGGIN. The minute books were kept in Canada. The books of account were kept in New York.

Mr. PECORA. In your office?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I have been informed that investigators for the committee requested that the books of accounts of these three Canadian corporations be made available to them and that that request was refused. Do you know the reason for that?

Mr. CONBOY. That statement of fact is not correct.

Mr. PECORA. Well, I am willing to be corrected if I have not been correctly advised.

Mr. CONBOY. You have not been correctly advised.

Mr. PECORA (after conference with associates). Mr. Conboy, I have just conferred with two of the committee's investigators, and they repeat to me that the facts are generally these: That they learned of the existence of the Medfield Corporation, Ltd., and asked Mr. Asch of your office for access to the books of accounts of that corporation and did not receive access to those books of account; that they were never informed by anyone representing Mr. Wiggin of the existence of the other two Canadian companies.

Mr. CONBOY. Mr. Pecora, we furnished to your investigators whatever they asked for.

Mr. PECORA. Including the books of the Medfield Corporation?

Mr. CONBOY. Whatever they asked for. We were never requested to furnish the books of the Medfield Corporation nor of any other Canadian company by your investigators. We required that every request be submitted to us in writing, and we complied with every request that was made.

Mr. PECORA. Mr. Ellis of the committee's staff says he made the request specifically regarding the Medfield books—

Mr. CONBOY (interposing). Has he got the request there?

Mr. PECORA. Wait a minute—orally to Mr. Asch, and he is now looking among the data for his written request.

Mr. CONBOY. Every request was asked to be put in writing, and every request they put in writing and furnished to us was complied with. And there is a host of them.

Mr. PECORA. All right. The books are still in existence, as I understand it, at the New York office?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. We will have the examiners on the staff in New York present themselves at the New York office where those books are kept. Will they be given access to them?

Mr. CONBOY. You ask that they shall be?

Mr. PECORA. I am asking now.

Mr. CONBOY. They will be.

Mr. PECORA. All right, sir. They do not by any chance happen to be here in Washington?

Mr. CONBOY. I am informed that they are not.

Mr. PECORA. All right. Now, what facilities did Mr. Taylor have for finding purchasers for the securities that had been turned over to these Canadian companies by your domestic companies and reselling them?

Mr. WIGGIN (after conferring with associates). Well, he had the facilities of the banks in Montreal, but the New York office showed him how to make the sales.

Mr. PECORA. Do you mean by that that those connected with the offices of the domestic companies in New York attended to the details and negotiations of the resale of these securities by the Canadian companies and forwarded the data for Mr. Taylor to enable him to complete them?

Mr. WIGGIN. Some of the sales were not made to the domestic corporations. Some were made outside.

Mr. PECORA. Well, I assume that. Were they made by Mr. Taylor in Canada on the basis of data furnished to him by the domestic companies?

Mr. WIGGIN. On the basis of data furnished to him from New York, not necessarily by the other companies.

Mr. PECORA. Who conducted the actual negotiations with the purchasers of those securities from the Canadian companies?

Mr. WIGGIN (after conferring with associates). All the offers were made by Taylor, but they were made at my suggestion.

Mr. PECORA. You mean that you found the purchasers and communicated the facts with regard to those purchasers to Taylor in Montreal?

Mr. WIGGIN. I suggested to him the sale of those items.

Mr. PECORA. Who had arranged for the sale—you or Taylor? In other words, who conducted the negotiations? Who found a purchaser? Who conducted the negotiations with the purchasers?

Mr. WIGGIN. I generally found a purchaser; but there was not a purchaser until the offering was actually made. Some of these sales were made on the open market.

Mr. PECORA. Where? In Canadian exchanges or exchanges in the United States? I am referring, of course, to those transactions that you say were made on the open market.

Mr. WIGGIN. None were made on American exchanges. Presumably they were all in Canada.

Mr. PECORA. Those transactions that Canadians effected for the sale of the securities that they had acquired by the processes already described by you, from your domestic companies, were made to purchasers whom you found?

Mr. WIGGIN. In part, certainly.

Mr. PECORA. In large part?

Mr. WIGGIN. I should say so.

Mr. PECORA. Did Taylor ever make any sales of those securities held by any of the Canadian companies entirely upon his own initiative?

Mr. WIGGIN. Oh, no, sir.

Mr. PECORA. No?

Mr. WIGGIN. No, sir.

Mr. PECORA. He got his instructions with regard to those sales from you or your representatives here in the United States?

Mr. WIGGIN. He got the suggestions from the New York office.

Mr. PECORA. Those suggestions were in the nature of instructions, were they not?

Mr. WIGGIN. They were made as suggestions.

Mr. PECORA. They were made as suggestions, but they were acted upon by him as instructions, were they not?

Mr. WIGGIN. I cannot say how he acted on them.

Mr. PECORA. Did he ever refuse to follow any of those suggestions?

Mr. WIGGIN. Not that I know of.

Mr. PECORA. Who engaged him as the entire personnel of the three companies?

Mr. WIGGIN. He was suggested by a law firm in Canada and elected to office by the directors of the company.

Mr. PECORA. What salary did he get from these three companies, Mr. Wiggin? I am referring, of course, to the three Canadian companies.

Mr. WIGGIN. None whatever.

Mr. PECORA. Was he an employee of this Canadian law firm?

Mr. WIGGIN. Wait a minute. I will have to correct that, because I do not know that he was not paid and I do not know that he was paid.

Mr. PECORA. You have no recollection of his receiving any compensation as the officer in charge of all three of these companies?

Mr. WIGGIN. I know of no salary paid to him. He may have had one from the lawyers.

Mr. PECORA. Was he an employee of this Canadian law firm that suggested him?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. So far as you know, the compensation he received for whatever he did in behalf of these three Canadian companies was included in compensation that this Canadian law firm paid to him for his services generally to them?

Mr. WIGGIN. So far as I know.

Mr. PECORA. He was virtually acting as your dummy in these Canadian companies, was he not, Mr. Wiggin?

Mr. WIGGIN. No, sir.

Mr. PECORA. He was not your dummy?

Mr. WIGGIN. No, sir.

Mr. PECORA. He was carrying out your wishes in all respects, was he not?

Mr. WIGGIN. He was a man of standing, belonging to a law firm of high reputation. He was no dummy.

Mr. PECORA. When I say "dummy" I do not mean that he was a man that was bereft of intelligence. I mean that he acted virtually for you and as your agent or representative at all times, subservient to your views and wishes.

Mr. WIGGIN. He acted as an officer of the companies and was chosen by the directors of these companies.

Mr. PECORA. And the directors were chosen by the stockholders who consisted of yourself and your family?

Mr. WIGGIN. That is right, sir.

Mr. PECORA. What was the Canadian law firm's name that Mr. Taylor was connected with?

Mr. WIGGIN. Tafluier, MacDougall, Macfarlane & Barclay.

Mr. PECORA. Who retained that law firm to look after the formalities of these three Canadian companies?

Mr. WIGGIN. I did, through my New York counsel.

Mr. PECORA. Now, Mr. Wiggin, confining ourselves for the time being to the Shermar Corporation, at any time during the existence of that corporation did it have among its officers persons who also were officers of the Chase National Bank or of the Chase Securities Corporation or any of their affiliates?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Who were such officers of the Shermar Corporation who also were officers of the bank or its affiliates?

Mr. WIGGIN. May I refresh my memory on that?

Mr. PECORA. Yes, sir.

Mr. WIGGIN (after conferring with associates). Mr. Selden—

Mr. PECORA. Is that Lynde Selden?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What office did he hold in the Shermar Corporation?

Mr. WIGGIN. He was vice president.

Mr. PECORA. And what office did he hold in either the Chase National Bank or any of its affiliates?

Mr. WIGGIN. Vice president.

Mr. PECORA. Of what?

Mr. WIGGIN. Of the bank.

Mr. PECORA. Is he still a vice president of the bank?

Mr. WIGGIN. Yes, sir. His connection with the Shermar Corporation was because he was my son-in-law.

Mr. PECORA. Were there any directors of the Shermar Corporation who were at the same time also officers or directors of the Chase National Bank or any of its affiliates?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Will you give their names and the offices they held in the bank or any affiliate thereof?

Mr. WIGGIN. There were some changes in the directorships. I will tell you those that were there in 1927 and whether they are still there or not—

Mr. PECORA. No; I want the names of any gentlemen who, while they were directors of the Shermar Corporation, at any time during its existence, were also officers or directors of the Chase National Bank or any affiliate thereof; and in giving the names of such directors of the Shermar Corporation designate the office held by such person in the bank or affiliate.

Mr. CONBOY. Have you not a schedule there of those who were directors in the Shermar who were also directors of the bank or its affiliates?

Mr. PECORA. I have a schedule here.

Mr. CONBOY. That has been checked.

Mr. PECORA. Well, all right, then. This schedule is a composite statement with relation to all three of the domestic companies.

Mr. CONBOY. Do you want to put that in?

Mr. PECORA. Well, I want to put the evidence in in this way.

Mr. CONBOY. All right, sir. I thought you had a shorter way of doing it, because otherwise it means a lot of names and attempting to differentiate between dates.

Mr. PECORA. There will not be so many; and I do not care about the dates. At any time during the existence of the company.

Mr. CONBOY. I thought you were insisting upon dates.

Mr. PECORA. No; I said, at any time during the existence of the Shermar.

Mr. CONBOY. Then it is going to be comparatively simple to answer your question.

Mr. WIGGIN. Myself.

The CHAIRMAN. You were an officer and director of the Shermar Co.?

Mr. WIGGIN. I was not an officer; I was a director at one time.

Mr. Selden, previously referred to; Mr. Clarkson, who was president of Chase Securities Corporation part of the time—

Mr. PECORA. Is that Robert L. Clarkson?

Mr. WIGGIN. Yes, sir. Mr. William P. Holly, who was vice president and cashier of the Chase National Bank; Mr. Frank Callahan, vice president of Chase Securities Corporation; Mr. Otis Everett, second vice president of the Chase National Bank; Mr. Reeve Schley, vice president, Chase National Bank; Mr. L. H. Johnston, vice president, Chase National Bank; Mr. S. F. Telleen, second vice president, Chase National Bank; Mr. George E. Warren, vice president, Chase National Bank—

Mr. PECORA. How about Mr. Gates W. McGarrah?

Mr. WIGGIN. I understand your question to be in relation to directors of the bank?

Mr. PECORA. No; directors or officers.

Mr. WIGGIN. Or officers?

Mr. PECORA. Yes.

Mr. WIGGIN. Well, I will have to add him there. I had forgotten that he was an officer of the bank at any of this time. Mr. Pecora, I have given you some names by mistake of men who were not directors in Shermar but were directors in the other companies.

Mr. PECORA. Either the Murlyn or the Clingston.

Mr. WIGGIN. Mr. McGarrah was a director in the Shermar Corporation.

Mr. PECORA. At the time that he was a director of the Shermar Corporation was he also chairman of the board of directors of the Federal Reserve Bank of New York?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. We can now see the tie-up with the Federal Reserve System.

Mr. PECORA. That is an inference. Was he also at the same time president of the Bank of International and—

Mr. WIGGIN. At the same time that he was a director in the Shermar Corporation?

Mr. PECORA. Yes.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Was not Mr. Bisbee also a director of the Shermar Corporation during the time that his law firm was counsel to the bank?

Mr. WIGGIN. Yes, sir. Mr. Pecora, I think I should add, with regard to Mr. McGarrah, that he was a very close personal friend of mine.

Mr. PECORA. I presume these other gentlemen were very close personal friends of yours, were they not?

Mr. WIGGIN. Yes; but Senator Couzens' remark perhaps led me to say that.

Senator COUZENS. Was Mr. Harrison of the Federal Reserve Bank of New York one of your close personal friends, too?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. I assume, then, that you therefore agree with the President's gold plan; is that right?

Mr. WIGGIN. I do not know how to express myself on that.

Mr. PECORA. Have you included in your mention of the names of officers or directors of the Chase Bank or any affiliate thereof, the names of all such officers or directors who at one time or another, while they were such officers or directors of the bank or its affiliates, were directors of any one of your three domestic companies, namely, the Shermar Corporation, the Murlyn Corporation, and the Clingston Co.?

Mr. WIGGIN. I think so; and yet I only have before me the directors of 1927 and 1933, and something in between might have escaped my memory.

Mr. PECORA. Are any of these gentlemen whose names you have just given us still connected with either the Chase Bank or any of its affiliates as officer or director?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Which ones?

Mr. WIGGIN. Mr. Selden, Mr. Clarkson, Mr. Holly, Mr. Everett, Mr. Schley, Mr. Johnston, Mr. Telleen, and Mr. Warren.

Senator COUZENS. What Filene is that?

Mr. WIGGIN. Telleen—S. F. Telleen.

Mr. PECORA. Did the boards of directors of these three domestic companies of yours hold meetings regularly or at stated periods?

Mr. WIGGIN. The Shermar Corporation and the Murlyn Corporation had meetings each month. The Clingston Corporation not so regularly, but frequently.

Mr. PECORA. How about the Murlyn Corporation?

Mr. WIGGIN. Each month.

Mr. PECORA. Were those meetings regularly attended by the directors?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. So that during those periods of time when these corporations, Shermar, Murlyn and Clingston, were engaged in market operations in the capital stock of the Chase National Bank and the Chase Securities Corporation, these men who were also officers or directors of the bank or its affiliates were made cognizant of these transactions in the stock of the bank?

Mr. WIGGIN. All transactions were reported in full at each meeting.

Mr. PECORA. And were approved by the members of the board?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Including these officers or directors of the bank and its affiliates?

Mr. WIGGIN. I ought to say, perhaps, answering your question about—how did you express it about the operations of Chase Bank stocks?

Mr. PECORA. Its operations on the market. I will ask the reporter to read that question.

(The reporter read as follows:)

So that during those periods of time when these corporations, Shermar, Murlyn, and Clingston, were engaged in market operations in the capital stock of the Chase National Bank and the Chase Securities Corporation, these men who were also officers or directors of the bank or its affiliates were made cognizant of these transactions in the stock of the bank?

Mr. WIGGIN. Perhaps I ought to say that "market operations" perhaps gives a little different impression from what the facts warrant, because the purchases were not constant. The total purchases in the 6 years were only 81 different purchases.

Mr. PECORA. Eighty-one different transactions?

Mr. WIGGIN. Of all the corporations.

Mr. PECORA. But whatever they were, whatever the transactions were in the stock of the Chase National Bank and the Chase Securities Corporation, which were consummated by your 3 companies, the gentlemen who sat on the boards of directors of your 3 companies and who were also at the same time officers or directors of the bank, were cognizant of those operations or transactions, were they not?

Mr. WIGGIN. They should have been. They were reported.

Mr. PECORA. Did any of them ever object to any of those transactions?

Mr. WIGGIN. No, sir.

Mr. PECORA. Have any of those gentlemen who were officers or directors of the bank or its affiliates and who also at the same time were directors of any 1 of your 3 companies, ever been indebted to any 1 of your 3 companies for personal loans?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Which of them?

Mr. WIGGIN. Mr. Holly, Mr. Callahan—I think that is all.

Mr. PECORA. During the period of existence of these 3 companies of yours, were any of the other officers or directors of the Chase

National Bank or any of its affiliates also indebted to any of your 3 domestic corporations for personal loans?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Which of them? And in giving the names of such gentlemen, also state the office held by them in the Chase Bank or its affiliates.

Mr. WIGGIN. It may take a minute.

Mr. PECORA. Very well.

Mr. CONBOY. Have you a list of those?

Mr. PECORA. We have some names. Suppose I read off such names as we have.

Mr. CONBOY. We cannot put our hands on it readily.

Mr. PECORA. H. G. Freeman, former chairman of the executive committee, former president, and a director of the Chase Securities Corporation.

Mr. WIGGIN. Correct.

Mr. PECORA. He was one of those personally indebted to one of your 3 companies?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know the extent of his indebtedness at any one time?

Mr. WIGGIN. I would have to look it up.

Mr. PECORA. We have the figures, showing that as of December 31, 1932, Mr. Freeman was indebted to the Shermar Corporation in the amount of approximately \$163,000.

Mr. WIGGIN. I should think that would probably be correct.

Mr. PECORA. Another reference that I have is to Mr. J. C. Andersen, a vice president of the Chase Securities Corporation.

Mr. WIGGIN. Correct.

Mr. PECORA. And my data also would indicate that the amount of his indebtedness to the Shermar Corporation as of December 31, 1932, was approximately \$72,000.

Mr. WIGGIN. That is right, sir.

Senator COUZENS. Is that the famous economist?

Mr. WIGGIN. No, sir. That is another Anderson.

Mr. PECORA. That is Benjamin Anderson, is it not?

Mr. WIGGIN. B. M. Anderson; yes, sir. He is the economist of the Chase National Bank.

Mr. PECORA. My information is that Mr. Murray W. Dodge, formerly a vice president and a director of the Chase Securities Corporation, on the 31st of December last, was indebted to the Shermar Corporation in the sum of approximately \$300,000.

Mr. WIGGIN. Correct.

Mr. PECORA. And Mr. Leslie W. Snow, formerly an assistant vice president of the Chase Securities Corporation, I understand was indebted to the Shermar Corporation in the sum of nine thousand nine hundred and odd dollars.

Mr. WIGGIN. Correct.

Mr. PECORA. Mr. Charles S. McCain, chairman of the board of directors of the Chase National Bank, I understand, was indebted to the Shermar Corporation at the end of the last year in the sum of approximately \$47,500.

Mr. WIGGIN. Correct.

Mr. PECORA. Mr. William P. Holly, a vice president and cashier of the Chase National Bank and a director of the Chase Securities Corporation, I understand, was indebted to the Shermar Corporation in the sum of \$131,000.

Mr. WIGGIN. Correct.

Mr. PECORA. And Mr. Gerhard M. Dahl, who was a director of the Chase National Bank, was indebted to the Shermar Corporation in the sum of approximately \$724,000 on December 31, 1932.

Mr. WIGGIN. Correct.

Mr. PECORA. Now this is the same Mr. Dahl who, according to the evidence you gave the week before last, was indebted to the Chase National Bank in the sum of over \$3,000,000?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And that loan from the bank is undercollateralized?

Mr. WIGGIN. Yes.

Mr. PECORA. By a very large amount?

Mr. WIGGIN. Yes.

Mr. PECORA. And this same Mr. Dahl is chairman of the board of the Brooklyn-Manhattan Transit Corporation, of which board you were also a member, and from which corporation you received a salary at one time of \$20,000 a year; is that right?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Are there any other of the officers and directors of the Chase Bank or any of its affiliates who were indebted to either the Shermar Corporation, the Murlyn Corporation, or the Clingston Corporation?

Mr. WIGGIN. In looking back over different dates I find the name of C. F. Batchelder, December 31, 1930, about \$1,000.

Mr. PECORA. He was the vice president, was he not, of the Chase Securities Corporation?

Mr. WIGGIN. Yes, sir. And Mr. Whelpley, who was either connected with the bank or with the American Express Bank & Trust Co. at that time, a matter of \$28,900. Do you want me to go back further, or does that give you what you want?

Mr. PECORA. I think that will answer for the present. Now Mr. Leon H. Johnston, whose name has already been mentioned by you as one of the officers or directors of the Chase National Bank or a subsidiary thereof, who was also a director of one or more of your three domestic companies was as a matter of fact the president at one time of the Clingston Co., and the assistant secretary and assistant treasurer of the Murlyn Corporation, was he not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Were there any occasions, Mr. Wiggin, when the Shermar Corporation had extensive business transactions in securities either with the Chase National Bank or with any of its subsidiaries?

Mr. WIGGIN. Oh, yes, sir.

Mr. PECORA. There were many such occasions, were there not?

Mr. WIGGIN. Quite a number.

Mr. PECORA. And what was the general nature of those occasions?

Mr. WIGGIN. Accepting from the Chase Securities Corporation an allotment in purchases, usually at a profit to the Securities Corporation.

Mr. PECORA. You mean by that that there were many occasions when the Chase Securities Corporation was given a participation in some joint account and the Chase Securities Corporation allotted to one of your private corporations an allotment out of its participation?

Mr. WIGGIN. Well, I do not know about the joint accounts, but frequently the Securities Corporation allotted or sold to one of these corporations to which you refer a portion of its interest.

Mr. PECORA. A portion of its interest in joint accounts and in underwritings?

Mr. WIGGIN. Well, I do not know about the joint accounts, but it may be so on joint accounts also, but in underwritings and in purchases.

Mr. PECORA. That is, there were occasions when the Chase Securities Corporation was a member of a purchasing group or original terms group with regard to an issue of some kind?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And the Chase Securities Corporation gave to one of your 3 companies an allotment out of its interest in those participations?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, about how many such transactions would you say were had between the Chase Securities Corporation and 1 or more of your 3 companies in the 5-year period of 1928 to 1932, both inclusive?

Mr. WIGGIN. I cannot tell you the exact number, but a review has been made of participations of the Shermar Corporation, the Murlyn Corporation, and the Clingston Co. during the years 1917 up to 1933, inclusive, in syndicates and joint accounts of which Chase Securities Corporation was either a manager or a coparticipant.

The calculation of profit and loss on sales of securities taken down from syndicates has been made on the basis of first sale against first purchase. The sales include only those to outside parties and do not include either intercompany sales or sales between the company and members of the Wiggin family. The calculations of unrealized losses due to depreciation are based on available bid or last sale prices as of September 27, 1933. The result of these participations was a net loss of \$5,139,697.90.

Mr. PECORA. Have you got a prepared statement to that effect?

Mr. WIGGIN. Yes.

Mr. PECORA. That you just read into the record?

Mr. WIGGIN. Yes.

Mr. PECORA. May I have a copy of it?

Mr. WIGGIN. Yes [handing same to Mr. Pecora].

Mr. PECORA. When was this statement prepared, Mr. Wiggin?

Mr. WIGGIN. Since we have been down here.

Mr. PECORA. And by whom?

Mr. WIGGIN. By, I think it is, a combination of the law office and the officers of the company.

Mr. PECORA. By "the law office" you mean the Rushmore, Bisbee & Stern law office?

Mr. WIGGIN. Yes.

Mr. PECORA. When you say in this statement "The result of these participations was a net loss of \$5,139,697.90", you mean that that loss has actually been realized, or do you mean that it is in large part a paper loss representing shrinkage in securities values?

Mr. WIGGIN. It is partly a realized loss and partly, as it says there, taking the securities at the market price.

Mr. PECORA. How much of it is a realized loss?

Mr. WIGGIN. Most of it.

Mr. PECORA. In making this review, so-called—and I am using that term because that is the term used in this prepared statement you have just given me—was a tabulation or recapitulation made of those various participations of the Shermar Corporation, the Murlyn Corporation, and the Clingston Co. in those syndicates and joint accounts of which the Chase Securities Corporation was either a manager or participant?

Mr. WIGGIN. Yes, sir. May I read some memoranda on the matter?

Mr. PECORA. Have you got such a recapitulation or tabulation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. May I see it?

Mr. WIGGIN. Yes [handing same to Mr. Pecora].

Mr. PECORA. Well, this does not purport to be a tabulation, does it?

Mr. WIGGIN. It is a recapitulation. You mean it does not give the items by name?

Mr. PECORA. No. What I want is a tabulation showing each of these accounts or participations.

Mr. WIGGIN. I have here a list supplied by the Chase Securities Corporation. It may not be entirely complete. I assume that it is.

Mr. PECORA. May I see it, please?

Mr. WIGGIN. Yes [handing same to Mr. Pecora].

Mr. PECORA. Does this tabulation which you have just shown me show any such losses as you have referred to in your typewritten statement that you read into the record?

Mr. CONBOY. Will you just let us have it, Mr. Pecora? Manifestly this is not as complete as the reference that is contained in the memorandum submitted, because this only covers 5 years, from 1928 to 1932.

Mr. PECORA. Yes. Well, those 5 years were the 5 years that we especially inquired into in our preliminary exploration.

Mr. CONBOY. Yes. This list was furnished to you, was it not?

Mr. PECORA. Yes. We have a list that resembles that, but it is not in the same physical form as that. Is that no. 22-A?

Mr. CONBOY. Yes. You have that.

Mr. PECORA. Yes; we have that. This list, Mr. Wiggin, that you have just shown me, contains nothing to indicate the amount of any profit or loss derived from these participations, does it?

Mr. WIGGIN. No, sir.

Mr. PECORA. Have you a breakdown of the transactions that were reviewed by whoever prepared this typewritten statement that you last read into the record, and which concludes with the sentence "The result of these participations was a net loss of \$5,139,697.90"?

Mr. CONBOY. We can furnish you that.

Mr. PECORA. All right. Now, Mr. Wiggin, I notice in this type-written statement, referring to this net loss of over \$5,000,000, the following statement:

The calculation of profit and loss on sales of securities taken down from syndicates has been made on the basis of first sale against first purchase.

Apparently, then, in this calculation of a loss of over 5 million dollars there was not taken into account any profits or losses, which ever might have been derived from those syndicate transactions in which any one of your corporations was given a participation, where it was not necessary to take down any securities?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What is that?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Are you sure of that?

Mr. WIGGIN. Yes. It could not be a correct compilation if they did not.

Mr. PECORA. Well, the statement here in your typewritten statement is that—

The calculation of profit and loss of securities taken down from syndicates has been made on the basis of first sale against first purchase.

Now in these syndicates there were many of them, were there not, in which profits were realized by the participants?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And those profits were wholly outside of any profits or loss accruing from the resale of any of the securities that the syndicate participants had to take down at the termination of the syndicate accounts?

Mr. WIGGIN. No, sir. As I understand it, credit was given for all profits in those figures.

Mr. PECORA. When can we have a breakdown?

Mr. CONBOY. We will endeavor to have it for you tomorrow.

Mr. PECORA. All right.

Mr. CONBOY. If we cannot we will have it for you on Thursday.

Mr. PECORA. All right. Now when these participations were given either to the Shermar Corporation or the Murlyn Corporation or the Clingston Co., were those participations sought by your companies, or were they given on the initiative of the Chase Securities Corporation?

Mr. WIGGIN. They were always given on the initiative of the Chase Securities Corporation.

Mr. PECORA. Had you asked for such participations in behalf of any one of your private companies?

Mr. WIGGIN. Not that I know of.

Mr. PECORA. Do you know any reason why the Chase Securities Corporation should have invited your corporations or any one of them to share in its participation in any of these syndicates or accounts?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was the reason?

Mr. WIGGIN. Most of these participations were taken at a profit to the Chase Securities Corporation. It simply meant that instead of going outside and finding somebody, they had a partner in good

credit and financial standing that they could get a prompt answer from.

Mr. PECORA. You say most of these participations were taken over by the Chase Securities Corporation at a profit to them. Is that right?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. So whenever the Chase Securities Corporation gave you, through one of your private companies, an allotment or interest in its participation in those syndicates from which it reaped a profit, in effect it gave you a part of its profit?

Mr. WIGGIN. No, sir. Just the other way.

Mr. PECORA. I do not follow you, Mr. Wiggin.

Mr. WIGGIN. Most of these participations were taken at a profit to the Chase Securities Corporation.

Mr. PECORA. Yes.

Mr. WIGGIN. At a higher price than they bought them.

Mr. PECORA. Yes. Well, when the Chase Securities Corporation let you in, so to speak, on its participation, did you not share in the profit that accrued?

Mr. WIGGIN. They usually sold to the corporations a participation or an interest at a profit to them, and the corporations paid for it.

Mr. PECORA. Were not your companies given an interest on the same terms as the Chase Securities Corporation was given an interest in these syndicates?

Mr. WIGGIN. In a number of cases, but not in the greater number.

Mr. PECORA. Well, was it not true in most of them?

Mr. WIGGIN. No, sir. I can give you a recapitulation on that if you would like it, sir.

Mr. PECORA. I would like to have it; yes, sir.

Mr. WIGGIN. This is over the whole period.

Mr. PECORA. You mean from 1917 down to date?

Mr. WIGGIN. Yes, sir. I have not got it separated into 5 years.

Mr. PECORA. You know we are only asking for the data in regard to that 5-year period.

Mr. BISBEE. You did not ask for that.

Mr. PECORA. I know it; but why do you present statements here relating to a much larger period of time than the 5 years in which we were interested? We took the last 5 calendar years, 1928-32, both inclusive.

Mr. CONBOY. It might be a much fairer result to show what the total result was of all these operations than to pick out several years.

The CHAIRMAN. He cannot take down two at the time. I do not see how the stenographer can get that.

Mr. CONBOY. Mr. Pecora was asking the question and I was answering it. I think I got the question, Mr. Chairman.

The CHAIRMAN. Well, Mr. Bisbee was answering at the same time.

Mr. BISBEE. He probably ignored mine, Senator.

The CHAIRMAN. I do not want the stenographer to have to take two people at the same time.

Mr. BISBEE. What Mr. Conboy said was evidently to the same effect. I think he took Mr. Conboy's statement.

Mr. WIGGIN. Is there a question unanswered?

Mr. PECORA. No; I do not think so. You were going to furnish us with some sort of a recapitulated statement.

Mr. WIGGIN. Yes. I have the recapitulation since 1917.

Mr. PECORA. Is it itemized?

Mr. WIGGIN. Only in the results.

Mr. PECORA. Well, I would rather have an itemized statement.

Mr. WIGGIN. Yes. Well, we promised to get that for you.

Mr. PECORA. Yes.

Mr. WIGGIN. But if you would rather have it for 6 years perhaps we can work that out. It shows much more disastrous results for me than 15 years.

Mr. PECORA. Whatever it shows we would like to have the operation of that 5-year period.

Mr. CONBOY. You cannot hear his answer if you are going to break in on him with another question. He had not finished his answer when you started.

Mr. PECORA. All right. He said it showed a more disastrous result. I said whatever it shows we would rather have it for that 5-year period, because our inquiry has not extended back of 1928.

Mr. WIGGIN. You understand it is a much more disastrous result to my corporation and beneficial to the Chase Securities Corporation.

Mr. PECORA. Now, let us go back for a moment to the indebtednesses that you have already testified about that were owed on December 31 last by various officers and directors of the Chase Bank or any of its affiliates to either the Shermar Corporation, the Murlyn Corporation, or the Clingston Co., Inc. Were those indebtednesses created as a result of participation by those gentlemen in trading or syndicate accounts?

Mr. WIGGIN. Some of them—

Mr. PECORA (continuing). In which one or more of your private corporations was a participant?

Mr. WIGGIN. Some were.

Mr. PECORA. Well, were the most of those indebtednesses so created?

Mr. WIGGIN. No; not the most of them.

Mr. PECORA. Which were not?

Mr. WIGGIN. Which were not created by such participation?

Mr. PECORA. Yes.

Mr. WIGGIN. Mr. Holly's indebtedness was not created by that at all. But let me get that complete list as I might skip something again and I do not want to do that.

Mr. CONBOY. Mr. Pecora, you don't mind me giving him the names, do you?

Mr. PECORA. No.

Mr. WIGGIN. I should like to ask that the question be read.

Mr. PECORA. The committee reporter will read the question to you. [Which was done.]

Mr. WIGGIN. The Holly indebtedness had nothing to do with any trading accounts. I don't think the Callahan indebtedness did. I don't think the Whelpley indebtedness did. I don't think the McCain indebtedness did.

Senator COUZENS. Is Mr. McCain here, Mr. Pecora?

Mr. PECORA. Is Mr. McCain in the room? [A pause, without response.] He is not here, Senator Couzens.

Senator COUZENS. All right.

Mr. PECORA. And the other indebtedness did arise in that fashion?

Mr. WIGGIN. I think so.

Mr. PECORA. Well, those trading accounts were in the nature of stock-market speculations, weren't they, Mr. Wiggin?

Mr. WIGGIN. They tell me I have omitted to say that the Dahl indebtedness did not arise from trading accounts.

Mr. PECORA. All right.

Mr. WIGGIN. Now will you read the question that is pending?

Mr. PECORA. The committee reporter will read it to you. [Which was done.]

Mr. WIGGIN. I do not see a record here of them.

Mr. PECORA. Well, were they investment accounts?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Weren't they trading accounts that were operated by transactions in and out?

Mr. WIGGIN. Some may have been, but I do not think that many of them were.

Mr. PECORA. Well, did you enter into joint investment accounts with individual officers of your bank?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. When I say "investment accounts" I mean just what the term implies, securities purchased for investment purposes, the income to be derived from them, and so forth. Now, were these joint accounts of that character, or were they trading accounts that were organized for a limited period of time, usually 90 days?

Mr. WIGGIN. They were usually syndicates.

Mr. PECORA. Organized for that purpose, and usually for 90 days?

Mr. WIGGIN. Well, for a definite short-term period.

Mr. PECORA. You wouldn't call them investment accounts, would you?

Mr. WIGGIN. No; I wouldn't call them speculative either.

Mr. PECORA. What would you call them?

Mr. WIGGIN. Well, I would call them syndicate accounts. I do not know of any other word for it.

Mr. PECORA. Syndicate accounts may be formed for the purpose of speculation, may they not?

Mr. WIGGIN. They may be.

Mr. PECORA. And frequently are, aren't they?

Mr. WIGGIN. Well, ordinarily, no. They are merely for the purpose of completing a banking transaction or a financial transaction.

Mr. PECORA. None of these trading accounts or joint accounts or syndicate accounts was of that nature, was it?

Mr. WIGGIN. I think so.

Mr. PECORA. To complete a banking transaction?

Mr. WIGGIN. Yes, sir; the most of them were.

Mr. PECORA. You say the most of them were?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Well, now, let me ask you about a joint trading account that was formed in 1929, with E. F. Hutton & Co. as managers, to trade in the common stock of the Sinclair Consolidated Oil Corporation. That was an account in which I understand the Shermar Corporation had an original participation. Do you recall it?

Mr. WIGGIN. No; I don't recall it. I will ascertain about it, however. [Inquiring of an associate.] I have some data now.

Mr. PECORA. You have the data now with respect to that account?

Mr. WIGGIN. I do not understand that this has anything to do with the matter we have been discussing.

Mr. PECORA. Have you the data with regard to that account now before you?

Mr. WIGGIN. I have some data. Whether it will give you all that you want I don't know. .

Mr. PECORA. When was that account formed?

Mr. WIGGIN. I cannot give you the date of formation. I can give you the date of closing.

Mr. PECORA. When was it closed?

Mr. WIGGIN. On May 17, 1929.

Mr. PECORA. Who formed that trading account, or who caused it to be formed?

Mr. WIGGIN. I do not know.

Mr. PECORA. Who were the participants in it?

Mr. WIGGIN. That I do not know.

Mr. PECORA. Have you any documentary evidence indicating how the Shermar Corporation acquired an original participation in it?

Mr. WIGGIN. All that we have in our files, apparently, is the letter from E. F. Hutton & Co. of May 17, 1929, advising of the closing of the account and sending a check for the share.

Mr. PECORA. For the profits?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was the amount of the check that was sent to the Shermar Corporation representing its share of the profits in that account?

Mr. WIGGIN. It was \$13,946.12.

Mr. PECORA. How much?

Mr. WIGGIN. It shows here \$13,946.12. Let me see a minute. [Consulting an associate.] That is right.

Mr. PECORA. Have you got folder no. 40 of the files of the Shermar Corporation?

Mr. WIGGIN. That is all that we have, Mr. Pecora.

Mr. PECORA. What is that?

Mr. WIGGIN. The one I have referred to is the only one, no. 77 this is.

Mr. PECORA. No, we have an exhibit marked for identification purposes, from your files or the files of the Chase Corporation, as no. 20-2-EEE.

Mr. CONBOY. Let us look at it and we may be able to identify it, Mr. Pecora.

Mr. PECORA. All right. Here it is.

Mr. WIGGIN. Will you have the question read?

Mr. PECORA. The committee reporter will read the question to you. [Which was done.]

Mr. WIGGIN. No, sir.

Mr. PECORA. Where is it?

Mr. WIGGIN. I will find it.

Mr. CONBOY. What is it? Did you say folder no. 40 of the Shermar Corporation?

Mr. PECORA. That is the only designation we have of it. It is a folder known as no. 40.

Mr. CONBOY. Will you let us see what it is?

Mr. PECORA. We haven't got it, but it relates to a trading account in Sinclair Consolidated Oil Corporation common stock, the participants of which were said to be Arthur Cutten, Harry F. Sinclair, Blair & Co., Chase Securities Corporation, and the Shermar Corporation.

Mr. WIGGIN. That is an entirely different matter from this Hutton matter.

Mr. PECORA. E. F. Hutton & Co. were the managers of this syndicate that I have in mind.

Mr. CONBOY. There is nothing on here to indicate that they were—excuse me a moment. The letter is dated 4-16-29 from E. F. Hutton & Co. to Shermar Corporation. Well, go ahead, Mr. Wiggin.

Mr. WIGGIN. Apparently there was another account.

Mr. PECORA. I am inquiring about this account that was formed in 1929 and which terminated apparently on April 16, 1929, to deal in the common stock of the Sinclair Consolidated Oil Corporation.

Mr. CONBOY. That is not the same one, apparently, that we have.

Mr. PECORA. Well, I am directing your attention, Mr. Wiggin, to the one I am now questioning you about and which I understand was composed of the following participants: Arthur Cutten, Harry F. Sinclair, Blair & Co., Chase Securities Corporation, and the Shermar Corporation. I may say further that the exhibit you produced and which was marked "20-2-A" contains a reference to a syndicate account in Sinclair Consolidated Oil Corporation common stock involving 1,130,000 shares. That is the one we are now talking about.

Mr. WIGGIN. Well, I don't find it.

Mr. PECORA. I show you the one I have reference to. It has pencil markings as an exhibit number on the left-hand margin.

Mr. WIGGIN. There were two accounts, and I am trying to get them straightened out.

Mr. PECORA. I am inquiring about one of those two accounts, and it is the one that terminated on April 16, 1929, and which involved transactions in the amount of 1,130,000 shares of the common stock of the Sinclair Consolidated Oil Corporation.

Mr. WIGGIN. What is the pending question?

Mr. PECORA. I am calling your attention to such a trading account, and I want you to turn to whatever documentary evidence you may have, or other written data, relating to it.

Mr. WIGGIN. I will have it in a minute, I think.

Mr. PECORA. Have you the data now?

Mr. WIGGIN. Not yet.

Mr. PECORA. Well, Mr. Wiggin, have you no recollection at all of that particular account?

Mr. WIGGIN. A recollection, yes, but it is rather vague.

Mr. PECORA. You recall that there was such an account?

Mr. WIGGIN. I do now, yes, sir.

Mr. PECORA. And that the profits that accrued to the Shermar Corporation from it were in the neighborhood of \$877,000, not \$11,000 or \$12,000?

Mr. WIGGIN. I will look for it.

The CHAIRMAN. Mr. Wiggin, can't you give us that information?

Mr. WIGGIN. Yes, sir. There were two accounts. There was an original group account, an underwriting of the stock, which is the one that you refer to.

Mr. PECORA. Yes.

Mr. WIGGIN. And then there was that trading account which was covered in that Hutton letter that I spoke of.

Mr. PECORA. I am referring to the first one of those two accounts that you have just mentioned.

Mr. WIGGIN. All right.

Mr. PECORA. When was the first account, which you call an underwriting, formed?

Mr. WIGGIN. In the fall of 1928.

Mr. PECORA. In October of 1928?

Mr. WIGGIN. I think so.

Mr. PECORA. Who invited the Shermar Corporation to take a participation in it?

Mr. WIGGIN. Well, I don't know, but I should presume it was Mr. Cutten.

Mr. PECORA. Well, can't you find that out by reference to your folder or file?

Mr. WIGGIN. Well, he was the manager is the reason I say so.

Mr. PECORA. And who is Mr. Cutten?

Mr. WIGGIN. Mr. Cutten is a Chicago citizen. I don't know how to describe him exactly. I don't think he has any business except the buying and selling of securities.

Mr. PECORA. He is a market operator?

Mr. WIGGIN. I think so, or was. [Laughter.]

Mr. PECORA. Did he organize this underwriting account?

Mr. WIGGIN. Well, I don't know, but I presume so from the fact that he was the manager of it,

Mr. PECORA. What participation did the Shermar Corporation acquire in that underwriting?

Mr. WIGGIN. It acquired 84,000 shares out of 1,100,000 shares.

Mr. PECORA. Does that represent  $8\frac{1}{3}$  percent?

Mr. CONBOY. How much, Mr. Pecora?

Mr. PECORA. I say  $8\frac{1}{3}$  percent.

Mr. CONBOY. Oh.

Mr. WIGGIN. Approximately.

Mr. PECORA. What participation did Chase Securities Corporation have in that syndicate?

Mr. WIGGIN. I don't know. Have we got that? [Inquiring of an associate.] My figures do not show what those percentages were.

Mr. PECORA. Mr. Wiggin, haven't you any data which relates to this underwriting syndicate? Haven't you a complete file on that?

Mr. WIGGIN. Apparently not. [Inquiring of an associate.] No, sir; we have not.

Mr. PECORA. What file or documentary evidence have you relating to it?

Mr. WIGGIN. The question now is, the Chase Securities participation?

The CHAIRMAN. Yes, Chase Securities Corporation.

Mr. WIGGIN. They had a participation of 133,905 shares.

Mr. PECORA. What percentage does that represent; 16 $\frac{2}{3}$  percent?

The CHAIRMAN. Can't you tell us that, Mr. Wiggin?

Mr. CONBOY. Mr. Pecora, we will have to obtain these data for you, because the information we have immediately available is only fragmentary with respect to this underwriting.

Mr. PECORA. Let us see how much Mr. Wiggin can tell us about it. Have you anything to indicate the profit, in dollars and cents, that accrued to the Shermar Corporation from its participation in this syndicate. For that purpose I would refer you to a letter that I understand you received, or the Shermar Corporation received, on April 16, 1929.

Mr. CONBOY. Have you a copy of the letter there?

Mr. PECORA. No, sir.

Mr. CONBOY. I doubt if we have it, because, you know, we were asked to bring down here the photostats of the letters that you photostated from our files.

Mr. PECORA. We have not got this.

Mr. CONBOY. That is the reason I say I think we will have to obtain this information for you, because our data are meager on this.

Mr. PECORA. I want to find out what evidence Mr. Wiggin can give now from recollection.

Mr. CONBOY. All right, sir.

Mr. PECORA. You said before you have some recollection of this underwriting syndicate.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, do you recall, even approximately, the amount of profit that was paid to the Shermar Corporation for its participation in that syndicate?

Mr. WIGGIN. No, sir.

Mr. PECORA. Was it a very substantial sum?

Mr. WIGGIN. I should say so.

Mr. PECORA. Do you recall who invited the Shermar Corporation to take a participation in that syndicate?

Mr. WIGGIN. No, sir.

The CHAIRMAN. Do you recall whether the Shermar Co. and the Chase Securities Co., both together, had a 25 percent interest in the transaction?

Mr. WIGGIN. I do not know, Senator.

Senator COUZENS. Mr. Wiggin just testified a while ago to the number of shares that both the Shermar Corporation and the Chase had.

The CHAIRMAN. Yes.

Senator COUZENS. Do you have the total figures?

Mr. PECORA. The total figure is 1,130,000 shares, and the number of shares which Mr. Wiggin gave representing the participation of the Chase Securities Corporation and the Shermar Corporation would

indicate that those two companies had, combined, a 25 percent participation in that syndicate.

Mr. WIGGIN. That may be.

Senator COUZENS. What papers did you get those figures from, showing the Shermar participation and the Chase participation? You must have some file there that has to do with this matter.

The CHAIRMAN. You gave the number of shares of the Shermar Corporation at 84,000, and the Chase Securities Corporation, 133,905.

Senator COUZENS. So, it did not figure out one third and two thirds?

Mr. PECORA. No.

Senator COUZENS. So, what papers has he got?

Mr. WIGGIN (after conferring with associates). I think Senator Couzens asked a question which I have not answered.

Mr. PECORA. Yes.

Mr. WIGGIN. What is the question, please?

Senator COUZENS. I asked you what files you had here relating to this pool or syndicate, or whatever it was.

Mr. WIGGIN. Apparently all we have is a photostatic copy of the schedule furnished to Mr. Pecora.

Mr. PECORA. That schedule does not show the number of shares allotted to the Shermar Corporation, does it?

Mr. WIGGIN. No. That shows the Chase Securities participation.

Mr. PECORA. Yes.

Senator COUZENS. What was that?

Mr. WIGGIN. According to this memorandum, 133,905 shares.

Senator COUZENS. Did the Shermar Corporation have its participation out of that aggregate, or was it in addition to that?

Mr. WIGGIN. It was not out of this aggregate.

Senator COUZENS. It was separate?

Mr. WIGGIN. Separate.

Senator COUZENS. How do you happen to have that, and you do not have the Shermar participation?

Mr. WIGGIN. Because I haven't got it; that is all.

Senator COUZENS. You stated a while ago that the Shermar participation was 84,000 shares, as I remember. Where did you get that information?

Mr. WIGGIN. I am advised that they gave me that from behind, but it is from some records that they have in another matter.

Mr. PECORA. Where are those records?

Mr. CONBOY. Mr. Pecora, so far as I am aware, information with respect to this matter has never been requested from us. We are willing to produce it for you. If you want it we will try to get it for you tomorrow. That is what I told you some time ago. But this is not information that we were requested to produce. This is an underwriting account, and we were not asked to produce anything with respect to it. If you want it, we will get it for you, but I think it will save time to do that.

Mr. PECORA. Mr. Conboy, we came across this syndicate account just a few days prior to the opening of the hearings here, and it was shown on exhibit no. 20-2EEE, that was given us by the Chase Corporation. You have a copy of that exhibit?

Mr. CONBOY. We have a copy of that here.

Mr. PECORA. It shows that an account dealing in the Sinclair Consolidated Oil Corporation common stock to an aggregate of 1,130,000 shares was participated in by the Chase Securities Corporation to the extent of 133,905 shares.

Mr. CONBOY. Mr. Pecora—

Mr. PECORA. From which the Chase Securities Corporation derived a profit of \$1,755,308.50. Now, we understand that one third of the original participation allotted to the Chase Securities Corporation, which was a 25 percent participation in the entire syndicate, was given by the Chase Securities Corporation to the Shermar Corporation, and that the profits accruing to the Shermar Corporation therefrom amounted to \$877,654.25. Now, with those data before you, will you be good enough to examine your records and see what they show?

Mr. CONBOY. Mr. Pecora, this, as I understand it, was not a syndicate dealing in the stock at all. It was an original—

Mr. PECORA. It was what Mr. Wiggin called an underwriting.

Mr. CONBOY. It was an original underwriting.

Mr. PECORA. All right.

Mr. CONBOY. We have never been requested to furnish information about it.

Mr. PECORA. I am asking you about it now.

Mr. CONBOY. We will get it for you as soon as we can get it.

Mr. PECORA. I am referring you now to the particular account that we want information about.

Mr. CONBOY. We shall have it for you.

Senator GOLDSBOROUGH. Mr. Pecora, will you state the total amount of profit that was made under that transaction?

Mr. PECORA. I understand the total profit accruing to the entire underwriting syndicate was \$12,200,109.41.

Mr. CONBOY. We can neither affirm nor deny it, because we have not the facts here.

Mr. PECORA. Our written request no. 5, Mr. Conboy, which was turned over to the Shermar Investing Corporation by Mr. Ellis, of our staff, under date of July 20, 1933, as I understand it, called among other things, for the following data: List of all pools, joint accounts, and syndicates in which the company or its representatives participated, including the name of the security involved, the name of all participants, and all details with respect to amount of participation, and profit or loss thereon.

Mr. CONBOY. Is that what you say covers this situation?

Mr. PECORA. I have a carbon copy of that written request here, from which I have just read. No information was given to us with regard to this particular underwriting syndicate. Our attention to its existence was derived from information that we got from the files of the Chase Corporation.

Mr. CONBOY. My information is that Mr. Ellis requested that that be withheld until the end. But whether it was so or not—

Mr. PECORA. You gave us a reply, but the reply you gave us did not include any reference to this particular account.

Mr. CONBOY. I confess I do not not know any reason in the world why it should not have been given, and you shall have it just as fast as we can get it here for you.

Mr. PECORA. When do you think we can have it?

Mr. CONBOY. We will try to get it here for you tomorrow.

Mr. PECORA. All right. Meanwhile, can you tell us this, Mr. Wiggin, about this particular underwriting. Was your corporation, the Shermar Corporation, invited to participate in it by the Chase Securities Corporation or by any other entity or person?

Mr. WIGGIN. I do not know.

Mr. PECORA. I presume that however your participation was invited, you will have correspondence bearing upon it among your files, isn't that true?

Mr. WIGGIN. That I do not know.

The CHAIRMAN. Let us look that up, and proceed.

Mr. CONBOY. Did not Mr. Ellis have all the correspondence that was in that file, and only photostated that other letter? That is the information I have.

Mr. PECORA. We had nothing given to us in answer to our written request which I have just read to you, which included any reference to this underwriting, Mr. Conboy, and, as I said before, our attention was drawn to it by the inclusion of an account in Sinclair Consolidated Oil Corporation common stock, in which a participation was given to the Chase Securities Corporation, and in respect to which information was given to us by the Chase Securities Corporation.

Mr. CONBOY. We will have it for you, Mr. Pecora.

The CHAIRMAN. The committee will now take a recess until 2 o'clock.

(Whereupon, at 1:05 p.m., Tuesday, Oct. 31, 1933, the subcommittee recessed until 2 p.m. of the same day.)

#### AFTERNOON SESSION

Upon the expiration of the noon recess the hearing was resumed at 2 p.m.

The CHAIRMAN. The committee will come to order. Proceed, Mr. Pecora.

#### TESTIMONY OF ALBERT H. WIGGIN—Resumed

Mr. PECORA. Mr. Wiggin, do you recall ever participating in a syndicate that dealt in the shares of the Standard Oil Co. of Indiana?

Mr. WIGGIN. I do not recall it, but it may have been.

Mr. PECORA. When I refer to such a syndicate I mean to imply, of course, that one of your three corporations was a participant in it, if not yourself individually.

Mr. WIGGIN. Yes; I understand.

Mr. PECORA. Have you any recollection whatsoever of it?

Mr. WIGGIN. No, sir. I could look it up.

Mr. PECORA. During the years 1928 and 1929, do you recall whether or not the Shermar Corporation borrowed at various times substantial sums from the Chase National Bank on collateral?

Mr. WIGGIN. It borrowed occasionally from the bank. I haven't the dates in mind, but I presume that it may have occurred in those years.

Mr. PECORA. Have you any data which will give you the details on any such borrowings?

Mr. WIGGIN. I think so. 1928 and 1929 you are asking?

Mr. PECORA. I understand in 1928 that 7 loans were made by the Chase National Bank to the Shermar Corporation, and in 1929 8 loans were so made to it, all on collateral, and that the total amount of those borrowings was \$11,820,000. I understand further all these loans have been repaid in full. I would like to get particulars of the loans if you can readily furnish them to us from your data.

Mr. WIGGIN (after conferring and examining documents). I have a portion of it ready. What is the question?

Mr. PECORA. Details of the loans made by the Chase National Bank in 1928 and 1929 to the Shermar Corporation.

Mr. WIGGIN. The Shermar Corporation borrowed on February 14, 1928, \$825,000. On February 16 this loan was increased by the amount of \$1,840,000, making a total of \$2,665,000.

On February 17 it was increased by \$155,000, making a total of \$2,820,000.

On February 20 it was increased by \$180,000, making a total of \$3,000,000.

On February 23 it was increased by \$840,000, making \$3,840,000.

On February 24 it was increased by \$160,000, making it \$4,000,000.

On March 6 two million was paid, making the balance due 2 million, and on March 22 the remaining 2 million dollars was paid, paying off the entire loan.

On December 21, 1928, a million dollars was borrowed.

On January 3, 1929, \$135,000 was paid, leaving it \$865,000.

On January 4 the remainder, \$865,000, was paid.

On October 30, 1929, a loan was made of \$620,000.

On October 31, 1929, an additional advance of \$365,000 was made, making a total of \$985,000.

On November 1 an additional advance of \$835,000 was made, making a total of \$1,820,000.

On November 4, \$1,400,000 was paid, leaving a balance due of \$420,000.

On November 6 payment in full was made, \$420,000, cleaning up the loan.

On November 8, 1929, a loan of \$1,200,000 was made.

On November 9 an additional advance of \$75,000, making a total of \$1,275,000.

On November 12 an additional advance of \$350,000, making a total of \$1,625,000.

On November 13 an additional advance of \$375,000, making a total of \$2,000,000.

On December 11 an additional advance of 3 million dollars was made, making a balance of 5 million dollars.

Now there were no payments until later. You have only asked about '28 and '29?

Mr. PECORA. Yes. But all of those loans were subsequently repaid in full?

Mr. WIGGIN. Those loans were all subsequently repaid in full, and they were always secured by collateral by ample margin.

Mr. PECORA. Yes.

Mr. WIGGIN. And I might also add, specially authorized by the board in all cases.

Mr. PECORA. In the period between February 14 and February 24, 1928, both dates inclusive, the Shermar Corporation borrowed moneys aggregating 4 million dollars from the Chase National Bank, according to the figures you have just given us?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall the purposes for which those loans were sought and obtained by the Shermar Corporation?

Mr. WIGGIN. I do not recall. I will investigate it if you would like.

Mr. PECORA. Was it in order to enable the Shermar Corporation to carry on any market activities in securities?

Mr. WIGGIN. It may have been. I would have to look it up to see what they were doing.

Mr. PECORA. Do you know whether any of those activities included transactions in the capital stock of the bank and the Chase Securities Corporation?

Mr. WIGGIN. I would have to look it up. It may have been.

Senator COUZENS. What other purposes would you borrow for, Mr. Wiggin, except for that?

Mr. WIGGIN. Well, he speaks only of Chase Bank stock. To buy any securities might necessitate borrowing.

Mr. PECORA. Now, the period between November 8 and December 11, 1929, the total borrowings made by the Shermar Corporation from the Chase National Bank aggregated \$5,000,000, according to your figures. Do you recall the special purposes for which those loans were made to the Shermar?

Mr. WIGGIN. I do not recall, but I can investigate and find out.

Mr. PECORA. Well, would you say that they were also to enable the Shermar Corporation to engage in any market activities in securities?

Mr. WIGGIN. Very possibly.

Mr. PECORA. Did the Murlyn Corporation have any loans made to it by the Chase National Bank in the year 1929?

Mr. WIGGIN. I will get that for you. [After conferring and examining documents.] Mr. Pecora, we do not seem to locate that. Don't you want me to use your figures?

Mr. PECORA. The figures I have are as follows. See if you can confirm them. On December 11, 1929, the Murlyn Corporation received a loan of \$3,000,000; on December 17, 1929, it received a further loan of \$1,000,000; and on December 18, 1929, it received a further loan of \$1,000,000, which would make an aggregate of \$5,000,000 of loans made to the Murlyn Corporation in one week's time by the Chase National Bank. Have you any recollection of those loans?

Mr. WIGGIN. I found this memorandum. The important thing you want is that there was 5 million on December 11?

Mr. PECORA. No.

The CHAIRMAN. Three million.

Mr. PECORA. The first loan was made on December 11, 1929, for \$3,000,000, the next one on December 17, for \$1,000,000, and the other one on December 18 for \$1,000,000.

Mr. WIGGIN. My memorandum does not seem to agree. Wait a second and we will find the one that does agree.

Mr. PECORA. Mr. Wiggin, you might see if the last two loans of \$1,000,000, each made to the Murlyn Corporation, were made on December 17 and December 18 of the year 1930 instead of the year 1929.

Mr. WIGGIN. That is correct. I find that.

Mr. PECORA. Then between November 8, 1929, and December 11, 1929, loans aggregating 8 million dollars were made by the Chase Bank to the Shermar Corporation and the Murlyn Corporation; is that correct?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall any particular operations or activities of those two companies in that period of a little over 1 month that necessitated borrowings aggregating \$8,000,000 for their account?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What were those operations or activities?

Mr. WIGGIN. I cannot give you all the operations, but I think I can give you the one that may be of interest to you.

Mr. PECORA. All right, sir.

Mr. WIGGIN. It was for the purchase of Chase Bank stock.

Mr. PECORA. Were the proceeds of all these loans used for that purpose in that period of time?

Mr. WIGGIN. I don't think so.

Mr. PECORA. About what proportion of the \$8,000,000 was so used?

Mr. WIGGIN. I think \$6,588,430.

The CHAIRMAN. Do you know what you paid for the stock?

Mr. WIGGIN. \$155 a share.

Mr. PECORA. Were those open market transactions?

Mr. WIGGIN. No, sir; that was bought from Metpotan Corporation.

Mr. PECORA. From the Metpotan Corporation. Was the stock held by the Shermar Corporation and the Murlyn Corporation for any period of time?

Mr. WIGGIN. It was held by the Murlyn Corporation until it merged with the Shermar Corporation.

Mr. PECORA. And that was when?

Mr. WIGGIN. February 4, 1931.

The CHAIRMAN. What rate of interest did you pay on these borrowed amounts from the Chase?

Mr. WIGGIN. I will have to look it up. It varied from time to time.

Senator COUZENS. Did your bank, Mr. Wiggin, keep any record of the percentage of loans that were made to brokers and industries and investment houses separately?

Mr. WIGGIN. Well, they usually carried—yes; I think they could tell you from day to day how much was loaned to the "Street", as we call it.

Senator COUZENS. That is not exactly what I had in mind. I saw a chart the other day of a trust company in the interior where it showed, out of the total loans that the trust company or bank had out, only 2 percent of them were made to industry, and the rest were in the form of speculation or investment houses or markets, so-called. Did you keep any records that would indicate that?

Mr. WIGGIN. I do not think they have a map which would show that. But it is very much larger than that, because we had a great many commercial customers and we took good care of them always.

Senator COUZENS. But you do not know what percentage of your loans were made in that classification.

Mr. WIGGIN. I cannot give you the percentage.

Mr. PECORA. You told us heretofore in the course of your testimony that in the years 1928 to 1932, both inclusive, Metpotan Corporation entered into various trading accounts dealing with the stock of the Chase National Bank, and that one of the main purposes for the operation of those trading accounts was to enable the Metpotan Corporation to obtain a wider distribution of the capital stock of the Chase National Bank. In view of that, why did the Metpotan Corporation sell to you in that month, between November 8 and December 11, 1929, over \$6,000,000 worth of capital stock of the bank if at that time it was engaged in trading accounts with others to obtain a wider distribution of bank stock?

Mr. WIGGIN. I do not know that it was engaged at that time. But the reason they sold it was that they accumulated the stock and did not want it, and wanted to get rid of it, and they sold it at a price which has never been equaled since.

The CHAIRMAN. Did it ever go higher than that?

Mr. WIGGIN. It might have in the next day or two, but it substantially was the high point since that date.

Mr. PECORA. On March 7, 1930, according to the exhibit heretofore introduced in evidence, marked "Committee's Exhibit 80", of October 27, 1933, the market quotations on the Chase Bank stock were 176 bid, 179 asked.

Mr. CONBOY. What month is that?

Mr. PECORA. March 7, 1930.

Mr. CONBOY. We have not the spread for that. We have only got the spread over the month, from 155 to 181. Is that a particular day's spread?

Mr. PECORA. This is shown on the exhibit that we submitted to you for your confirmation when we offered it in evidence last Friday.

Mr. CONBOY. You are quite right—176 to 179 is right.

Mr. PECORA. 176 bid, 179 asked. Incidentally, I will give the quotations, from this exhibit no. 80, of the Chase Bank stock between November 11, 1929, and March 7, 1930. On November 11, 160 bid, 167 asked; December 31, 154 bid, 159 asked; January 7, 160 bid, 164 asked; March 7, 176 bid, 179 asked.

How many shares did you buy in the period between November 8 and December 11, 1929, from the Metpotan Company with the moneys that Shermar borrowed from the Chase National Bank?

Mr. WIGGIN. 42,506 shares.

Mr. PECORA. As a matter of fact, was not that the number of shares that the Shermar Corporation, about that time, went short on in the open market?

Mr. WIGGIN. It was the number of shares that they were short on. They did not start at that time.

Mr. PECORA. I do not hear you, sir.

Mr. WIGGIN. They were short at that time, that amount.

Mr. PECORA. Were they made by you to cover the short sales?

Mr. WIGGIN. They were made by the Murlyn.

Mr. PECORA. To enable the corporation to cover those short sales?

Mr. WIGGIN. It was to protect that company on those short sales.

Mr. PECORA. To protect its short position?

Mr. WIGGIN. Yes.

Mr. PECORA. Over what period of time had that short position developed?

Mr. WIGGIN. The short sale started on September 19.

Mr. PECORA. 1929?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And continued until when?

Mr. WIGGIN. The short account was continued until May 1931, on the Shermar books.

Mr. PECORA. Until May when?

Mr. WIGGIN. May 1931, I think.

Mr. PECORA. At what point had a short position in 42,506 shares developed in trading with the Murlyn Corporation in bank stock?

Mr. WIGGIN. The Murlyn did not have a short account.

Mr. PECORA. Which one of your corporations had it?

Mr. WIGGIN. The Shermar Corporation.

Mr. PECORA. At what date had the short position developed to the extent of 42,506 shares?

Mr. WIGGIN. December 2, 1929, I am informed.

Mr. PECORA. Then this short position commenced about a month before the more or less famous market price of October 26, 1929?

Mr. WIGGIN. It began; yes.

Mr. PECORA. I suppose you made them because you read the financial skies and concluded that the trend was going to be downward in the value of the Chase Bank stock?

Mr. WIGGIN. I do not think I was wise enough for that.

Mr. PECORA. You did sell it short commencing with September?

Mr. WIGGIN. Yes; and I did think that the bank stock market was high and I did want a buying power for that bank stock.

Mr. PECORA. And you developed that buying power through the operations of your own private corporation at what proved to be eventually a substantial profit to your corporation?

Mr. WIGGIN. On that transaction; yes, sir.

Mr. PECORA. Do you consider that an ethical practice for the head of a bank to engage in?

Mr. WIGGIN. I think it is commendable to provide a buying power for your own stock. Incidentally, as I have stated, at the end of 1932 we still had practically 200,000 shares that dropped from those very high prices to \$40.

Mr. PECORA. If it was commendable, why did not the Metpotan Corporation make those short sales at a profit to itself instead of at a profit to your private corporation?

Mr. WIGGIN. They were long on stock and they wanted to sell. They did not want to sell more than they had. They could have.

Mr. PECORA. Those short sales that the Shermar Corporation made at that time could have been made by the Metpotan Corporation?

Mr. WIGGIN. I do not suppose there is any legal reason for not doing it.

Mr. PECORA. What is that?

Mr. WIGGIN. I do not think there is any legal reason for their not doing it.

Mr. PECORA. No. You made them in behalf of the Shermar Corporation because you thought they would eventuate profitably for the Shermar Corporation, did you not?

Mr. WIGGIN. I hoped they would eventually be profitable, but I wanted to be in a position to have somebody buy stock when it was offered.

Mr. PECORA. That position could have been taken by the Metpotan Corporation equally as well?

Mr. WIGGIN. I think so, if they had wanted to. Somebody would have had to loan them the stock. You understand, we always had in the family a great deal more stock than this sale.

Senator GORE. How much more? Do you happen to know?

Mr. WIGGIN. At the time of that short sale of 42,000 shares, there were 116,000 shares left after the sale.

Senator GORE. Owned by you and the members of your family?

Mr. WIGGIN. Yes, sir.

Senator GORE. How much of the stock do you hold now; you and your family?

Mr. WIGGIN. I cannot tell you at the moment, but at the end of the 1932 period it was 194,000 shares.

Senator GORE. You bought part of that when it was down, I suppose?

Mr. WIGGIN. I think that purchase referred to was the big purchase. There were other purchases at different dates, probably, at lower prices.

Mr. PECORA. Have you a present recollection, Mr. Wiggin, of ever entering into any syndicate, joint, or trading account with Colonel Stewart, one time chairman of the board of the Standard Oil Co. of Indiana?

Mr. WIGGIN. No, sir.

Mr. PECORA. When I ask that question about you I include in the reference to you your private corporations.

Mr. WIGGIN. I understand.

Mr. PECORA. And the answer is, no?

Mr. WIGGIN. The answer is, no.

Mr. PECORA. Do you think, Mr. Wiggin, it is a sound and ethical policy for a national bank to make loans to individuals among its officers or directors to enable those officers or directors, either individually or through the medium of private corporations, to engage in market activities in connection with the stock of the bank itself?

Mr. WIGGIN. I think so, as long as the loans are properly secured and have nothing to do with the stock of the bank—I mean, as long as the collateral has nothing to do with the stock of the bank. I think it is highly desirable that the officers of the bank should be interested in the stock of the bank.

Mr. PECORA. It is a practice that you would commend to banks?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. To loan its funds to officers to enable those officers to undertake individual transactions in the stock of the bank for their individual account?

Mr. WIGGIN. I think it is commendable for the officers of the bank to be interested in the institution for which they are working, and I think it is entirely commendable and proper for the bank, on proper collateral, to loan to its officers.

Mr. PECORA. For that purpose?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That is, for the purpose of engaging in market activities in the stock of the bank?

Mr. WIGGIN. Yes, sir.

Senator GORE. You know that the Glass Act prohibited banks from lending to their officers?

Mr. WIGGIN. I understand so.

Senator GORE. Do you think that was a mistaken policy?

Mr. WIGGIN. I think it is much better, if a person is going to borrow money, to borrow it from his own bank, where all the directors know all about it, than it is to do it outside.

Senator GORE. You do not think there might be any good fellowship between the officers so that they would lend more to officers than they ought to lend?

Mr. WIGGIN. They should not do that, anyway.

Mr. PECORA. Do you think where a number of the officers of the bank were under personal obligation to you or to your private corporation that they were in position to exercise an independent judgment in behalf of the bank in transactions between the bank and you or your corporation?

Mr. WIGGIN. I certainly do. Mr. Pecora, I ought to state that all loans to officers or their families were always passed on especially by the directors of the bank.

Mr. PECORA. I know that; but a number of those members of the board of directors were personally indebted to you or your corporation, were they not?

Mr. WIGGIN. A number of the directors of the bank? No; one or two, perhaps.

Mr. PECORA. Were there not more than one or two?

Mr. WIGGIN. Of the directors of the bank? I do not think so.

Mr. PECORA. Or the officers?

Mr. WIGGIN. I would have to count them up to say just who were directors.

Mr. PECORA. This morning you referred by name to more than one or two.

Mr. WIGGIN. But you are now speaking of the directors of the bank.

Mr. PECORA. Directors or officers.

Mr. WIGGIN. Of the bank?

Mr. PECORA. Yes.

Mr. WIGGIN. There were a great many. You see, there were some 80 directors.

Senator GORE. It happens that I was the author of that amendment to prohibit banks from loaning to their officers, based on rather lengthy investigations I had made into the cause of bank failures, and my advices were that some 30 or 33 percent, perhaps, of bank failures were due to loans of that character.

Mr. WIGGIN. Of course those loans were not adequately secured, and I do not suppose they were passed on especially by the directors of those banks; otherwise probably they would not have been made. It could be abused if it was not properly handled. But I think it is much better for the directors of the bank to know where their offi-

cers are borrowing, and all about it, and to pass on it, than to have them go outside and do it.

Mr. PECORA. From data that we have gathered from reports of the Chase National Bank, or, rather, from reports of examinations of the Chase National Bank made on behalf of the Clearing House of the city of New York, it appears that in the year 1927 the aggregate amount of loans made to corporations, enterprises, and syndicates in which directors, trustees, or officers of the bank were interested, was \$64,522,205, and that the aggregate amount of similar loans made in the year 1929 was \$62,668,500, and that for the year 1932 the aggregate amount of such loans was \$66,643,402. Would that accord with your recollection generally?

Mr. WIGGIN. I have no recollection on the point.

Mr. PECORA. Have you a copy of the clearing-house reports of your bank available to you?

Mr. WIGGIN. Yes, sir; I have the 1927 figure before me.

Mr. PECORA. What is that figure?

Mr. WIGGIN. \$64,522,205. Just a minute. [Consulting with associates.]

Mr. PECORA. For the year 1929 have you the amount of such loans?

Mr. WIGGIN. I have the 1929 list. You understand, Mr. Pecora, that this list is not a list of loans to directors.

Mr. PECORA. No. I did not say that they were. I said that they were loans to corporations, enterprises, and syndicates in which directors or officers were interested.

Mr. WIGGIN. Not syndicates, are they? Loans to companies in which directors have some interest. Is that right? Is that what you mean?

The CHAIRMAN. Yes; and others.

Mr. WIGGIN. Let me read the list of names of these companies. May I do that?

Mr. PECORA. Go ahead.

Mr. WIGGIN. American Hide & Leather Co., American Ship & Commerce Co., Armour & Co., Austin, Nichols & Co., Bankers Bond & Mortgage Guaranty Co. of America, Brooklyn-Manhattan Transit Co., Inc., Burns Bros. Chase Safe Deposit Co., Chicago Pneumatic Tool Co., Consolidated Selling Co., Inc.

Cuba Cane Sugar Co. acceptance.

Co. Azucarera Cent. Miranda (some Spanish sugar company), guaranteed by the Warner Sugar Co.

Danville Structural Steel Co., Inc., Pa.

Eastern Manufacturing Co.

Fidelity Sugar Co.

Fidelity Sugar Co., Cuban office.

Finance Co. of Great Britain & America, Ltd.

General American Tank Car Corporation.

General Motors Acceptance Corporation, three items.

Hudson Coal Co.

International Agricultural Corporation.

International Motors Co. & Mack Truck, Inc.

International Paper & Power Securities Co., Inc.

Louisiana & Arkansas Railway Co.

New York, Ontario & Western Railway.  
New York State Holding Co.  
Prudence Co., Inc.  
Punta Alegre Sugar Co. & Associated Cos.  
Seaboard Air Line Railway.  
Standard Oil Co. of New York.  
Texas Co.  
Union Mortgage Co.  
Union Guaranty & Mortgage Co.  
Wickwire, Spencer Steel Corporation, Inc.  
William Iselin & Co.

You see these are the regular customers of the bank.

Mr. PECORA. Now are those loans carried on the report of the examiner of the clearing house association as loans to corporations, enterprises, and syndicates in which directors, trustees, or officers are interested?

Mr. WIGGIN. Yes, sir; he makes a special mention of that.

Mr. CONBOY. Mr. Pecora, that is the heading of the sheet——

Mr. PECORA. That is the heading of the sheet——

Mr. CONBOY. Just excuse me a minute. That is the heading of the sheet on which the loans to the corporations are entered.

Mr. PECORA. On the sheet of the clearing house association examiner's report entitled "Loans to corporations, enterprises, and syndicates in which directors, trustees, or officers are interested" is listed a series of loans aggregating \$64,522,205.

Mr. CONBOY. To the corporations named on the sheet.

Mr. PECORA. I have simply said that that is the way they are reported by the examiner of the clearing house association. I am taking literally the language of the report of the examiner.

Mr. CONBOY. The loans to corporations are listed on a sheet the heading of which is what you have read.

Mr. PECORA. That is exactly what I have said.

Mr. WIGGIN. Mr. Pecora, so that there will not be any misunderstanding; the list I read is the 1929 list, and I think you have a different date.

Mr. PECORA. I have the list of the examination reported as of July 6, 1927.

Mr. WIGGIN. Yes.

Mr. PECORA. That is the list I have questioned you about.

Mr. BISBEE. Yours is 1927. This is 1929.

Mr. WIGGIN. Would you like the names of the directors interested in those corporations read into the record?

Mr. PECORA. From the 1927 report?

Mr. WIGGIN. Well, either one you want.

Mr. PECORA. Let us take the 1927 report first.

Senator COUZENS. Include the syndicates, too, as well as the corporations?

Mr. WIGGIN. Everything on the list.

The loan to the American Hide & Leather Co. The director or officer interested in that company was E. R. Tinker.

The loan to the American Ship & Commerce Corporation. The directors interested in that corporation, or the individuals that were directors——

Mr. PECORA. Now wait a minute. The first loan that you mentioned; was the loan to the American Hide & Leather Co.?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Was that a collateralized loan?

Mr. WIGGIN. No, sir.

Mr. PECORA. It was not. Now was the loan to the American Ship & Commerce Corporation a collateralized loan?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And the directors or officers of the bank interested in that company were Carl J. Schmidlapp and Gerhard M. Dahl?

Mr. WIGGIN. They were the directors in that company; yes.

Mr. PECORA. Now the next loan that appears in the report of the clearing house association examiner was a loan to the American Waterworks Electric Co., the interested director or officer being Edward R. Tinker?

Mr. WIGGIN. Correct.

Mr. PECORA. Was that a collateralized loan?

Mr. WIGGIN. No, sir.

Mr. PECORA. Now the next one was to Armour & Co., and the interested director or directors or officers were A. H. Wiggin and F. Edson White?

Mr. WIGGIN. Yes, sir. They were directors of Armour & Co.

Mr. PECORA. Was that a collateralized loan?

Mr. WIGGIN. No, sir.

Mr. PECORA. What was the amount of that loan?

Mr. WIGGIN. \$4,000,000. Commercial paper.

Senator COUZENS. Were you getting \$40,000 a year at the time that that loan was made?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Has that loan been wholly paid?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, the next loan was to Austin, Nichols & Co. The interested director or officer of which was Carl J. Schmidlapp.

Mr. WIGGIN. Yes, sir; he was a director.

Mr. PECORA. Was that a collateralized loan?

Mr. WIGGIN. No, sir.

Mr. PECORA. And that was a million-dollar loan?

Mr. WIGGIN. Yes, sir. Commercial paper.

Mr. PECORA. Now, the next was to the Botany Worsted Mills, the interested officer or director being Elisha Walker?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Was that a collateralized loan?

Mr. WIGGIN. No, sir. Commercial paper.

Mr. PECORA. That was a million-dollar loan, too, wasn't it?

Mr. WIGGIN. Yes, sir. You see those commercial concerns do not ordinarily give collateral. It comes under the heading of commercial paper.

Senator COUZENS. That is all rediscountable though, is it not?

Mr. WIGGIN. All rediscountable.

Mr. PECORA. Now, there is a loan to the Botany Consolidated Mills, the interested officer or director of which was Elisha Walker?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That was collateralized?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was an uncollateralized loan to the Brooklyn-Manhattan Transit Corporation, the interested directors or officers in that being yourself and Mr. Dahl?

Mr. WIGGIN. Yes, sir.

The CHAIRMAN. How much?

Mr. PECORA. That was a loan of \$2,600,000?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And a further loan of \$1,200,000 to the same company, the Brooklyn-Manhattan Transit Corporation?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. Has that been paid?

Mr. PECORA. Has that been paid in full?

Mr. WIGGIN. I cannot tell whether this loan has been paid in full or not. The B.M.T. is still a borrower.

Mr. PECORA. The next one listed is a loan to Burns Bros. The interested officer or director being Carl J. Schmidlapp. Was that collateralized?

Mr. WIGGIN. No, sir.

Mr. PECORA. Then there was one to Case, Pomeroy & Co., the interested officer or director being Jeremiah Milbank?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That was collateralized?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was a loan to the Certain-Teed Products, the interested director or officer being Elisha Walker?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That was not collateralized?

Mr. WIGGIN. No, sir.

Mr. PECORA. Then there was a loan to the Chase Securities Corporation and six brokers aggregating \$19,707,000. What was the purpose of that loan? Do you know?

Mr. WIGGIN. I do not know.

Senator COUZENS. What was the limit that you could loan under the law?

Mr. WIGGIN. \$29,000,000; I think it was.

Mr. PECORA. \$29,000,000 to any one borrower?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. To any one borrower?

Mr. WIGGIN. No; wait a minute. Am I right on that amount? I think that is right; 28 million dollars and a fraction.

Mr. PECORA. Then listed here is a loan to the Cuba Cane Sugar Corporation, \$1,800,000, which was not collateralized; is that right?

Mr. WIGGIN. That is right, sir.

Mr. PECORA. And another loan of \$736,600 to the same corporation, which was collateralized?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And the interested directors or officers there were Carl J. Schmidlapp and Gerhard M. Dahl?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was a collateralized loan to the General Motors Acceptance Corporation of \$5,500,000?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. The interested director or officer being Alfred P. Sloan, Jr.?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And then there was an uncollateralized loan of \$200,000 to Havemeyer & Elder, Inc., is that right?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And the interested director or officer there was W. O. Havemeyer?

Mr. WIGGIN. H. O. Havemeyer; yes. That is a misprint.

Mr. PECORA. And then there was a loan of \$2,000,000 to the International Paper Co., which was uncollateralized?

Mr. WIGGIN. That is right.

Mr. PECORA. The interested director or officer of that corporation being A. H. Wiggin?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And then there was a loan of about 6¼ million dollars to the International Securities Co., which was collateralized?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And you were the interested officer there?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was a loan of \$502,083 to the Continental Paper Bag Mills, which was not collateralized?

Mr. WIGGIN. Right.

Mr. PECORA. And you were the interested officer there?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was a loan of 1¼ million dollars to the Kansas City Southern Railway Co., which was collateralized, and the interested director being L. F. Loree?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was an uncollateralized loan of one-half million dollars to the Knox Hat Co., the interested officers or directors being E. R. Tinker and Robert I. Barr?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And then there was an uncollateralized loan of \$725,000 to the Lee Tire & Rubber Co., the interested director or officer being S. H. Miller?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And then there was an uncollateralized loan of \$575,000 to the New York, Ontario & Western Railroad Co., the interested director being L. F. Loree?

Mr. WIGGIN. It is so reported, but I do not think he had the slightest interest in that company.

Mr. PECORA. Well, he is so reported by the examiner.

Mr. WIGGIN. Yes. I think it is a mistake, however. I want to say that in justice to Mr. Loree.

Mr. PECORA. Then there was a collateralized loan of 2 million dollars made to the North American Theaters Inc., the interested officer or director being Jeremiah Milbank?

Mr. WIGGIN. Right.

Mr. PECORA. Then there was a loan of \$750,000, which was collateralized, made to the Pierce Arrow Finance Corporation, the

interested officers or directors being Carl J. Schmidlapp and Gerhard M. Dahl?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was an uncollateralized loan of \$250,000 to the Punta Alegre Sugar Co., the interested director being E. V. R. Thayer?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was a collateralized loan of \$2,275,000 to the same corporation; is that right?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was an unsecured loan of \$900,000 to the Remington Arms Co., Inc., the interested directors being William E. S. Griswold and S. F. Pryor?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And then there was an unsecured loan of 2 million dollars made to the Texas Co., the interested directors being James M. Hill and Amos L. Beaty?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was an unsecured loan of \$200,000 to the Union Mortgage Co., and a further unsecured loan of \$100,000 to the Union Guaranty & Mortgage Co., the interested director in both cases being George E. Warren?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was an unsecured loan of \$335,000 to Wilson & Co., Inc., the interested officers or directors being E. R. Tinker and Elisha Walker?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was an unsecured loan of \$932,933 to W. & S. Sloane, the interested officer or director being William E. S. Griswold?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then there was a secured loan of \$313,000 plus to the Wickwire Spencer Steel Co., the interested officer or director being S. F. Pryor?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, as I understand it, the aggregate amount of all other domestic loans made during the year 1927 by the Chase Bank was \$351,899,122?

Mr. WIGGIN. On that same date, do you mean?

Mr. PECORA. For the same year; yes. Shown in this same report.

Mr. WIGGIN. You see this is just one date in the year.

Mr. PECORA. Yes.

Mr. WIGGIN. I have not that figure.

Mr. PECORA. Well, it is in the same report.

Mr. WIGGIN. I had not got that. Where does that come in, Mr. Pecora? It will save time if you will tell me. I will ask what is the question pending.

(Thereupon the question was read by the shorthand reporter as above recorded as follows:)

Mr. PECORA. Now, as I understand it, the aggregate amount of all other domestic loans made during the year 1927 by the Chase Bank was \$351,899,122?

Mr. CONBOY. That cannot be right.

The CHAIRMAN. What foreign loans were made in 1927?

Mr. WIGGIN. Well, I will have to look it up. I do not know.

Senator COUZENS. In view of that list you have got, Mr. Pecora, I would not call all those loans that they made domestic loans, would you?

Mr. PECORA. They are so denominated, all of them; domestic loans.

Senator COUZENS. I see some of them were made to Cuban concerns.

Mr. PECORA. "All other domestic loans."

Mr. CONBOY. Where do you get that expression "All other domestic loans"?

Mr. PECORA. In the report here.

Mr. CONBOY. I have got the report here, but I do not find that expression. I see "All other loans."

Senator COUZENS. I doubt if that is a correct description—"domestic loans."

Mr. PECORA. No; because some of those read to the witness were not domestic loans.

Mr. CONBOY. Is it so characterized on the report itself? I cannot see that on the report itself. I cannot see any such characterization on the report itself.

Senator COUZENS. Maybe the officer made a mistake in putting "domestic" in there.

Mr. WIGGIN. Mr. Pecora, you understand that where they listed these loans—for instance, take the American Hide & Leather Co.—and then put Mr. Tinker's name down against it—he was a director in the bank, and he happened to be a director in this other company also.

Mr. PECORA. Yes.

Mr. WIGGIN. The loan was not made to him in any way.

Mr. PECORA. No; I know that. The loan was to the corporation whose name was read, and the individual whose name was read was the individual who was interested in the corporation, and who was also an officer or director of the Chase Bank at the time of the making of the loan. It is so understood.

Mr. WIGGIN. Yes. He was a director in both.

Mr. PECORA. Yes.

Mr. PECORA. All right.

Mr. WIGGIN. But I do not want to let anybody get the idea that the reason these loans were made was because these men were directors. They would probably have been made anyway, whether directors or not, if we had the business from the companies.

Senator COUZENS. What effect would it have on the banking business if the Congress were to enact a statute prohibiting bank officers from borrowing money at all?

Mr. WIGGIN. Well, I don't know.

Senator COUZENS. You don't know?

Mr. WIGGIN. No.

Mr. CONBOY. Do you mean borrowing in their individual capacity?

Senator COUZENS. Yes. The examination I have made of some national banks indicates to me that one of the curses of the situation as I found it was that all the officers and hundreds of the employees were indebted to the banks. It seems to me that a statutory provision prohibiting bank employees from borrowing money would be very salutary.

Senator TOWNSEND. From their own bank, do you mean?

Senator COUZENS. From anywhere.

Mr. WIGGIN. Well, I wouldn't know how to answer what the effect would be.

Senator COUZENS. Do you think that would be a salutary statute or not?

Mr. WIGGIN. I do not know what the effect would be.

Senator COUZENS. One reason I asked you that question is because I agree with your view that if bank employees and officers are going to borrow at all they better borrow from their own bank, because there is too much favoritism existing between banks when one officer is borrowing from another bank and back and forth. I am of the opinion that if bank officers are adequately paid, and they seem to be, they ought to keep out of debt if they are going to be trustees of the deposits.

The CHAIRMAN. The trouble about the law now in effect is that, whereas it prohibits officers of a bank from borrowing from their own bank, there is no law that prohibits an officer of one bank from borrowing from another bank, thus enabling the officer of the other bank to come forward and borrow from his bank. That is the way they manage it, I think, now.

Senator COUZENS. Did you ever sell any of this Chase Bank stock to any of the employees of your bank or employees of the Chase Securities Corporation?

Mr. WIGGIN. Do you mean, did the bank arrange to have the employees buy stock?

Senator COUZENS. Either the bank or the Chase Securities Corporation.

Mr. WIGGIN. Yes, sir.

Senator COUZENS. To how many employees did you sell stock; I mean employees of both corporations?

Mr. WIGGIN. I don't know, but I could ascertain it.

Senator COUZENS. I should like to know, and I should also like to know, if you can give it to me, the price at which the stock was sold, and whether you got cash for it or it was sold on the installment plan, and where sold on the installment plan how long the employees were given to pay for it.

Mr. WIGGIN. Some paid cash, and there was an installment plan also. I can get that information for you.

Senator COUZENS. Was there any protection to the employee as to the price he paid?

Mr. WIGGIN. No, sir.

Senator COUZENS. In other words, he took the chance of the stock going up or down, and he did it at the same time, apparently, when his chiefs were forming pools and creating markets and buying and selling. In other words, he was just sitting on the outside and was not familiar with what was going on in the inside.

Mr. WIGGIN. There was no overlapping. There was nothing that would ever work against the employees' interests.

Senator COUZENS. Now, that is something I am going to persist in getting an answer to, that nothing happened to the detriment of the employee. My information is quite to the contrary, Mr. Wiggin, so I hope your staff will get for us some information in connection

with the sales of stock, and the prices at which you sold Chase National Bank stock and Chase Securities Corporation stock, to employees of both corporations.

Mr. WIGGIN. We can get all that.

Mr. PECORA. With respect to that——

Mr. WIGGIN (continuing). But don't misunderstand me. While they paid more for that stock than it is worth today, yet at the time when we did it we thought we were doing them a favor.

Mr. PECORA. Has the bank released them from their contracts to pay for this stock?

Mr. WIGGIN. No, sir.

The CHAIRMAN. Was there any pressure brought to bear on employees to buy the stock?

Mr. WIGGIN. No, sir.

The CHAIRMAN. They sought the stock, then?

Mr. WIGGIN. Yes, sir; they sought the stock.

Senator COUZENS. When you say that, do you mean to say that they were never asked to buy the stock?

Mr. WIGGIN. Well, I don't know that they ever were.

Senator COUZENS. I think you will find upon investigation that they were asked to purchase the stock. And undoubtedly, as you say, some of them sought an opportunity of buying, while others were asked to buy.

Mr. PECORA. Over what period of time were the installment payments required to be made by the employees of the bank who subscribed for shares of stock on the installment-payment plan?

Mr. WIGGIN. I will find out. [Inquiring of an associate.] Now I will ask that the question be read.

Mr. PECORA. The committee reporter will read the question to you. [Which was done.]

Mr. WIGGIN. There was a 20-percent payment, and final payment in 5 years.

Mr. PECORA. When was this plan put into effect?

Mr. WIGGIN. The first definite plan that I can tell you about was in December—on December 27, 1927, and the advances were made by the Metpotan Corporation——

Mr. PECORA (interposing). Speak a little louder.

Mr. WIGGIN. The advances were made by the Metpotan Securities Corporation, and the plan called for a 20-percent payment, and final payment within 5 years.

Mr. PECORA. Well, were those installment purchase contracts made with the employees of the bank by the Metpotan Securities Corporation?

Mr. WIGGIN. They advanced the money; yes, sir.

Mr. PECORA. They advanced the money to the bank for the stock, and then sold the stock to the employees on the installment purchase plan?

Mr. WIGGIN. No; they advanced the money to the individuals. The individuals borrowed their money from the Metpotan Securities Corporation to pay for the stock.

Mr. PECORA. I thought the individuals purchased on a 5-year payment installment plan.

Mr. WIGGIN. That is right; to the Metpotan Securities Corporation.

Mr. PECORA. What moneys were advanced? Do you mean the initial 20 percent?

Mr. WIGGIN. The money advanced was the difference between the 20 percent they paid and what the stock cost them.

Senator COUZENS. Advanced to whom? Where was the stock purchased from that was sold to the employees on which the Metpotan Securities Corporation furnished the money?

Mr. WIGGIN. It first started when the merger with the Mutual Bank took place, and we went to the stockholders and asked them if they would waive their rights to certain odd amounts of their shares, so that we could let the employees of the institution buy. We thought we were doing a wonderful thing for them. They all wanted it, and we thought that we were doing a fine thing for them.

Senator COUZENS. At what price was the stock sold? Was it sold at varying prices depending upon the time when sold?

Mr. WIGGIN. It was at a fixed price at the time.

Senator COUZENS. There was a fixed price?

Mr. WIGGIN. I will find that out. [Inquiring of an associate.] It was at the time of the increase in the stock because of the merger with the Mutual Bank. The increase in the stock was offered to the existing shareholders at \$325 a share. This is old stock, you understand, Mr. Pecora.

Mr. PECORA. That was the \$100 par value stock?

Mr. WIGGIN. Yes, sir. We asked the stockholders to waive their rights on the fractional amounts so that we could sell it to our bank men at \$425 a share.

Senator COUZENS. What was the \$325 a share price?

Mr. WIGGIN. That was the price to the stockholder for his right to the pro rata share increase.

Senator COUZENS. What became of the difference between the \$325 a share and the \$425 a share?

Mr. WIGGIN. It went to the bank's surplus account.

Senator COUZENS. Yet you thought that was generous to your employees.

Mr. WIGGIN. We thought so, because the market price was higher at that time.

Senator COUZENS. Oh. The market price of the stock was higher then?

Mr. WIGGIN. Yes, sir. And you understand that—

Senator COUZENS (interposing). Before you say that let me ask you: After the stock was reduced what would that have brought the price down to?

Mr. WIGGIN. Well, it was 5 shares to 1. It would be one fifth, unless there were some rights in there which might change it. [Inquiring of an associate.] At this price it would be \$85 a share for the present stock, but there may have been some modification of that in the way of some rights. I cannot answer that without a study of the matter.

Mr. PECORA. Well, has this installment payment plan expired by now?

Mr. WIGGIN. Yes, sir. In 5 years it expired.

Mr. PECORA. It expired last December?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. What happened after that time if payments were not made?

Mr. WIGGIN. We have been doing our best to help them out, to keep up their payments where we could. I do not think there will ever be any loss in the case of those loans. But, of course, you understand—

Mr. PECORA (interposing). You mean loss to the Metpotan Securities Corporation?

Mr. WIGGIN. Yes, sir. Of course these men have not been able to do what they expected to do.

Mr. PECORA. Do you know what percentage have paid up, and what percentage remains unpaid?

Mr. WIGGIN. I can give you the gross amount of those loans.

Mr. PECORA. How many individuals were able to go through with their contracts? What percentage of them have been able to pay up in 5 years, and what percentage were not able to pay up in that time?

Mr. WIGGIN. I could only guess. Shall I try to get that information for you?

Mr. PECORA. If you please. May I ask you, while we are on this subject, when you absorbed the Equitable Trust Co. whether there was an employee's retirement fund?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And what became of it after you absorbed the Equitable Trust Co.?

Mr. WIGGIN. They have been working out a new plan that would take case of the old Equitable plan and also the Chase bank.

Mr. PECORA. Well, is the Equitable plan still in force until the new plan is worked out?

Mr. WIGGIN. I think the new plan is now worked out.

Mr. PECORA. Who can inform us as to that?

Mr. WIGGIN. Mr. Aldrich. You understand as to this stock purchase plan that it was a thing that was done in many cases. We thought at the time it would be a good thing to have our employees and our officers interested in the stock. It was done, as you know, in many, many cases, and we thought it was the wise thing to do. As it turned out it wasn't a favor to them.

Mr. PECORA. Well—

Senator COUZENS (interposing). That may be so, but I have an abhorrence of this installment plan—is all.

Mr. CONBOY. You don't like the installment plan, then, Senator?

Senator COUZENS. I do not.

Mr. CONBOY. You believe that one should pay as he goes?

Senator COUZENS. Yes, as far as possible. We would not have been in this mess if we had not got to living beyond our means.

Mr. CONBOY. Well, look at the automobiles that would not have been sold.

Senator COUZENS. I wasn't in the industry when that took place.

Mr. PECORA. Mr. Wiggin, can you give the subcommittee an approximation of the number of shares of bank stock that were sold to the employees of the Chase bank under this 5-year purchase plan?

Mr. WIGGIN. Do you mean over the whole period?

Mr. PECORA. Yes.

Mr. WIGGIN. I will have to get that for you. [Inquiring of an associate.] Yes, we will have to get that for you.

Mr. PECORA. All right.

Mr. WIGGIN. Mr. Pecora, may I give you a memorandum that may help to answer the question that Senator Couzens asked? This is a memorandum, and I do not know just which officer prepared it. It was prepared by the Chase Securities Corporation. [Reading:]

The exceptional record of the Chase Bank, both from the standpoint of earnings and dividends, from its organization in 1877 until the general business depression in 1929, made its stock very desirable as an investment. The loyalty and morale of its staff was and still is extremely high. The desire of the clerical staff as well as of the officers to acquire an interest in the bank's shares was continually evidenced by requests that they be assisted to purchase such shares on an installment basis. It was always felt by the management that it was much in the interest of the shareholders to acquiesce in these requests when it could be done on a proper basis and in an amount proportionate to the applicant's earning power, and prior to the general collapse of all security values in 1929 the record of such loans was uniformly good. No effort was ever made to sell stock to the clerical or official staff, the loans in every instance being in response to expressed requests. Prior to 1917 the bank itself made the loans, the stock being held by the Columbia Trust Company in safe-keeping until fully paid for.

After the organization of Chase Securities Corporation in 1917, the custodianship of the partially paid-for stock was taken over by that corporation. The loans themselves were transferred to the corporation in 1919. Since 1927 all such loans have been handled by Metpotan Securities Corporation, one of the subsidiary companies of Chase Securities Corporation. The usual basis of such partial-payment purchases was a down payment of at least 20 percent, the balance to be liquidated within 5 years. The decline in the market price since 1929 has left some of the loans where they are not now properly collateralized, but in view of general conditions and the substantially reduced income of the borrowers because of decreased dividends and salaries, the record of payments on the loans is good. No preferential treatment has been asked for or given and every member of the staff recognizes his obligation and expects to pay it in full. In very many instances insurance protection has been provided for the loans, such action having in most cases been offered voluntarily.

The only formal stock purchased plan ever offered to the staff was in November 1927 when the shareholders voted to permit the officers of the bank to subscribe to a total of 11,600 shares at 425 which, while less than the market quotation, was 100 points higher than the shares were at the same time being offered to the shareholders themselves. The dollar amount involved in the above offering to the staff was \$4,930,000 and advances were made by Metpotan in connection therewith of \$2,135,765, the arrangement being that the loans were to be liquidated within 5 years. The unpaid balance on these advances is now \$232,620 with a collateral deficit of \$142,287.18. This unpaid balance is less than 5 percent of the total subscription.

That refers to that particular operation. There are other loans in Metpotan to officers that were not embraced in this figure.

Senator COUZENS. Prior to the 1919 plan?

Mr. WIGGIN. Yes; and later.

Senator COUZENS. During this 5-year installment plan were the dividends paid against the stock, or were they paid to the individual borrower?

Mr. WIGGIN. I do not know. [After conferring with associates.] The dividends were paid to the borrower, but the borrower was charged interest on his loan by the Metpotan.

Senator COUZENS. What rate of return did that yield to the employee at the time the stock was sold at 425?

Mr. WIGGIN. I will have to look up to see what the dividend was at that time, but I do not think it quite paid for it. The dividend, I think, was not quite sufficient to pay the interest.

Mr. PECORA. Mr. Wiggin, in connection with the examination of the bank made by the clearing-house examiners of of June 29, 1932—have you got the report?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. There is a section of the report which has the following caption:

The following large loans and investments held by the bank are those in which the Chase Securities Corporation or its affiliates are interested or associated, or are creditors or investors.

Then there is a column of the Chase Securities Corporation investments, totaling \$34,443,888, and the investments of the bank in those securities total \$130,061,667. Do you find that?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. So that the bank was financing, either through loans or investments in securities of companies in which the Chase Securities Corporation or its affiliates were interested or associated, or were creditors or investors, an aggregate sum of about \$165,000,000 as of June 29, 1932?

Mr. WIGGIN. I think that is right.

Mr. PECORA. Do you know at about what proportion those investments are carried, at what proportion of those face amounts those investments are carried?

Mr. WIGGIN. I do not believe I understand.

Mr. PECORA. This is the face amount of the investments?

Mr. WIGGIN. Yes.

Senator COUZENS. Or rather the loans.

Mr. PECORA. Loans and investments, they are called.

Mr. WIGGIN. You want to know at what they are carried at the present time?

Senator COUZENS. Yes.

Mr. WIGGIN. I can not tell you. I will have to look it up.

Senator COUZENS. In that connection, how much have you charged off, in the same manner that you charged off the Chase Securities Corporation? How much has the National Bank charged off?

Mr. WIGGIN. I will have to get that. I am not up to date on it.

Senator COUZENS. Is it some \$212,000,000?

Mr. WIGGIN. It is a large amount.

Senator COUZENS. Can your staff verify whether it is \$212,000,000?

Mr. CONBOY. Yes. They are looking at that now, Senator.

Mr. WIGGIN. I have enough here to be sure that that is right.

Senator COUZENS. I understand it was \$212,000,000, and I would like to have you furnish, tomorrow, what percentage of that \$212,000,000 has been actually sold, and what is still held in your portfolio.

Mr. WIGGIN. The same as we did on the Securities Co.?

Senator COUZENS. Yes.

Mr. WIGGIN. We will get that.

Mr. CONBOY. Your information is that the bank has written down its assets \$212,000,000?

Senator COUZENS. Yes.

Mr. CONBOY. And you want the percentage of that which is actually—

Senator COUZENS. Out of the portfolio.

Mr. CONBOY. Written off completely?

Senator COUZENS. No; sold.

Mr. PECORA. In this clearing house examiners' report of June 29, 1932, do you find a page devoted to loans made by the bank to corporations, enterprises, and syndicates in which directors, trustees, or officers are interested?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know the total amount of those loans as of June 29, 1932?

Mr. WIGGIN. I take it you have a figure there of \$66,643,302. Is that the list?

Mr. PECORA. No. That is the following page. That figure of \$66,000,000 odd relates to investments in corporations, enterprises, and syndicates in which directors, trustees, or officers are interested.

Mr. WIGGIN. I see.

Mr. PECORA. The page preceding that is entitled "Loans to Corporations, Enterprises, and Syndicates in which Directors, Trustees, or Officers are interested."

Mr. WIGGIN. Yes, sir. I have that.

Mr. PECORA. Have you the total amount of those loans?

Mr. WIGGIN. It does not seem to be totaled.

Mr. PECORA. I am having those loans totaled up, Mr. Wiggin, and while the calculation is being made I want to ask you about something else. According to the minutes of the meeting of the board of the bank on January 29, 1930, there was reported the making of a loan of \$2,795,000 to a syndicate of which the managers were Dillon, Read & Co., H. C. Couch, and C. S. McCain.

Senator COUZENS. Don't you think we ought to examine Mr. McCain on that? He is the one you said was coming down here?

Mr. PECORA. Yes, sir. (Addressing Mr. Wiggin.) Have you got that?

Mr. WIGGIN. I beg your pardon?

Mr. PECORA. It is not in the examiner's report. Turn to exhibit no. 201-111.

Mr. WIGGIN. I have the description here.

Mr. PECORA. What kind of a syndicate was that?

Mr. WIGGIN. Shall I read the whole description?

Mr. PECORA. Yes, sir.

Mr. WIGGIN. Meeting of January 29, 1930:

Dillon, Read & Co., H. C. Couch, C. S. McCain, \$2,795,000, 7 percent, demand; renewal. Dillon, Read & Co., syndicate managers. Secured by 24,989 shares Louisiana & Arkansas Railway Co., Louisiana and Arkansas Corporation; 49,978 shares Louisiana & Arkansas Railway Co. common, a Delaware corporation; 49,978 Louisiana Arkansas Railway Co. 6 percent preferred, a Delaware corporation. Also notes of syndicate participants as follows: Coverdale & Colpitts \$69,875, due July 16, 1930; J. A. Moffatt, \$279,500, same maturity; Dillon, Read & Co., \$1,020,175. All the maturities are July 16, 1930; Randolph G. Pack, \$209,625; H. C. Couch, \$978,250; Rogers Caldwell, \$237,575, making a total of \$2,795,000.

Mr. PECORA. What kind of a syndicate operation was that?

Senator COUZENS. Before you ask that, what is that last list? Are those the notes of those persons?

Mr. PECORA. The notes of syndicate participants.

Mr. WIGGIN. Representing their responsibility.

Senator COUZENS. Do you mean to say Coverdale & Colpitts speculate after issuing engineer's reports as to the condition of railroads?

Mr. WIGGIN. I do not know, sir.

Senator COUZENS. It looks as though they were participating in this syndicate.

Mr. WIGGIN. They were one of the participants in the loan of \$2,795,000.

Senator COUZENS. And yet the public are asked to rely upon Coverdale & Colpitts' reports as to the earning facilities and the condition of railroads. It seems to me that is a most unusual situation.

Mr. PECORA. What kind of a syndicate operation was this?

Mr. WIGGIN. I do not know. I will have to find out. I can not remember it.

Mr. PECORA. Wouldn't you say it was a syndicate engaged in a sort of pool operation?

Mr. WIGGIN. I do not know enough about it to say, Mr. Pecora. I will try to find out.

Senator COUZENS. May I ask, Mr. Pecora, if this Coverdale & Colpitts is not the same firm that recommended to Dillon, Read & Co. that they buy Frisco & Rock Island stock?

Mr. PECORA. The same firm.

Senator COUZENS. And then afterwards they were unloaded on this trust, and they are worth nothing now.

Mr. PECORA. Pretty nearly that.

Mr. Wiggin, I show you a group of statements captioned: "The following loans were presented and approved by the board of directors of the Chase National Bank of the city of New York at meetings held on the dates indicated." Then there are enumerated loans approved at meetings of the board, commencing with the meeting of January 4, 1928, down to and including loans approved by the board on August 23, 1933, which was furnished to us in answer to our request for such information by the Chase National Bank. Will you kindly look at it and tell us if you recognize it to be a true and correct statement of such loans?

Mr. CONBOY. Is this another subject?

Mr. PECORA. Syndicate loans.

Mr. CONBOY. I say, is it another subject?

Mr. PECORA. The same subject.

Mr. CONBOY. Do you want this whole loan list to be identified, or is there some particular matter you want us to look at?

Mr. PECORA. No, I want to put the whole thing in.

Mr. CONBOY. Subject to checking it in the event that there are any omissions, will you take it?

Mr. PECORA. All right. We got that directly from the Chase Bank.

Mr. CONBOY. Yes, that is what it seems. I do not know why there should be any time taken up on it.

Mr. PECORA. I ask that it be marked for identification until it has been checked up, but not spread on the record.

Mr. CONBOY. There is one page that should be in there that is now detached.

Mr. PECORA. That may be marked for identification also.

The CHAIRMAN. Let them be marked for identification.

Mr. CONBOY. You have some pencil notations on there.

Mr. PECORA. Those pencil notations are merely totals of figures.

Mr. CONBOY. You are not offering them?

Mr. PECORA. No, sir.

(List entitled "Following loans presented and approved by the Board of Directors of The Chase National Bank of the city of New York at meetings held on dates indicated" was thereupon designated "Committee Exhibit No. 81 for identification, Oct. 31, 1933." See page 3130.)

(Sheet known as page 32-A of exhibit 81 for identification was thereupon designated "Committee Exhibit 81-A for identification.")

Mr. PECORA. Mr. Wiggin, will you look at this document that has been marked "Committee's Exhibit No. 81 for identification" as of this date and tell us if any of the loans enumerated thereon to the various syndicates there shown were reported by the Chase National Bank to the Federal Reserve Board as among the brokers' loans so-called?

Mr. WIGGIN. I would have no way of telling.

Mr. PECORA. Can you find out about that from any of your associates?

Mr. WIGGIN. Mr. Pecora, we will have to take that up with the auditing department and find out just what the answer to your question is.

Mr. PECORA. I tell you what I wish you would find out in connection with it, whether or not any of the loans shown in that exhibit for identification were included in the reports made by the bank to the Federal Reserve Board of brokers' loans. That is what I want to find out.

Mr. CONBOY. Just let me be clear about that.

Mr. PECORA. That includes that additional sheet; yes.

Mr. CONBOY. I want to find out what the inquiry is. Does that include this sheet which has been taken out and marked separately?

Mr. PECORA. It does. Mr. Wiggin, the Chase National Bank was a member of the Federal Reserve System, was it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And as such it was required to report to the Federal Reserve Board the amounts of all brokers' loans at regular intervals—at weekly intervals?

Mr. WIGGIN. I do not know what the interval was, but they had to report.

Mr. PECORA. Now what I want you to find out between now and tomorrow morning, if you will, is whether any of the loans made to the syndicates shown on exhibits 81 and 81-A for identification were included in any of the reports of brokers' loans made by the Chase Bank to the Federal Reserve Board. Do you understand that?

Mr. CONBOY. I think we will have to ask the present management of the bank to do that, you know.

Mr. PECORA. No; those syndicates go back to 1928, some of them.

Mr. CONBOY. Quite so, but their records are in the possession of the present management of the bank and we will have to ask them to do it.

Mr. PECORA. I want to ask Mr. Wiggin another question: Were not the syndicates to which were made the loans shown on exhibits 81 and 81-A for identification syndicates organized for various purposes in the various companies shown in those exhibits?

Mr. WIGGIN. I have not had time to go through them all, Mr. Pecora.

Mr. PECORA. Will you address yourself to that question, too, between now and tomorrow morning so that when you appear again tomorrow morning you will be prepared to tell the committee whether or not these syndicates were so-called "trading accounts"?

Mr. WIGGIN. I will endeavor to. It is a pretty big order.

Mr. PECORA. Referring back to the testimony that gave the list of officers and directors in the bank or securities companies that were officers and directors in the family corporations, I would like to add one more statement.

Mr. PECORA. All right.

Mr. WIGGIN. That since January of 1933 no officer or director of the Chase National Bank or any of its affiliates has been an officer or director in any of the corporations Shermar, Murlyn, or Clingston, with the exception of my son-in-law, Mr. Selden, who remained on the board of Shermar until July of 1933.

Senator COUZENS. Is he now on the Chase board?

Mr. WIGGIN. No, sir; he is not.

The CHAIRMAN. The committee will take a recess until 10 o'clock tomorrow.

(Accordingly, at 4:05 p.m., the committee took a recess until 10 a.m. of the following day.)

# STOCK EXCHANGE PRACTICES

WEDNESDAY, NOVEMBER 1, 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 the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Gore (substitute for Barkley), Adams (proxy for Costigan), Couzens, Townsend, and Goldsborough (substitute for Norbeck).

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver, David Saperstein, associate counsel to the committee; and Frank J. Meehan, chief statistician to the committee; Eldon Bisbee, Alfred E. Mudge, Joseph B. Lynch, and C. Horace Tuttle, of Rushmore, Bisbee & Stern, and, also William Dean Embree and A. Donald MacKinnon, of Milbank, Tweed, Hope & Webb, counsel representing the Chase National Bank and the Chase Corporation; Martin Conboy, counsel for Albert H. Wiggin.

The CHAIRMAN. The subcommittee will come to order. Mr. Pecora, you may proceed.

## TESTIMONY OF ALBERT H. WIGGIN—Resumed

Mr. PECORA. Mr. Wiggin, in the course of your testimony yesterday—

Mr. WIGGIN (interposing). Mr. Pecora, might I interrupt for a moment to make a short statement?

Mr. PECORA. Surely.

Mr. WIGGIN. I want to make clear that the directors in the family corporations were not stockholders except the family; that Mr. McGarrah, for example, was not a stockholder. I want to make that point clear. It is also a fact and I would like to have made clear at this point that Mr. McGarrah has been very inactive, has not been in the meetings of directors since 1920, I think.

Mr. PECORA. What meetings are you speaking of?

Mr. WIGGIN. The directors of the Shermar Corporation. That is all that I wanted made clear.

Senator COUZENS. He just had qualifying shares?

Mr. WIGGIN. He did not have to have any.

Senator TOWNSEND. Do you say that he did not have to have any shares at all in order to be a director?

Mr. WIGGIN. No, sir.

Mr. BISBEE. No, sir; not under the New York law.

Mr. WIGGIN. Pardon me, Mr. Pecora, for interrupting you, but I wanted that point made clear.

Mr. PECORA. All right.

Senator COUZENS. Before you begin your examination this morning, Mr. Pecora, let me ask a question.

Mr. PECORA. Certainly.

Senator COUZENS. Some days ago, Mr. Wiggin, you gave us a list of officers, employees, and others who were with your bank and who had been former bank examiners. Do you recall that?

Mr. WIGGIN. I remember giving it from memory; yes, sir.

Senator COUZENS. I think we were then only referring to national bank examiners.

Mr. WIGGIN. Yes, sir.

Senator COUZENS. I have a telegram which indicates that there was a former State bank examiner, and former deputy superintendent of banks, by the name of Mr. Arthur Pyterman who went with a bank. Was he with your company or bank?

Mr. WIGGIN. He is with us.

Senator COUZENS. All right.

Mr. PECORA. Have you the details and figures on the Sinclair Consolidated matter now?

Mr. WIGGIN. Mr. Pecora, as I understand, you want the details of the figures on the Sinclair Consolidated Oil Corporation matter.

Mr. PECORA. On the Sinclair Consolidated Oil Corporation common stock trading account.

Mr. WIGGIN. I don't think it was a trading account. I think it was an underwriting of stock. The other account was the trading account, a small one.

Mr. PECORA. All right.

Mr. WIGGIN. The agreement was dated October 25, 1928, and it was between Arthur W. Cutten, Blair & Co., Inc., Chase Securities Corporation, Shermar Corporation, and Harry F. Sinclair. The Shermar Corporation was given an interest of 94,166 $\frac{2}{3}$  shares in the syndicate formed for the purpose of purchasing 1,130,000 shares of the common capital stock of the Sinclair Consolidated Oil Corporation. On December 24, 1928, the Shermar's participation was reduced to 84,750 shares.

Mr. PECORA. You say it was reduced to that figure.

Mr. WIGGIN. To that figure of 84,750 shares. On December 31, 1928, the Shermar Corporation paid in \$1,125,000. On March 18, 1929, the Shermar Corporation received interest of \$18,781.09, and profits of \$877,654.25, which, after distribution to the participants, left the Shermar Corporation's share of the profits \$602,363.41. The Shermar Corporation received this interest in the syndicate from Arthur W. Cutten, and no part of such interest came from Chase Securities Corporation.

Mr. PECORA. Have you the underwriting agreement that was entered into by the various participants?

Mr. WIGGIN. I haven't it, but I will find out if it is here. [After consulting an associate:] We haven't it here but we can get it.

Mr. PECORA. Have you the communication by which the Shermar Corporation was invited to participate in this account?

Mr. WIGGIN. No, sir.

Mr. PECORA. Have you any of the documents that were entered into by the various participants in this account?

Mr. WIGGIN. We haven't anything here, but we can get anything you may want.

Mr. PECORA. I understood that they were to be obtained for us.

Mr. WIGGIN. Well, I don't think it was so understood.

Mr. PECORA. I called for them yesterday forenoon, or afternoon when I last examined you on this account.

Mr. CONBOY. What you wanted was information with respect to the accounts as we understood.

Mr. PECORA. Well, I wanted all the information.

Mr. CONBOY. You mean that you want the documents in addition?

Mr. PECORA. The documents, yes; which would be the best evidence.

Mr. CONBOY. We will get them.

Mr. PECORA. Have you got them in Washington, here, now?

Mr. WIGGIN. I don't think so, but we will get them for you.

Mr. PECORA. Who was the manager of that account?

Mr. WIGGIN. Mr. Cutten.

Mr. PECORA. What is his business?

Mr. WIGGIN. You asked me that yesterday.

Mr. PECORA. Yes, I know.

Mr. WIGGIN. I think he is an investor.

Mr. PECORA. And had you previously gone into any underwriting syndicates with Mr. Cutten?

Mr. WIGGIN. I think so.

Mr. PECORA. Had any one of your family corporations gone into any such account previously with Mr. Cutten?

Mr. WIGGIN. I think so.

Mr. PECORA. Do you recall the names of them?

Mr. WIGGIN. I think he was the manager of the Armour account. That is the only one I recall.

Mr. PECORA. Was that formed prior to October of 1928?

Mr. WIGGIN. I think so, but I will have to make sure of it. But I think so.

Mr. PECORA. Well, will you give the subcommittee such details with regard to this underwriting syndicate as you recall?

Mr. WIGGIN. Of this one I have been talking about?

Mr. PECORA. This one affecting the issue of the common stock of the Sinclair Consolidated Oil Corporation.

Mr. WIGGIN. Well, I don't recall anything more than I have stated. And I did not recall this until I got the information. I have no recollection of the details of it.

Mr. PECORA. Who were the brokers that handled the account?

Mr. WIGGIN. I will find out [inquiring of an associate]. The question was, who handled the account?

Mr. PECORA. Who were the brokers that handled the account?

Mr. WIGGIN. Well, I am not sure. Apparently there were several brokers that handled the business.

Mr. PECORA. Give the names of those you recall.

Mr. WIGGIN. Janney & Co., Kissel, Kinnicutt & Co.; J. & W. Seligman & Co.; Spencer-Trask & Co. On the trading account you

will remember it was E. F. Hutton & Co. that sent the check, so I suppose they may have been in it.

Mr. PECORA. Do you know what proportion of the entire issue of the common stock of the Sinclair Consolidated Oil Corporation this underwriting account was formed to acquire?

Mr. WIGGIN. I do not.

Mr. PECORA. What commitments, if any, did the Shermar Corporation make?

Mr. WIGGIN. It made commitments of 84,750 shares.

Mr. PECORA. Did the Shermar Corporation actually at any time put up any moneys against that commitment?

Mr. WIGGIN. Oh, yes, sir.

Mr. PECORA. How much?

Mr. WIGGIN. They paid in \$1,125,000 on December 31, 1928.

Mr. PECORA. Do you know the terms of the underwriting?

Mr. WIGGIN. I haven't it in amounts at all.

Mr. PECORA. You can get it from the documents, I take it?

Mr. WIGGIN. I assume so.

Mr. PECORA. Now, you have said that on March 18, 1929, the Shermar Corporation received interest amounting to \$18,781.09, and profits aggregating \$877,654.25. At least those are the figures that I took down from your answer. Are they correct?

Mr. WIGGIN. Correct.

Mr. PECORA. You also said that out of that sum of \$877,654.25 the Shermar Corporation paid out some moneys, leaving a net profit to itself of something like six hundred and odd thousand dollars.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. For what purposes were those moneys paid out?

Mr. WIGGIN. They were paid out to subparticipants.

Mr. PECORA. To the subparticipants of the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Who were those subparticipants?

Mr. WIGGIN. Janney & Co.; Kissel, Kinnicutt & Co.; J. & W. Seligman & Co.; Spencer, Trask & Co.; H. G. Freeman; D. E. Holmes; Frank Callahan; and the Rolinson Company.

Mr. PECORA. Is that Frank Callahan the same man who was an officer of the Chase Bank or the Chase Securities Corporation?

Mr. WIGGIN. Exactly.

Mr. PECORA. Who granted these subparticipations to these interests?

Mr. WIGGIN. I understand that the participations to the brokers whose names I have read off to you were allotted at the request of Blair & Co. I assume that the remainder of the allotments were made at my suggestion.

Mr. PECORA. Well, what allotments were made at your suggestion?

Mr. WIGGIN. I do not know definitely, you understand. This is not clear in my mind.

Mr. PECORA. What was the reason for any subparticipations being granted by the Shermar Corporation?

Mr. WIGGIN. Just to be helpful to the key men of the institution.

Mr. PECORA. Helpful to key men?

Mr. WIGGIN. Of the institution; yes, sir.

Mr. PECORA. In what respect were they key men?

Mr. WIGGIN. They were the active executive officers of the company.

Mr. PECORA. Do you mean of the Sinclair Co.?

Mr. WIGGIN. No; of the Chase Securities Corporation.

Mr. PECORA. Well, the Shermar Corporation had nothing to do with the Chase Securities Corporation, did it?

Mr. WIGGIN. No; but I was very much interested in having the men in Chase Securities Corporation make money.

Mr. PECORA. And you gave those men who were connected with the Chase Securities Corporation a subparticipation in order to improve their morale, so to speak, or what?

Mr. WIGGIN. Hoping it would be successful and that they would make some money. You see, our Chase Securities Corporation men at this period we are speaking of, key men, did not receive large salaries. They were in great demand, and it was very difficult to hold them. We wanted them to make money. We wanted them to make something besides their salaries.

Senator TOWNSEND. What actual service did they render to you that they should receive such participation?

Mr. WIGGIN. None.

Mr. PECORA. You wanted them to make money outside of their salaries?

Mr. WIGGIN. Yes.

Mr. PECORA. And one of the ways by which it was hoped they might make money was to put them in stock operations?

Mr. WIGGIN. When I had something that—

Mr. PECORA [interposing]. That looked like a sure thing?

Mr. WIGGIN. No; when I had something that I thought was a good risk, and they were willing to take some of it, I let them have it.

Mr. PECORA. In this case did they come to you and ask you to let them have a participation in the Shermar Corporation's interest, or did you take the initiative in offering it to them?

Mr. WIGGIN. I don't know.

Mr. PECORA. Did you do that frequently with officers of the Chase Securities Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. You invited them to participate in various syndicate operations and transactions of your family corporations?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. Did they put up any actual money?

Mr. WIGGIN. Some of them paid cash and some would have the corporation advance the money.

Senator COUZENS. For their participation?

Mr. WIGGIN. Yes, sir. You understand that the Chase Securities Corporation was always paid for their share. There was never a carrying of anybody by Chase Securities Corporation.

Mr. PECORA. How did it happen that the Chase Securities Corporation also invited participation in these underwritings by whoever it was that originated it?

Mr. WIGGIN. I do not know, except that they were dealers.

Mr. PECORA. There were many instances in which the Chase Securities Corporation, or one of its subsidiaries, was a participant

in a syndicate or joint savings account, together with one of your family corporations, isn't that so?

Mr. WIGGIN. The family corporations frequently had interests in the same business that the Chase Securities Corporation was interested in.

Mr. PECORA. Well, in those instances was the participation of your family corporations obtained from the Chase Securities Corporation or any of its subsidiaries?

Mr. WIGGIN. In some cases, undoubtedly.

Mr. PECORA. How did that come about?

Mr. WIGGIN. Well, simply that the Chase Securities Corporation wanted to be relieved of a certain amount of the business. In most cases they simply sold to the Shermar Corporation at the same price that they sold to somebody else, and it was convenient for them to have somebody ready and with good credit and of financial standing that would give them prompt assistance.

Mr. PECORA. If the Chase Securities Corporation in those cases wanted to be relieved of a portion of its participation, why did they participate originally in them to the extent they did?

Mr. WIGGIN. I think they felt it was wise to take things as offered, and that it would help them in the matter of future business in their position of financing companies.

Mr. PECORA. Do you know in how many instances in the 5-year period 1928 to 1932, both inclusive, one of your family corporations was given a subparticipation in a syndicate account by the Chase Securities Corporation or its subsidiary?

Mr. WIGGIN. I think I can tell you. I will have to ask for information.

Mr. PECORA. All right, if you will tell me.

Mr. WIGGIN. Will you repeat the question?

Mr. PECORA. The committee reporter will read the question to you. [Which was done.]

Mr. WIGGIN. I only have the figures for the whole period. I will have to investigate to find out the details, as I only have the whole period of the Chase Securities Corporation.

Mr. PECORA. Do you mean from 1917 down to 1932, both inclusive?

Mr. WIGGIN. Yes, sir. I can give you for that period of 16 years if it would interest you.

Mr. PECORA. On yesterday in the course of your testimony I asked you for a breakdown of a certain review that was made by somebody in your behalf, of the participations of one or other of your family corporations in syndicate accounts with the Chase Securities Corporation. It was indicated that I might have that information today. Have you got it?

Mr. WIGGIN. No. It is in process of preparation, however.

Mr. CONBOY. Yes, Mr. Pecora, it is in process of preparation.

Mr. PECORA. When do you now think it will be available to us?

Mr. CONBOY. Tomorrow.

Mr. PECORA. All right. Now, Mr. Wiggin, whenever the Chase Securities Corporation, or its subsidiary, gave a subparticipation to one of your family corporations in any syndicate account, was it done by action of the board of directors?

Mr. WIGGIN. It was done by the executive officers of the securities company.

Mr. PECORA. On their own initiative?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Were those facts made known in record form to the board of directors of the Chase Securities Corporation?

Mr. WIGGIN. Oh, I guess so.

Mr. PECORA. Well, reference to the minute books would indicate whether they were or not.

Mr. WIGGIN. It was not entered in the minutes, but it was handled exactly the same as the participation of any other interest.

Mr. PECORA. And what was that?

Mr. WIGGIN. It was handled exactly the same as any other interest. It was not reported in detail in the directors' records; no, sir.

Mr. PECORA. Who were the executive officers of the Chase Securities Corporation giving your family corporations such participation, or such subparticipation, rather who made those decisions for the Chase Securities Corporation?

Mr. WIGGIN. The president and vice presidents of the corporation.

Mr. PECORA. Well, now, during the years 1928 and 1929 who were those men?

Mr. WIGGIN. I can give you a complete list of officers at that date, or I can give you a list of the active executive officers.

Mr. PECORA. Give the active executive officers, then.

Mr. WIGGIN. In 1929 Mr. Freeman, Mr. Clarkson, Mr. Dodge, Mr. Callahan. I think those would be the ones that would probably have made the allotments. There were other officers but I should say these were the senior officers who would probably do it.

Mr. PECORA. What was the name after Mr. Freeman?

Mr. WIGGIN. Clarkson.

Mr. PECORA. Now, Mr. Freeman was one of the officers who, according to your testimony yesterday, was indebted to the Shermar Corporation.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And Mr. Dodge was another one who was indebted to the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And Mr. Callahan is the officer whom you mentioned in your testimony earlier this morning as having been given a subparticipation by the Shermar Corporation in this profitable underwriting syndicate that dealt in the Sinclair Consolidated Oil Corporation common stock.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Well, has there developed through the years a system whereby those executive officers of the Chase Securities Corporation, in the exercise of their judgment, gave your family corporations a subparticipation in interests, such as Chase Securities Corporation Syndicate accounts, and you and your family corporations gave to those individual officers subparticipations in some of your syndicate interests?

Mr. WIGGIN. Occasionally.

Mr. PECORA. What was that? A sort of log-rolling scheme?

Mr. WIGGIN. No. It was that they wanted to reduce the risk, the amount of underwriting of the Chase Securities Corporation. And I also had the theory that those key men should have, that it

was wise for them to have something besides their salaries. It did not work out that way in the long run, but that was my theory. I thought where they originated business the best test of that business was their own belief in it, and if they were willing to take a risk in it, it was good business for the Chase Securities Corporation to go along with it.

Mr. PECORA. Did they originate any of this business?

Mr. WIGGIN. They originated business frequently.

Mr. PECORA. Do you think it is a good thing for executive officers of financial institutions, who receive adequate salaries for their work, to also be engrossed in extensive private matters at the same time?

Mr. WIGGIN. Well, I can only say—

Mr. PECORA (interposing). Do you think it makes for greater effectiveness on their part as officers of financial institutions?

Mr. WIGGIN. You will understand that this was not a case of heads I win and tails you lose. They took the risk. It was not a case of waiting for the profit and then taking a piece of it.

Mr. PECORA. Do you think it was a good thing to put them into enterprises in which they took financial risks?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you think that improved their efficiency or their effectiveness as officers of the bank or of the security company?

Mr. WIGGIN. That is my theory, that their self-interest made them better judges of the matter than otherwise.

Mr. PECORA. Did it also work out the same way with you personally? I have in mind definitely these things: You were the executive head of the Chase National Bank, and also of the securities affiliate, receiving what I presume you considered adequate compensation for your services as such executive officer, by way both of salary and bonuses. Now, you had many other interests of your own, on your individual account, and there were family corporations, and presumably there were your own personal investments. Do you think that the magnitude of those private interests of yours was such as to militate against the amount of service you gave the bank, or could give the bank?

Mr. WIGGIN. No, sir.

Mr. PECORA. What was that?

Mr. WIGGIN. No, sir; not a bit.

Mr. PECORA. Don't you think the job of executive head of the bank was big enough to require all the time and attention that the individual who held that job could possibly devote to it within the compass of 24 hours a day?

Mr. WIGGIN. They had all my time. Everything I did outside the bank was done for the purpose of helping the bank.

Mr. PECORA. Do you mean to say that all these syndicate accounts that the Shermar Corporation, the Murlyn Corporation, and the Clingston Co., Inc., went into were for the purpose of helping the bank?

Mr. WIGGIN. They took no time from me.

Mr. PECORA. Their activities were very extensive, weren't they?

Mr. WIGGIN. Yes, sir. But they took none of my time whatever.

Mr. PECORA. Who looked after those things for you?

Mr. WIGGIN. It was a purely bookkeeping arrangement.

Mr. PECORA. Do you mean that the making of those investments, the taking of those participations in those various syndicates, the conduct of the operations in carrying out the purposes of those syndicates, were mere bookkeeping transactions?

Mr. WIGGIN. They took none of my time whatever.

Mr. PECORA. You said they were bookkeeping matters. You did not really mean that, did you?

Mr. WIGGIN. No. The only thing that took time was bookkeeping, with which I had nothing to do. Nothing else took my time.

Mr. PECORA. Didn't you have to give some thought, some consideration to the matter of taking participation in syndicate enterprises?

Mr. WIGGIN. Apparently not.

The CHAIRMAN. How about these three private corporations in the United States that you had, and the three private corporations that you had in Canada? Didn't those take any of your time?

Mr. WIGGIN. Not a bit.

Mr. PECORA. Here we have seen from evidence already given by you that your three family corporations, Shermar, Murlyn, and Clingston, traded very extensively during the years 1928 to 1932, both inclusive, in the capital stock of the bank, and that such trading resulted in profits of over 10 million dollars during those 5 years. Now, I take it, Mr. Wiggin, that the operation of those trades, the conduct of those accounts, did not take care of themselves but had to have some guiding genius.

Mr. WIGGIN. All the time that it took was for me to say to the Chase Securities, "If it does not interfere in any way with what you are doing, I would like to buy some" or "I would like to sell some." That is all the time it took for me.

Mr. PECORA. That did not require a consideration and study of the market conditions and the mechanism for trading in the capital stock of the bank?

Mr. WIGGIN. No, sir.

Mr. PECORA. Was it as easy as that to make money?

Mr. WIGGIN. Or to lose it.

Mr. CONBOY. You will recall that there were only 81 purchases in 6 years.

Mr. PECORA. Eighty-one purchases?

Mr. CONBOY. I think, about 141 sales in 6 years.

Mr. PECORA. Purchases of what—bank stock?

Mr. CONBOY. In 6 years.

The CHAIRMAN. How much did it amount to in dollars and cents?

Mr. PECORA. The profits were over \$10,000,000, according to the evidence.

Mr. CONBOY. I am speaking about the number of transactions.

Mr. PECORA. That is only one branch of the activities of these family corporations. It has already been testified that they had participations in many syndicates. Is not that so, Mr. Wiggin?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And none of those activities required your time or attention?

Mr. WIGGIN. Not a bit.

Mr. PECORA. Who guided the destinies of these corporations of yours?

Mr. WIGGIN. I think I did.

Mr. PECORA. You say you think you did, and yet you say it took no time—none of your time?

Mr. WIGGIN. It took no time.

Mr. PECORA. I am quite sure you did not have any mechanical device that caused these companies to function, the way a robot would.

Mr. WIGGIN. Is this a question?

Mr. PECORA. Well, it is more an observation than a question, I suppose.

There was considerable correspondence that had to be attended to in connection with these family corporations of yours and their interest in these syndicate accounts, was there not?

Mr. WIGGIN. Oh, some; yes, sir.

Mr. PECORA. When one of your family corporations was invited to participate in some joint account, or trading account, or syndicate account, did not the question of acceptance of the offer involve some consideration of the security?

Mr. WIGGIN. I think I accepted everything that was offered.

Mr. PECORA. Without any question?

Mr. WIGGIN. I think so. I do not remember refusing any.

Mr. PECORA. The acceptance came as a matter of form?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. The same thing happened with acceptances by the Securities Corporation of invitations to participate in syndicates?

Mr. WIGGIN. Invitations from?

Mr. PECORA. Invitations to.

Mr. WIGGIN. The Chase Securities Corporation?

Mr. PECORA. Yes.

Mr. WIGGIN. That was entirely handled by the president and vice presidents of the bank.

Mr. PECORA. You were the overlord of that company, were you not?

Mr. WIGGIN. I was the senior officer.

Mr. PECORA. Were those acceptances also given as a matter of form?

Mr. WIGGIN. I do not think so. I think they studied them.

Mr. PECORA. You did not think it was necessary to study yours?

Mr. WIGGIN. No, sir.

Mr. PECORA. By the way, Mr. Wiggin, during any of the time you were the executive head of the Chase National Bank, did that bank develop a service for its customers designed to aid them in meeting their income-tax problems?

Mr. WIGGIN. I think we had one officer, or perhaps more, that used to advise with customers on their income-tax returns.

Mr. PECORA. Was that a rather active department of the bank?

Mr. WIGGIN. I don't know how much of it there was.

Mr. PECORA. Do you know how it functioned?

Mr. WIGGIN. No; I do not, except that I do know that people would ask questions about income tax and were directed to some officer who was supposed to know about the subject and advise them.

Mr. PECORA. As a matter of fact, did the bank wait for its customers to ask the questions, or did the bank itself initiate a service of that sort and invite customers to take advantage of it?

Mr. WIGGIN. I don't remember that they invited anybody to take advantage of it.

Mr. PECORA. Can you find a letter dated August 17, 1932, addressed to a Mr. William Mitchell Kendall? It is known by your identification no. 73-21.

Mr. WIGGIN. Yes, sir; I have it.

Mr. PECORA. I show you what purports to be a photostatic reproduction of such a letter. Will you be good enough to look at it and tell me if it is a true and correct copy of such a letter sent Mr. Kendall by the Chase National Bank?

Mr. CONBOY. This is not sent by the Chase National Bank.

Mr. PECORA. By whom is it sent?

Mr. WIGGIN. Apparently, from the marking, it is sent by Chase Harris Forbes Corporation.

Mr. PECORA. That was a subsidiary of the Chase Securities Corporation, was it not?

Mr. WIGGIN. Yes.

Mr. PECORA. Wholly owned?

Mr. WIGGIN. Yes.

Mr. PECORA. Is that a copy of such a letter sent by the Chase Harris Forbes Corporation?

Mr. WIGGIN. It is a copy of that letter.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

Mr. WIGGIN. You understand it is not on a subject on which I am posted.

The CHAIRMAN. Let it be admitted and entered on the record.

(Photostatic copy of letter dated Aug. 17, 1932, from Chase Harris Forbes Corporation to William Mitchell Kendall, New York, N.Y., was received in evidence, marked "Committee Exhibit No. 82, Nov. 1, 1933.")

Mr. PECORA. The letter marked "Committee Exhibit No. 82" in evidence reads as follows [reading]:

AUGUST 17, 1932.

Mr. WILLIAM MITCHELL KENDALL,  
% McKim, Mead & White,  
101 Park Avenue, New York, N.Y.

DEAR MR. KENDALL: Enclosed is a memorandum telling the story of what we are trying to do to help our customers establish certain losses which can be deducted from their income-tax payments. The law passed by the last Congress has made it very difficult to establish losses this year because losses through the sale of so-called "taxable securities" can be established only as an offset against gains, and of course very few people made any profits which can be used against losses on taxable securities.

Provision has been made, however, which makes it permissible to establish losses through the sale of municipal and government bonds, both domestic and foreign. Just why Congress should have allowed losses on foreign political divisions I do not know, but such is the case.

Where we can we are trying to exchange over into practically the same security so that the question of safety is not involved and if it saves a few dollars to the holder it seems to be worth while. The only thing you need to do is to let me know if it is all right to go ahead and work out, as we can, what savings are possible on your next income-tax return.

If you want more details not contained in the memorandum, please do not hesitate to call upon me.

Very truly yours,

The initials of the signer are "R. W. M." Do you know whose initials they are?

Mr. WIGGIN. I do not know.

Mr. PECORA. Are you familiar with this service that was initiated apparently by a subsidiary of the bank?

Mr. WIGGIN. No, sir. This is the first I ever heard of it.

Mr. PECORA. What is that?

Mr. WIGGIN. This is the first time I ever heard of it.

Mr. PECORA. Before I read this letter into the record and before I questioned you at all in connection with the letter, you admitted some knowledge of service whereby the bank helped its customers to meet their income-tax problems.

Mr. WIGGIN. I stated that clients of the bank that wanted to discuss the matter—we had an officer for them to discuss it with. That is, our bank. This is another matter entirely.

Mr. PECORA. You say it is sent out by an officer of the Chase Harris Forbes Corporation. The Chase Harris Forbes Corporation was an investment company wholly owned by the Chase Securities Corporation which, in turn, is wholly owned by the shareholders of the bank; and you were the executive head of the bank and of the Chase Securities Corporation, were you not?

Mr. WIGGIN. I admit all that, Mr. Pecora; but I had no idea that this was ever done, and this is probably a salesman's plan of getting customers.

Mr. PECORA. Apparently the plan went to the point of having a memorandum or pamphlet prepared, printed, and circulated among the customers by Chase Securities Company.

Mr. WIGGIN. I see.

Mr. PECORA. A salesman, an ordinary employee, would not have the authority to do that without the consent of the officers, would he?

Mr. WIGGIN. I do not think so.

Mr. PECORA. Do you think there were many other corporate activities undertaken by any of these securities affiliates of the bank that you have no knowledge of?

Mr. WIGGIN. Oh, there must have been others that I know nothing about; but I do not imagine there were many.

Mr. PECORA. What did you say?

Mr. WIGGIN. I do not think there were many. There probably were others.

Mr. CONBOY. You spoke about a printed memorandum being sent out.

Mr. PECORA. I am referring to the memorandum that is mentioned in the letter just offered in evidence.

Mr. CONBOY. You have a copy of the memorandum that was actually sent with that letter. It was furnished to you, so the Chase Securities people tell me.

Mr. PECORA. I understand that no copy of that memorandum was furnished to us.

Mr. CONBOY. They know what it is, up there.

Mr. PECORA. We know it is a memorandum, because it is referred to in this letter.

Mr. CONBOY. Mr. Pecora, it is not as you designated it, a printed memorandum.

Mr. PECORA. I do not know what it is.

Mr. CONBOY. But you have said it was.

Mr. PECORA. "Enclosed is a memorandum", is the way the letter reads. If I said "printed memorandum", that probably was an assumption on my part, because if such memorandums were being circulated I assume, for the sake of efficiency as well as economy, they were printed. But if I am wrong in that respect, I am willing to be corrected. There is no great point about it.

Mr. CONBOY. No; but inasmuch as you have referred to it I should think you would want to have it accurate.

Mr. PECORA. Was it a printed memorandum? Mr. Wiggin does not seem to know the first thing about it. Who does know about it?

Mr. CONBOY. You are asking Mr. Wiggin questions. You are putting in your questions statements as to what the facts are. Your own investigators know what the facts are. They know that there was no printed memorandum. They know that there was no general circular. They know that this memorandum that was attached to it, if the information furnished to me is correct, dealt with this man's own particular securities.

Mr. PECORA. They do not know any such thing, Mr. Conboy.

Mr. CONBOY. Ask them.

Mr. PECORA. I have asked them. Mr. Ellis, of the investigating staff, when he came across this letter, asked whoever he discussed the matter with for a copy of the memorandum, and none was given to him. I am perfectly willing to have you produce the memorandum or a copy of it.

Mr. CONBOY. I am informed that Mr. Ellis never requested the memorandum and that he was handed the file by Mr. Tuttle.

Mr. PECORA. Is there a copy of the memorandum here among any of your people?

Mr. CONBOY. No.

Mr. PECORA. Why do you expect us to have that which you have not got? You have copies of every photostatic instrument that was turned over to us. If we say we have a copy of that memorandum, then you must have a copy of it. Now, produce it. I am telling you that we have not got it and never did have it.

Mr. CONBOY. Mr. Tuttle tells me that he will endeavor to get that memorandum; but he still insists that that entire file was turned over to Mr. Ellis.

Mr. PECORA. The file was turned over, but there was no copy of the memorandum in the file. Mr. Ellis tells me that he asked specifically for that memorandum and did not receive it. Now, from the fact that you have copies of every photostat that was given to us, I should think that you would have here with you now a photostatic reproduction of that memorandum if, as a matter of fact, one was given to us. You say you have not got it.

Mr. CONBOY. Mr. Tuttle says that no photostat of that was requested by Mr. Ellis.

Mr. PECORA. Then we have not a copy of it.

Mr. CONBOY. Mr. Ellis knows what it is.

Mr. PECORA. Mr. Ellis does not, because he was not shown a copy of it, although he asked for it.

Mr. CONBOY. All right.

The CHAIRMAN. I understand it will be looked up?

Mr. CONBOY. Yes.

The CHAIRMAN. Proceed.

Mr. PECORA. Have you in your files a letter addressed, under date of July 5, 1932, to Mr. Carl M. Bernegau, vice president and treasurer of Keuffel & Esser Co., signed by Chase Harris Forbes Corporation, and designated as no. 73-24?

Mr. WIGGIN. There is such a letter in the Chase Harris Forbes files.

Mr. PECORA. I show you what purports to be a photostatic reproduction of such a letter. Will you be good enough to look at it and tell me if it constitutes a true and correct copy thereof?

Mr. CONBOY. Yes; it conforms to the photostat in the Chase Harris Forbes files.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and entered of record.

(Photostatic copy of letter dated July 5, 1932, from Chase Harris Forbes Corporation to Carl M. Bernegau, Hoboken, N.J., was received in evidence, marked "Committee's Exhibit No. 83, Nov. 1, 1933.")

Mr. PECORA. The letter marked "Committee's Exhibit No. 83" of November 1, 1933, reads as follows [reading]:

JULY 5, 1932.

MR. CARL M. BERNEGAU,

*Vice president and treasurer, Keuffel & Esser Co.,  
300 Adams St., Hoboken, N.J.*

DEAR SIR: As requested, we are glad to write you further regarding the possibilities of registering losses on securities held less than 2 years. The new law, as indicated in the enclosed summary of information relating to the Federal income tax under the Revenue Act of 1932, changed the old provision so that on assets aside from Government and municipal bonds, whether domestic or foreign, losses can only be registered in an amount not exceeding the amount of profits taken during the tax year. However, on losses incurred on sales of governments and municipals, our interpretation is that the full loss may still be deducted from the year's income.

Many municipal bonds such as the obligations of New York City, Philadelphia, Chicago, Detroit, etc., are selling at prices which permit of establishing a relatively substantial loss. In the case of almost all of these cities their obligations have serial maturities, so that it would be possible to make an exchange without affecting the security of your investment in the slightest degree, and with only a slight change in the maturity date.

If you have obligations of the above cities, or other municipal securities which are at a depressed level, please get in touch with us and we shall be glad to work out an exchange or exchanges which would enable you to establish a loss, and then locate other securities of the same municipalities in which to reinvest your funds.

Very truly yours,

CHASE HARRIS FORBES CORPORATION,

By \_\_\_\_\_

some officer who signs it.

The reason that I am calling this letter to your attention, Mr. Wiggin, is so as to indicate that the last letter read in evidence was not a mere isolated case. Does it not seem to you, from the fact that a so-called "summary" of information relating to the Federal income tax under the Revenue Act of 1932, had been prepared, and was being circulated by the Chase Harris Forbes Corporation, that a definite, well-considered service had been adopted by the Chase Harris Forbes Corporation to enable its customers to meet their income-tax problems?

Mr. WIGGIN. It would certainly appear so.

Mr. PECORA. But you knew nothing about it?

Mr. WIGGIN. No, sir.

Mr. PECORA. Do you approve of it?

Mr. WIGGIN. I think it is part of their salesmanship.

Mr. PECORA. You think it is part of their salesmanship problem to devise methods whereby persons may take advantage of certain provisions of the income-tax law to reduce their income taxes?

Mr. WIGGIN. I think that probably the reason it was done was to help them to sell securities; and it is quite a common plan, as you know.

Mr. PECORA. In this letter that I have just offered in evidence does it not appear that part of the scheme that had been devised by the bright minds of the Chase-Harris-Forbes Corporation, and which it offered to make available to its customers to enable them to reduce their income-tax payments, was a scheme based upon a mere exchange of securities that would create paper losses?

Mr. WIGGIN. Well, I have never seen these letters before. As I listened to them I did not understand that they were suggesting anything except an absolute legal step in accordance with the law. If the law is at fault, that was not their mistake. They are not suggesting anything against the law; they are suggesting something conforming to the law, as I understand it.

Mr. PECORA. Do you think it is a proper function of an investment subsidiary of a national bank to set up such a service, designed to enable its customers to take advantage, we will say, of loopholes in the law?

Mr. WIGGIN. It is not to take advantage; it is simply to act in accordance with the law.

Mr. PECORA. By taking advantage of certain provisions of the law that would enable them to reduce their income-tax payments?

Mr. WIGGIN. By acting in accordance with the law.

Mr. PECORA. I say, by taking advantage of certain loopholes?

Mr. WIGGIN. I do not think there is any taking advantage of loopholes.

Mr. PECORA. You took advantage of certain provisions of the law by setting up your three Canadian corporations in order to enable you and your family to reduce their income-tax payments, did you not?

Mr. WIGGIN. I did not consider it was taking any advantage.

Mr. PECORA. Were you taking a disadvantage of the Government or were you placing yourselves at a disadvantage in having resort to that method?

Mr. WIGGIN. No, sir.

Mr. PECORA. Have you in your files a memorandum addressed to Mr. Inglesby dated December 18, 1931, signed by a G. A. Kinney, known as identification no. 73-18?

Mr. CONBOY. There is such a memorandum in the files of the Chase Harris Forbes Corporation.

Mr. PECORA. I show you what purports to be a photostatic reproduction of such a memorandum. Will you kindly look at it and tell me if it is a true and correct copy thereof?

Mr. CONBOY. Yes; it is a photostat of the memorandum that is in the files of the Chase Harris Forbes Corporation, which was furnished to your investigators, so I am informed.

Mr. PECORA. Right. I offer it in evidence and ask that it be spread upon the record.

The CHAIRMAN. It may be admitted and entered on the record.

(The memorandum referred to, dated Dec. 18, 1931, from G. A. Kinney to Mr. Inglesby, was received in evidence, and marked "Committee Exhibit No. 84, Nov. 1, 1933.")

Mr. PECORA. The memorandum reads as follows [reading]:

MEMORANDUM TO MR. INGLESBY

Please sell the attached 1,000 shares of Chase stock in the names of Charles E. Keaton at the market, check to his order to be mailed to him at Hempstead, Long Island. Mr. Keaton is a member of the advisory board of the Hamilton Trust branch and is taking a loss for tax purposes with the intention of repurchasing after 30 days.

G. A. KINNEY.

It is dated December 18, 1931.

It would seem from this memorandum, Mr. Wiggin, that the Chase Harris Forbes Corporation was engaged in handling transactions for customers to enable them to take tax losses by selling at the market with the intention of repurchasing after 30 days. Is that one of the methods you told us was resorted to by this affiliate of the bank to enable it to serve its customers in a fashion that would enable the customers to reduce their income-tax payments?

Mr. WIGGIN. As I understand that memorandum, all Chase Harris Forbes had to do with it was to receive an order to sell it. It was the man who sent the letter that outlined the purpose.

Mr. PECORA. Who is G. A. Kinney?

Mr. WIGGIN. He was an officer of the Chase National Bank. Of course that sort of thing goes on with millions and millions of transactions every year.

Mr. PECORA. What sort of thing do you refer to?

Mr. WIGGIN. Selling securities to take tax losses.

Mr. PECORA. And with the intention of repurchasing them after 30 days?

Mr. WIGGIN. Very likely. In some cases yes and in some no. But that is the commonest form.

Mr. PECORA. The commonest form of what?

Mr. WIGGIN. Of minimizing taxes.

Mr. PECORA. Of avoiding income taxes?

Mr. WIGGIN. Or reducing.

Mr. PECORA. And you know, as a matter of personal knowledge, that that is a very common practice, or has been?

Mr. WIGGIN. Oh, I know it is a very common practice. You hear it talked about all the time.

Mr. PECORA. And here is some documentary evidence that in handling transactions motivated by that purpose or to achieve that purpose, the bank was lending its facilities either through its own personnel or through the personnel of its securities affiliates?

Mr. WIGGIN. Of course, I do not know who made the suggestion to that man. It may have been his own suggestion. All the Chase Bank does is to tell the selling house to sell the stuff, and it tells what the purpose is. It does not say, as I read it, whose idea it was. It might have been anybody's idea. There is nothing original about it. It is the commonest form of reducing taxes that there is.

Mr. PECORA. Do you approve of the ethics of that?

Mr. WIGGIN. I think that you are bound to have people save taxes where they can according to law. It is a simple matter to change the law if it is a bad practice.

Mr. PECORA. It seems to have been a simple matter to get through the law through whatever loopholes might have been found in it, does it not?

Mr. WIGGIN. It is a common practice. I do not know about the loopholes. It is a common practice that is in accordance with the law.

Mr. PECORA. The law was designed to require individuals to pay a tax to the Government based on their incomes, their actual incomes. Do you think the law was also designed to enable persons to avoid payment of taxes, income taxes, by developing paper losses through the sale of securities with an intention to repurchase them?

Mr. WIGGIN. If they sold it at a real loss? Now you are asking me what I think of the law. Is that right? That is a pretty big order.

Mr. PECORA. I am asking you as to the ethics of the adoption of these methods.

Mr. WIGGIN. I see no reason why, if the law is strictly obeyed and a person may minimize his tax by taking a loss, he should not do it.

Mr. PECORA. Do you think that this was the proper method, that is, selling securities at a loss with an intention of repurchasing them within 30 days?

Mr. WIGGIN. I see no reason why it is not in order. He took the risk of whether he could buy those securities back at a higher or a lower price. In fact, he may never have bought them back.

The CHAIRMAN. What is your opinion of the law, Mr. Wiggin?

Mr. WIGGIN. That is a pretty big order, Senator.

Mr. PECORA. You are accustomed to handling big orders, are you not, Mr. Wiggin?

(Mr. Wiggin conferred with Mr. Conboy and others.)

Mr. PECORA. I suggest, Mr. Wiggin, you give the Chairman the benefit of your opinion, not someone else's opinion that you gain by conference.

Mr. CONBOY. Don't you want the benefit of combined opinion?

The CHAIRMAN. Take them separately.

Mr. WIGGIN. Well, I think what this really leads to is a question of the entire subject of income tax on capital gains or capital losses. If the Government is to tax capital gains it is undoubtedly fair that they should allow for capital losses. Now, if they left it out that question would not arise.

When you get down to what we call the details of this particular question, whether a person, if he took a capital loss and therefore made a reduction in his income tax, was justified in buying the same securities back after 30 days, that is strictly in accordance with the law as I understand it. The individual takes the risk of whether he buys it higher or lower. I think you are just discussing whether you should have an income tax on capital gains. That is all it gets down to. That is the whole question involved in all of this detail.

The CHAIRMAN. Do you think we should have it?

Mr. WIGGIN. Think we should have it?

The CHAIRMAN. Yes.

Mr. WIGGIN. I have not thought so. I have thought it was a mistake, because I think it leads to violent fluctuations in the Government income. You see, we fooled ourselves in this country up to the end of 1929 by the enormous—

Mr. PECORA (interposing). Who fooled who?

Mr. CONBOY. Oh, just let him finish his answer and then you can go ahead and ask some more questions about it.

Mr. WIGGIN. The whole country fooled itself thinking we had an income there that was stable and permanent, and then we woke up when we got this collapse and found that it was not there. Now that great error in estimating income came in large part from the income tax on capital gains. Do I make it clear?

The CHAIRMAN. Yes.

Mr. WIGGIN. For myself, I have had to pay taxes right along. I would like to tell you what taxes I paid. I paid an income tax every year. Since 1928 the smallest amount of taxes paid, Federal taxes, was \$197,000 on my part. The other members of my family and the family corporations—

Senator GORE (interposing). What was the largest?

Mr. WIGGIN. \$338,000. The total Federal taxes that I paid in 5 years was \$1,365,234.74. The total taxes that I paid in 5 years, and the bulk of the difference was income tax in New York State, amounting to \$1,624,326.48.

The other members of my family and the family corporations paid in Federal taxes in those 5 years \$2,128,793.06. The total taxes in those 5 years paid by other members of the family and the family corporations was \$3,000,578.90. The grand total for both in 5 years, Federal taxes, \$3,494,027.80; total taxes \$4,624,905.38.

Mr. PECORA. Suppose, now that you have given the taxes, you tell what the incomes were.

Mr. WIGGIN. I would have to figure back on this. I haven't got it in my head.

Senator COUZENS. When you are figuring it back will you be able to discern the amount that you paid on capital gains and that that you paid on normal incomes or salaries, or bonuses?

Mr. WIGGIN. Personally, I do not think I had any capital-gain taxes. You see, all the business is done by the corporations.

The CHAIRMAN. How many do you classify as members of your family?

Mr. WIGGIN. Three besides myself.

Mr. PECORA. That is your wife and two daughters?

Mr. WIGGIN. That is right.

Mr. PECORA. Are you going to figure back to show the incomes on which those taxes were paid?

Mr. WIGGIN. I will have to get all that. I haven't got it prepared. An expert would probably figure backwards, knowing what the percentages were; but I am not an expert.

Mr. PECORA. Now, while we are on this particular line of examination, let me ask if in your calculations of income taxes paid you included or made any estimate of the income taxes that you did not pay through the medium of the operation of the three Canadian

companies. The Shermar Corporation, according to testimony already given by you, sold 42,506 shares of the units of the Chase National Bank and Chase Securities Corporation short between August 8 and December 2, 1929. Do you recall that?

Mr. WIGGIN. You understand the family always had a great deal more than that, but that was the sale on the Shermar books; yes, sir.

Mr. PECORA. These sales were made by the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Between August 8, 1929, and December 2, 1929?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was the consideration for those sales; that is, for how much did the Shermar Corporation in that time sell these 42,506 shares of the stock of the bank and the Securities Corporation?

Mr. WIGGIN. I think I have it here; \$10,596,968.

Senator GORE. Can you give the quotations for August 8 and December 2?

Mr. WIGGIN. Senator, on August 8 quotations that they furnished me, probably taken from newspapers, show low 228½, high 233. On December 2 that quotation furnished is 163 low, 169 high.

Senator GORE. That 10 million was the price at which the stock was sold?

Mr. WIGGIN. That was the proceeds of the stock.

Senator GORE. Do you have any statistics showing what the short sales were covered at?

Mr. WIGGIN. That comes later with the merger of the two companies.

Senator GORE. I see.

Mr. PECORA. Is this figure of \$10,596,968 the gross consideration for which the Shermar Corporation sold those 42,506 shares?

Mr. WIGGIN. I so understand.

Mr. PECORA. Information furnished to us in behalf of the Shermar Corporation indicates that these 42,506 shares were sold for \$11,147,310.55.

Mr. WIGGIN. This is only furnished to me. I will see if I can reconcile what appears to be a discrepancy. [After conference with associates:] Mr. Pecora, the figure I gave you is the correct figure of the proceeds of those sales, but in the account were some other moneys from other transactions, and your investigator has taken that amount, very naturally. But I can give you the exact figures of each of the sales and the dates.

Mr. PECORA. Now Mr. Wiggin, this figure of \$11,147,310.55 was not a figure arrived at by our investigators; it was the figure that was given to them in writing by somebody in behalf of the Shermar Corporation, and I will show you the original writing.

I will call your attention particularly to this portion thereof which reads as follows:

The item of \$11,147,310.55 shown in the balance sheet as at December 31, 1929 represents the proceeds of the units sold.

and the sentence preceding that says there were 42,506 units sold.

Now, I will show you that, and that was the original memorandum given to us by the Shermar Corporation [handing document to Mr. Wiggin].

Mr. WIGGIN (after examining document and consulting associates). I do not think this statement is clear, I agree with you. I never saw it before. They tell me that this was furnished and that they later made a more complete analysis and that this \$11,147,310.55, the difference between that figure and the figure that we understand is the proceeds of that stock sold, represents other transactions in that account that have nothing to do with the 42,000 shares. But we will get a complete statement for you that will give you every detail.

Mr. PECORA. Do you know who prepared that typewritten statement that was furnished to us and which I have shown you and which you now have before you?

Mr. WIGGIN. It was prepared by Mr. Lynch's office.

Mr. PECORA. Mr. Lynch is the attorney connected with Rushmore, Bisbee & Stern?

Mr. WIGGIN. Yes, sir; they have a later analysis that we can give you.

Mr. PECORA. When the later analysis is forthcoming I will be glad to receive it and question you about it.

Mr. CONBOY. Do you want me to read into the record now dates, the number of shares, the prices, and the amounts that make up that figure?

Mr. PECORA. Do you have that tabulated?

Mr. CONBOY. If you will permit me I will read it in. Then you can have it right in the record.

Mr. PECORA. I was going to offer it. If you have it tabulated, very well.

Mr. CONBOY. The memorandum is prepared for counsel, and contains other data besides these figures. If you put it in you would have things in that haven't any relation to this particular matter. But if you want this detail I will give it to you right in the record now.

Mr. PECORA. All right.

Mr. CONBOY. You can make four columns in this fashion: Date—subheading 1929. Then shares, and then price, and then amount. First date, September 23, shares 2,256, price 220, amount \$496,320.

Mr. PECORA. May I interrupt you? What did you say was the number of shares?

Mr. CONBOY. Two thousand two hundred and fifty-six.

Mr. PECORA. I do not mean to interrupt you, but before you go any further, Mr. Conboy, let me show you this photostat reproduction of tabulation entitled "Inventory of short position in Chase stock December 31, 1929" [handing document to Mr. Conboy]. Will you compare it with your statement before you go any further?

Mr. CONBOY. Yes.

Mr. PECORA. Because there seems to be disparity between the number of shares sold on the 23d of September 1929.

Mr. CONBOY. The information that is given to me is that this memorandum is incorrect and that the correct figures were checked with Mr. Ellis. The correct figures are those that I am proposing to give you now.

Mr. PECORA. All right.

Mr. CONBOY (giving statement in the following tabulated form).

Date	Number shares	Price	Amount	Date	Number shares	Price	Amount
1929				1929			
Sept. 23-----	2,256	\$220	\$496,320.00	Oct. 4-----	500	\$257-259	\$128,976.00
23-----	5,000	235	1,175,000.00	7-----	1,600	245-250	395,923.20
23-----	5,000	259	1,295,000.00	8-----	2,400	252-259	611,284.80
23-----	5,500	261-280	1,485,736.00	9-----	3,500	260-268	920,032.00
24-----	5,500	278	1,528,976.00	25-----	500	225-228	113,176.00
26-----	4,100	260-265	1,076,803.20	31-----	1,000	180	179,062.00
27-----	3,000	262 $\frac{1}{2}$ -266	792,656.00	31-----	750	180-190	139,964.00
30-----	2,000	260-265	525,804.00	Nov. 4-----	200	190-200	37,990.40
Oct. 1-----	100	259	25,895.20	4-----	2,100	190-200	413,899.20
1-----	1,000	250-255	251,552.00	Total-----	42,506	-----	10,596,988.00
3-----	1,500	252-258	382,028.00				

Senator GORE. Mr. Wiggin, you stated the other day that you made these short sales in order to create buying power for your stock? You made that statement the other day?

Mr. WIGGIN. Yes, sir.

Senator GORE. That was with a view to when the sales would be covered?

Mr. WIGGIN. It was done for two purposes: It was done to create buying power and it was done to reduce the family holdings that were so enormously valuable at that time and out of all proportion to our worth.

Senator GORE. Now, this campaign of short selling seemed to have started about August 8?

Mr. WIGGIN. I think that was the date.

Senator GORE. It got under full headway about September 23. In addition to the two motives you stated, did you kind of sense a chill in the air in the feverish boom?

Mr. WIGGIN. I do not know that I can say that I felt a chill in the air, but I did feel that the prices were very high. Prices of bank stocks were ridiculous. I have frequently thought that prices were ridiculous, however.

Senator GORE. You sensed it in the air?

Mr. WIGGIN. I would not go so far as that. I simply thought we ought to reduce the holdings.

Senator GORE. Why didn't you make normal sales of what you had?

Mr. WIGGIN. Why didn't I do what?

Senator GORE. Sell what you had, instead of selling short.

Mr. WIGGIN. The short sale was on the books of the corporation, and so that they could buy back.

Senator GORE. If your idea was to reduce the holdings of the family, why didn't you just sell the stock you had and get out of it?

Mr. WIGGIN. Then I could not have bought back, if I had done that, because I would have spent all the profit in taxes.

Senator GORE. But you figured, when the stock went down, which you anticipated, then you would buy it back, and still have your stock and profits too. Of course, you figured that so many of these short sales would help to depress the stock. If there was a downward tendency, that would accelerate the fall, would it not?

Mr. WIGGIN. It was not sold to depress the stock. I did think it was selling for more than it ought to sell for.

Senator GORE. That would be an almost inevitable incident, would it not, as a result of large, continued, and repeated sales?

Mr. WIGGIN. It might prevent its going up, but I doubt if it would depress it.

Senator GORE. When you say 5,000, that was a block of 5,000 in one sale?

Mr. WIGGIN. Yes, sir.

Mr. CONBOY. Senator, on September 23 the price was 220, and on October 9 the price was 260 to 268.

Senator GORE. Yes; I know. There was a sort of rally in between those dates.

Mr. CONBOY. It shows almost a continuing increase between those dates. The drop came in the sale made on October 25, and then more appreciably on October 31.

Senator GORE. As I remember, the Babson statement came out about the date these sales started in September, and broke the market all at once, and then it rallied for some days.

Mr. CONBOY. There is not a sale in September as low as 220. From that point, the point when the first sale was made, to the end of September, it went up to 265. There is no apparent break in the price of the stock until you come to October 25. Then it is down to 225. The next day it is 180.

Senator GORE. The crash was on the 26th.

Mr. BISBEE. There was another in November.

Senator GORE. The 13th of November, I believe.

Mr. WIGGIN. I do not think I had any foresight, Senator, because I invested very heavily at the end of 1929.

Senator GORE. It looks like pretty good luck, if it was not foresight. It was one or the other.

Mr. PECORA. Mr. Wiggin, these sales were made by the Shermar Corporation, which at that time did not have the shares that it sold; isn't that so?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. So that they were short sales made by the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. How was delivery made of those short sales by the Shermar Corporation?

Mr. WIGGIN. They borrowed the stock from the family.

Mr. PECORA. From whom, specifically, did the Shermar Corporation borrow the stock?

Mr. WIGGIN. They first borrowed from the family trusts, and then they later turned that back and borrowed from the individuals.

Mr. PECORA. You say they first borrowed from the family trust. What family trust are you referring to?

Mr. WIGGIN. There are 3 trusts, 1 for Mrs. Wiggin and 1 for each daughter.

Mr. PECORA. Who created those trusts?

Mr. WIGGIN. I did.

Mr. PECORA. When were they created?

Mr. WIGGIN. 1917 or 1918.

Mr. PECORA. Who were the trustees named in those three trusts?

Mr. WIGGIN. I think they vary. I will get you the list. [After conferring with associates:] On the first trust, created for Mrs.

Wiggin, the trustees are A. H. Wiggin, Sherburne Prescott, and W. P. Holly.

Mr. PECORA. This W. P. Holly is the same gentleman who has heretofore been referred to as an officer of the bank, or the Chase Securities Corporation?

Mr. WIGGIN. Of the bank; yes, sir. For Mrs. Prescott, the trustees are the same. For Mrs. Selden, the trustees are A. H. Wiggin, L. Selden, and W. P. Holly.

Mr. PECORA. Were those trusts created in identical form?

Mr. WIGGIN. The amounts of the holdings of securities are different, but they are practically identical in form.

Mr. PECORA. That is, the instruments creating the trusts are practically in the same form, is that right?

Mr. BISBEE. Except for the ultimate disposition of the remainder.

Mr. PECORA. Are the same powers conferred upon the trustees in each case?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Were the trustees empowered to lend stock?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Have you a copy of the trust agreement that shows what the trustees' powers were?

Mr. WIGGIN. We do not have it here, but we will get it for you.

Mr. PECORA. How soon?

Mr. WIGGIN. It is at the hotel. You have an extract that perhaps covers the point.

Mr. PECORA. I have an extract consisting of one paragraph. I would like to see the whole trust indenture.

Mr. WIGGIN. We will get it for you, sir.

Mr. CONBOY. Do you really want to see these family trust agreements?

Mr. PECORA. Just the form of them.

Mr. CONBOY. Do you intend to spread the family trust agreements on the record?

Mr. PECORA. No; I did not say that. I said I wanted to see it.

Mr. CONBOY. We will let you see it.

Mr. PECORA. You said, in answer to one of the questions put to you by Senator Gore, that the shares were enormously valuable, and out of all proportion to their worth, if I correctly took down your statement.

Mr. WIGGIN. I do not think I said that. I certainly did not intend to. Can we not get it, and see what I did say?

Mr. PECORA. Yes. If you will turn back to the questioning of the witness by Senator Gore, it is rather important to have that.

(The reporter explained that the previous reporter had taken the matter referred to.)

Mr. PECORA. As a matter of fact, in your opinion, was the market value of these shares at the time you sold them, prior to October 25, out of all proportion to their true worth?

Mr. WIGGIN. I did not think so at the time, but it has developed so.

Mr. PECORA. Do you think that the market values were actually in line with their intrinsic value?

Mr. WIGGIN. No; I did not say that.

Mr. PECORA. I am asking you.

Mr. WIGGIN. It is so easy, after the event, to tell that it is not so. I cannot tell what I thought at the time.

Mr. PECORA. What I am trying to find out is what your state of mind was at the time these short sales were made by the Shermar Corporation.

Mr. WIGGIN. The state of mind was that the family had too much investment in the one thing, and that the market was there, and therefore it was a desirable time to sell some of it.

Mr. PECORA. Then why were the sales made by the Shermar Corporation, which had no stock to sell?

Mr. WIGGIN. The Shermar Corporation did all the selling and buying at that time.

Mr. PECORA. But I simply am asking you, why were the sales made by the Shermar Corporation, which itself had no such stock to sell, if the purpose of making these sales was to reduce the family holdings? [At this point the witness turned to confer with an associate.]

Mr. WIGGIN, is it necessary for you to get advice from somebody else to enable you to answer that question?

Mr. CONBOY. He is getting information with respect to facts.

Mr. PECORA. I assume that these sales were made by Mr. Wiggin, or under his direction, and not under the direction of anybody else. If they were so made, then he ought to be in a position to give us the facts.

Mr. CONBOY. He is trying to get the facts for you to give them to you.

Mr. PECORA. I see he is getting them from somebody else. Does he not have them in mind?

Mr. CONBOY. Apparently not.

Mr. PECORA. Then let him say so. Let the record show that he cannot answer this question without getting advice from somebody else. Suppose you repeat the question to the witness.

(The reporter read the pending question.)

Mr. WIGGIN. The Shermar Corporation did have some stock.

Mr. PECORA. How much?

Mr. CONBOY. Will you let him find out?

Mr. PECORA. Yes.

Mr. CONBOY. All right.

Senator GORE. That would not reduce the family holdings.

Mr. PECORA. I do not know. Apparently all these were short sales.

Mr. WIGGIN (after conferring with associates). Approximately 13,000 shares.

Mr. PECORA. Did the Shermar Corporation use those 13,000 shares to make deliveries under any of the sales that were comprehended in these sales aggregating 42,506 shares?

Mr. WIGGIN. No. They sold 42,000 besides the 13,000.

Mr. PECORA. Then they sold 42,506 shares which the Shermar Corporation did not have.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Why were those sales, of those 42,506 shares, made by the Shermar Corporation if, as you have stated, one of the reasons for the sales was to enable your family to reduce its holdings in Chase Bank stock?

Mr. WIGGIN. All the operations were conducted by the corporations.

Mr. PECORA. We know that, but I am trying to find out the reason for it. We know that the sales were made by the Shermar Corporation. You have said those sales were made to enable your family to reduce its holdings.

Mr. WIGGIN. Quite so.

Mr. PECORA. If that is the case, why was the Shermar Corporation resorted to for the making of the sales? Why were they not made by the individual members who owned the stock and who wanted to reduce their holdings in it?

Mr. WIGGIN. It was to postpone the tax.

Mr. PECORA. To postpone the income tax on any profits that accrued from the sales?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. How was it hoped to postpone that tax by this device?

Mr. WIGGIN. If the company repurchased it, then it was a company transaction, and they simply paid the tax on their own profit.

Mr. PECORA. The company had to repurchase it some time in order to cover its short position, did it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Where did the Shermar Company get the 42,506 shares that it sold short, in this period between August 8 and December 2, 1929?

Mr. WIGGIN. It first borrowed it from the trusts, as I explained.

Mr. PECORA. How many shares were borrowed from the trusts, and which of the trusts loaned the shares?

Mr. WIGGIN. They borrowed 59,020 shares from all three trusts.

Mr. PECORA. Why was it necessary to borrow 59,000 shares in order to cover short sales of 42,000 shares?

Mr. WIGGIN. It was not, but they just had the surplus.

Mr. PECORA. What is that?

Mr. WIGGIN. It was not necessary.

Mr. PECORA. Why was it done, then?

Mr. WIGGIN. May I find out?

Mr. PECORA. Who was running the Shermar Corporation at that time, Mr. Wiggin?

Mr. WIGGIN. I was.

Mr. PECORA. From whom would you have to find out the answer to that last question?

Mr. WIGGIN. Because I do not know what the answer is.

Mr. PECORA. Who would know if you do not know?

Mr. WIGGIN. I do not know that anybody would.

Mr. PECORA. From whom did you expect to find out the answer?

Mr. WIGGIN. I wanted to consult Mr. Lynch.

Mr. PECORA. He is an attorney?

Mr. WIGGIN. Yes.

Mr. PECORA. He was not running the Shermar Corporation, was he?

Mr. WIGGIN. No, sir.

Mr. PECORA. Then how do you think he could tell you the reason for the Shermar Corporation borrowing 59,000 shares from the family

trusts in order to enable it to cover its short position of only 42,000 shares?

Mr. WIGGIN. Mr. Lynch has been investigating all these facts.

Mr. PECORA. Has Mr. Lynch been getting his data from sources other than yourself in making this investigation?

Mr. WIGGIN. Oh, certainly.

Mr. PECORA. If you were running the corporation, who could give him those facts other than yourself?

Mr. WIGGIN. I do not know. I cannot tell you why they loaned that amount, but I will try to find out, if you would like to know.

Mr. PECORA. If you have to find out from Mr. Lynch, who had nothing to do with it, all right, go ahead, and let us see what the answer is. I want to get some kind of an answer.

Mr. WIGGIN (after conferring with associates). The reason that the larger amount was loaned was, as it is already shown in the record, the Shermar Corporation was short a larger amount than the 42,000 during part of the period.

Mr. PECORA. We know that, but I am trying to find out the reason for it. The Shermar Corporation, according to your testimony up to the present moment, sold 42,506 shares of the bank stock between August and December 1929 which it did not own. In other words, it sold that number of shares short. That is correct, is it not?

Mr. WIGGIN. I understand it sold more than 42,000.

Mr. PECORA. This is the first time you have said that.

Mr. WIGGIN. No.

Mr. PECORA. You said they sold 13,000 that the corporation owned, plus 42,506 shares which it sold short because it did not have that number of shares. What is the fact?

Mr. WIGGIN. If you will permit us to find the testimony that covered just what we said yesterday, it will give you just what you want, I think.

Mr. PECORA. Here is the transcript of your testimony yesterday [handing a document to Mr. Wiggin]. I will be very glad to have you look at it.

Mr. WIGGIN. It is Friday's testimony, not yesterday's.

Mr. PECORA. You mean last Friday's?

Mr. WIGGIN. Yes, sir.

Senator GORE. Did the Shermar Co. sell its 13,000 shares that it owned in its own right?

Mr. WIGGIN. I beg your pardon. Would you repeat that?

Senator GORE. I say, did the Shermar Co. sell the 13,000 shares that it owned in its own right?

Mr. WIGGIN. Yes, sir.

Senator GORE. That was not a short sale. That just disposed of that stock.

Mr. WIGGIN. That is right, sir.

Senator GORE. I want to ask you one more question. The members of the family held the stock that they owned outright, and did not reduce their holdings. They simply made these short sales through this Shermar concern.

Mr. WIGGIN. Yes, sir; but the families owned the corporation.

Senator GORE. Do you people up there have a process that you call selling "against the box" or something of that sort? Were

these sales in the nature of that sort of transaction, that is, were they stock that they owned outright, and they made these short sales so as to come down easy, so that they would not lose on the stock they actually owned?

Mr. WIGGIN. They were of that nature; yes, sir.

Mr. CONBOY. Do you want this reference to the previous testimony?

Mr. PECORA. Yes.

Mr. CONBOY. It is page 1395, in Friday's testimony.

Mr. PECORA. On page 1395 of the minutes I find this testimony given by Mr. Wiggin [reading]:

Mr. WIGGIN. On October 9, 1929, Shermar Corporation was short 60,396 shares. This was its maximum short position. At that time none of the other family companies had any Chase stock. Mr. Wiggin then owned 76,421 shares. The rest of the family owned a total of 100,503 shares. So that the net of the entire group was a long position of 116,523 shares. This was the minimum of the group holdings from July 1929 when the stock was split up, to December 31, 1932. At no time since the split up of the stock has Mr. Wiggin owned less than 67,930 shares.

Is that the testimony you refer to?

Mr. CONBOY. Yes.

Mr. PECORA. What is there in that that indicates this short position of 42,506 shares that you have been testifying about this morning, Mr. Wiggin?

Mr. WIGGIN. The 42,000 shares are part of this 60,000 shares referred to here.

Mr. PECORA. When was it short 42,506 shares? By "it" I mean the Shermar Corporation.

Mr. WIGGIN. December 2.

Mr. PECORA. December 2, 1929?

Mr. WIGGIN. Yes.

Mr. PECORA. When did the Shermar Corporation borrow the stock to enable it to make deliveries of those short sales, which aggregated 42,506 shares on December 2, 1929?

Mr. WIGGIN. Do you want me to read this off? I think you have a copy of it, giving the dates borrowed, and the number of shares borrowed.

The CHAIRMAN. A little louder.

Mr. WIGGIN. I have the schedule here of the dates borrowed and the number of shares borrowed.

Mr. PECORA. Were those borrowings effected from day to day as the sales were made, by the Shermar Corporation?

Mr. WIGGIN. They were effected from day to day, approximately.

Mr. PECORA. Now, I want to ask you a question, and I am going to press you for an answer. Why were these short sales made by the Shermar Corporation instead of by members of the family, if the making of the sales was actuated by a desire on the part of the family to reduce their holdings?

Mr. WIGGIN. It did reduce the holdings. The corporation did all the buying and selling of securities, and in the event that they were repurchased, the company would have the money to make the purchases. If they were sold personally, I never could have repurchased them.

Mr. PECORA. The first borrowings of the short stock made by the Shermar Corporation were from the family trusts.

Mr. WIGGIN. Yes, sir.

Senator GORE. Would you let him explain there, Mr. Pecora, why it was that if he sold it personally he never could have repurchased?

Mr. WIGGIN. I would have to give up too much of it in taxes.

Senator GORE. If you sold short and recovered a profit, you would have to pay taxes on your profits.

Mr. PECORA. He said it would be to postpone the payment of the tax.

Mr. WIGGIN. I could not sell short.

Senator TOWNSEND. Why could you not have sold short?

Mr. WIGGIN. I could not do it individually.

Senator TOWNSEND. Is that a ruling of the stock exchange that an individual cannot sell short?

Mr. WIGGIN. I do not think there is any stock-exchange ruling on it.

Senator GORE. How is that?

Mr. WIGGIN. I do not think there is any stock-exchange ruling on it.

Senator GORE. No; there is not.

Mr. PECORA. What legal provision prevented you from doing it?

Mr. WIGGIN. I do not know.

Mr. PECORA. Why do you say you could not do it?

Mr. WIGGIN. It never occurred to me that I could.

Senator TOWNSEND. It was possible, though, was it not, for you to sell short if you so desired?

Mr. WIGGIN. I suppose so. I don't know.

Senator GORE. You felt, Mr. Wiggin, that there would have been some impropriety in your personally selling the stock of your own bank short?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. In effect, that is the very thing you did do, is it not, if not in form?

Mr. WIGGIN. If you take the corporation by itself, it is a short sale. If you take the whole family holdings together, it was not a short sale.

Senator TOWNSEND. It was selling "against the box."

Mr. WIGGIN. Exactly.

Mr. PECORA. When were the family trusts repaid for the stock that they had loaned to the Shermar Corporation to enable the latter corporation to cover these short sales?

Mr. WIGGIN. I will get the date. [After conferring with associates:] The stock was returned to the trusts on October 25 and October 30.

Mr. PECORA. Of 1929?

Mr. WIGGIN. Yes.

Mr. PECORA. From whom did the Shermar Corporation at that time get the shares which it returned to the family trusts?

Mr. WIGGIN. From Mrs. Wiggin and from myself.

Mr. PECORA. How many shares did you loan to the Shermar Corporation for that purpose?

Mr. WIGGIN. Fifty-five thousand eight hundred and twenty-two.

Mr. PECORA. And how many did Mrs. Wiggin loan?

Mr. WIGGIN. Ten thousand shares.

Mr. PECORA. Ten thousand shares. Did you or Mrs. Wiggin receive any consideration from the Shermar Corporation for loaning that stock to it?

Mr. WIGGIN. No, sir.

Mr. PECORA. Did the trustees of the family trusts, when they loaned the stock to the Shermar Corporation to enable it to make coverings or deliveries under these short sales, receive any consideration for the loan of the stock to the Shermar Corporation?

Mr. WIGGIN. Yes, sir. They received the cash and had the use of it while the stock was loaned.

Mr. PECORA. What amount of cash?

Mr. WIGGIN. The total amount received. I will get the amount.

Mr. PECORA. You mean the total amount received by the Shermar as the proceeds of the sales of the stock that it made?

Mr. WIGGIN. Yes, sir. [After conferring with his associates.] They tell me that it is so.

Mr. PECORA. What is that?

Mr. WIGGIN. They tell me that it is right. They received the amount that the stock was sold for in the trusts. Mr. Silver seems to think that I am in error there. If I am, please advise me. I would like to get it right.

Mr. PECORA. Well, did the family trusts receive the current market prices for the stock on the date that the Shermar Corporation made delivery of the stock under its short sales, or did the family trusts instead receive the proceeds that accrued to the Shermar Corporation for the making of those short sales?

Mr. WIGGIN (after conferring with his associates). I am advised that the Shermar Corporation turned over to the trusts the exact amount of money that they received from the sale of the stock.

Mr. PECORA. That would be this sum of over 10 million dollars?

Mr. WIGGIN. They gave the proceeds of all the stock that they sold that had been borrowed to the trusts. The proceeds of all of the stock that they sold that had been borrowed from the trusts was turned over to the trusts, and it was more than these 42,000 shares. We must again get back to this other—

Mr. PECORA. We must get to those sixty thousand and odd shares?

Mr. WIGGIN. Yes.

Mr. PECORA. Which was its maximum short position?

Mr. WIGGIN. That is right.

Mr. PECORA. Yes. Now at the time that the Shermar Corporation was borrowing the stock from the Wiggin's family trusts to enable it to make deliveries under its short sales, did you and Mrs. Wiggin, individually, own enough shares of the bank stock to have loaned them to the Shermar Corporation direct?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Why, then, did not you and Mrs. Wiggin loan that stock to the Shermar Corporation instead of having it loaned by the family trusts and then having it returned to the family trusts by the Shermar Corporation after the Shermar Corporation had borrowed it from you and Mrs. Wiggin?

Mr. WIGGIN. I do not know definitely, but I think it was a matter of convenience.

Mr. PECORA. Was it not more convenient the other way around?

Mr. WIGGIN. No; it was a little more convenient to do it through the trusts.

Mr. PECORA. Why? How was convenience served doing it that way and thereby making two stages of an operation instead of one?

Mr. WIGGIN. Well, of course the two stages were not for convenience.

Mr. PECORA. What is that?

Mr. WIGGIN. The two stages of the operation were not for convenience.

Mr. PECORA. Well, what was the convenience that was served?

Mr. WIGGIN. Because it took none of my time. It simply had the bank that handled all the securities lend it to the Shermar Corporation acting for the trusts.

Mr. PECORA. But you were one of the trustees for those trusts?

Mr. WIGGIN. Yes.

Mr. PECORA. Were you not actively discharging your duties as trustee of those trusts?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Well then, it took some of your time, did it not, to have the trusts loan the stock to the Shermar Corporation?

Mr. WIGGIN. All the time it took was to sign the letter.

Mr. PECORA. So who attended to the details of it?

Mr. WIGGIN. The bank.

Mr. PECORA. The bank?

Mr. WIGGIN. The bank handled the trusts' securities.

Mr. PECORA. Could not you and your wife have turned over your own stock to the Shermar Corporation directly?

Mr. WIGGIN. We could, but at the time it was easier for me and saved time to do it the other way.

Mr. PECORA. Well now, eventually the very thing that you could have done in the first instance was done by you and Mrs. Wiggin, was it not?

Mr. WIGGIN. That is right, sir.

Mr. PECORA. So that the method that was actually adopted was a longer way around than the method that could have been adopted, and which formed a part of the original method?

Mr. WIGGIN. You are entirely right. It turned out that way.

Mr. PECORA. Well, the thing seems to me so simple, Mr. Wiggin, that I am still wondering why it was not done that way in the first instance.

Mr. WIGGIN. Well, I have given you the only answer there is.

Senator COUZENS. Would that have affected your income tax if you had gone the other way around?

Mr. WIGGIN. No; not a bit.

Mr. PECORA. When did you and Mrs. Wiggin loan the stock to the Shermar Corporation which enabled the Shermar Corporation to return to the family trust the stock that it had originally borrowed from it to make deliveries of those short sales?

Mr. WIGGIN. October 25 and October 30.

Mr. PECORA. Were those shares returned to you and Mrs. Wiggin eventually by the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. When?

Mr. WIGGIN. June 1931.

Mr. PECORA. How did the Shermar Corporation at that time acquire the shares which it borrowed from you and Mrs. Wiggin in 1929?

Mr. WIGGIN. They were in their portfolio as a result of the merger with the Murlyn Corporation.

Mr. PECORA. Were those shares of the Chase Bank stock in the portfolio of the Murlyn Corporation when it merged in 1931 with the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. In what month of 1931 was that merger effected?

Mr. WIGGIN. February 4.

Mr. PECORA. And when did the Murlyn Corporation acquire those shares which it had in its portfolio in February 1931?

Mr. WIGGIN. December 11, 1929.

Mr. PECORA. That was the time when it acquired exactly 42,506 shares, which corresponded exactly to the net short position of the Shermar Corporation in December 1929?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. By purchasing those shares from the Metpotan Co., did it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And the moneys which the Murlyn Corporation used to purchase those 42,506 shares were moneys that it had borrowed for that purpose from the Chase National Bank and also from the Shermar Corporation, is that right?

Mr. WIGGIN. Exactly right.

Mr. PECORA. Well, what was the price paid by the Murlyn Corporation on December 11, 1929, for those 42,506 shares?

Mr. WIGGIN. \$155 a share.

Mr. PECORA. What was the total cost? I have the figure as being \$6,588,430. Can you confirm that?

Mr. WIGGIN. That is correct.

Mr. PECORA. Yes.

Senator GORE. When was the exact date?

Mr. PECORA. December 11.

Senator GORE. 1929?

Mr. PECORA. 1929. Now those 42,506 shares had been sold short by the Shermar Corporation during the preceding 3 or 4 months for this consideration of \$10,596,968, is that right? That is the figure you gave us before.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And when the Murlyn Corporation, one of your family corporations, bought the number of shares equivalent to the Shermar's net short position on December 11 it paid \$6,588,430?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. So that virtually left the Shermar with a profit on those short sales of \$4,008,538?

Mr. WIGGIN. No, sir.

Mr. PECORA. Why not?

Mr. WIGGIN. Because they had not bought them.

Mr. PECORA. Well, it left the Wiggin family interests with that profit, considering the interests as being represented by the Shermar Corporation and the Murlyn Corporation, did it not?

Mr. WIGGIN. Repeat that question. It is a little technical.

Mr. PECORA. I will rephrase it. The Shermar Corporation and the Murlyn Corporation represented the same stockholders or were owned by the same stockholders, were they not?

Mr. WIGGIN. Yes.

Mr. PECORA. In the same proportions?

Mr. WIGGIN. Not entirely in the same proportions.

Mr. PECORA. But substantially so?

Mr. WIGGIN. Well, the equity was owned I think in exactly the same proportions.

Mr. PECORA. Yes. And the stockholders of both companies were yourself and the members of your family?

Mr. WIGGIN. The stockholders of the common stock; yes, sir.

Mr. PECORA. Yes. Now these 42,506 shares which were purchased by the Murlyn Corporation on December 11, 1929, remained in its portfolio up until February 1931?

Mr. WIGGIN. Well, whatever the date of that merger was; yes, sir.

Mr. PECORA. Yes. And then by a merger between the Shermar and the Murlyn Corporations the Shermar Corporation acquired those shares of the Chase Bank stock, did it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And that enabled it to cover the short position it had taken between August and December 1929?

Mr. WIGGIN. Yes, sir. Wait a minute. They tell me I am wrong here. [After conferring with his associates.] The correction may not be important, but they remind me that 5,000 shares were purchased in 1930, when it was only 37,000.

Mr. PECORA. All right. Then with the exception of those 5,000 shares my statement is correct?

Mr. WIGGIN. Yes.

Mr. PECORA. The Wiggin interests or the Wiggin family, assuming that they were embodied in the Shermar Corporation and the Murlyn Corporation, made a profit on these short sales that were made by the Shermar Corporation in 1929 of the difference between \$10,596,968 and \$6,588,430, which I have calculated to be \$4,008,538; is that correct, Mr. Wiggin?

Mr. WIGGIN. The corporation made the profit.

Mr. PECORA. Which corporation?

Mr. WIGGIN. The Shermar Corporation.

Mr. PECORA. But the Shermar Corporation was another name for the Wiggin's family interests, was it not?

Mr. WIGGIN. No, sir. It was not another name. It was owned by the family interests.

Mr. PECORA. Well, have you not right along in your own phraseology been referring to the Shermar Corporation and the Murlyn Corporation as the family corporations?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Well, then, these family corporations made this profit of over 4 million dollars as the result of these short sales made in the name of the Shermar Corporation in 1929?

Mr. WIGGIN. Yes.

Mr. PECORA. Is that correct?

Mr. WIGGIN. They made the profit as the result of the sales made by the Shermar Corporation.

Mr. PECORA. Yes; as the result of the sales made by the Shermar Corporation. Now you said at the outset that one of the reasons for the Shermar Corporation making these short sales in 1929 was to postpone income taxes. Was that result achieved by this entire process?

Mr. WIGGIN. I think so.

Mr. PECORA. And assuming that the tax at that time on this profit of \$4,008,538 was 11 percent, that meant the saving of a tax of \$440,939.18, did it not?

Mr. WIGGIN. Repeat that question.

(The question was thereupon read by the shorthand reporter as above recorded.)

Mr. WIGGIN (after conferring with his associates). Well, there was some cover, you remember, in 1930. Five thousand shares, I think it was. That changes these figures completely.

Mr. PECORA. It changes it somewhat?

Mr. WIGGIN. Yes.

Mr. PECORA. Do you know by what amount?

Mr. WIGGIN. No. I will have to figure it.

Mr. PECORA. What was the reason for the merger in February 1931 of the Murlyn Corporation with the Shermar Corporation?

Mr. WIGGIN. The Murlyn Corporation had been organized partly out of sentiment, and I could see no possible advantage in having the two corporations. I wanted to simplify it by reducing it to the one.

Mr. PECORA. Now when the merger was effected in February 1931 was it on the basis of the Shermar Corporation giving its capital stock to the shareholders of the Murlyn Corporation in return for the securities that were then in the portfolio of the Murlyn Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And among those securities were these 42,506 shares of the Chase Bank stock?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That was not a taxable exchange, was it?

Mr. WIGGIN. No, sir.

Mr. PECORA. In its income-tax return for the year 1931 did the Shermar Corporation show a taxable income? That is, a net taxable income?

Mr. WIGGIN. No, sir.

Mr. PECORA. Did it include in its return in its income statement profits that it made from these short sales of the Chase Bank stock?

Mr. WIGGIN. Yes, sir. And I would like to read you a memorandum in connection with that accounting prepared by counsel. May I do so?

Mr. PECORA. When was it prepared?

Mr. WIGGIN. Well, I do not know. Within a reasonably recent time.

Senator COUZENS. Is the counsel who prepared it here?

Mr. WIGGIN. Yes, sir.

Senator COUZENS. Who is he?

Mr. WIGGIN. Mr. Lynch.

Mr. PECORA. When did you get it?

Mr. WIGGIN. I have had it for several days. May I read it?

Mr. PECORA. I think I ought to see it first. It may not have any relevancy.

Mr. WIGGIN. It has a real relevancy.

Mr. PECORA. Well, if it has I am not going to offer any objection to it. I do not want statements put into the record that do not have relevancy.

(Mr. Wiggin handed the memorandum to Mr. Pecora.)

Mr. WIGGIN. Is there a question unanswered?

(Thereupon the following question was read by the shorthand reporter as above recorded:)

Mr. PECORA. Did it include in its return in its income statement profits that it made from these short sales of the Chase Bank stock?

The CHAIRMAN. Mr. Wiggin, what is the purpose of the statement? What does it bear on?

Mr. WIGGIN. To show that all these transactions were absolutely in accordance with the law and the rulings of the Revenue Department.

Mr. PECORA. It is what I would say in the nature of a brief.

Mr. CONBOY. Well, it is a memorandum containing appropriate references to the rulings of the Treasury Department with respect to transactions of this character, bearing directly upon the line of inquiry that you are pursuing, and it is prepared for the purpose of informing the committee with respect to it.

Mr. PECORA. Well, it is in the form of a brief by counsel. It is not in the form of evidence or anything of the sort. If you want to make it a part of this record, I have no objection. Let it go in.

Mr. WIGGIN. I would like to make it a part of the record.

The CHAIRMAN. Let it be admitted.

Senator COUZENS. There is no necessity of reading it, however.

Mr. PECORA. No.

The CHAIRMAN. No; let it be received and placed in the record.

Mr. WIGGIN. And not read it?

The CHAIRMAN. No.

(Memorandum prepared by Mr. Lynch and presented by Mr. Wiggin for the record was received in evidence, marked "Committee Exhibit 85 of Nov. 1, 1933", and is here printed in the record in full as follows:)

In 1929, the Shermar Corporation sold more shares of Chase stock than it owned. On December 11, 1929, it was short 42,506 shares of Chase stock which it had borrowed from Mrs. Wiggin and me. On that date, the Murlyn Corporation purchased 42,506 shares of Chase stock. The Shermar Corporation covered its short position to the extent of 5,000 shares by a purchase in 1930 and closed out its short account in 1931 after merger with the Murlyn Corporation by utilizing the shares of Chase stock then owned by Murlyn. The result of these transactions was to defer to 1930 and 1931, respectively, the realization of profits which otherwise would have been taxable in 1929 if the Shermar Corporation had covered its short position in that year. Lest the inference be drawn that in some way the transactions constituted a violation of the Federal income tax law, the following statement is made under advice of counsel:

1. A "short sale", being a sale of securities borrowed, the loan to be repaid with equivalent securities at a later date, is a valid (New York Personal Property Law, s. 33) and usual business transaction, and is recognized as such

by the Commissioner of Internal Revenue—(Sol. Mem., 1179, 1 C.B. 60 (1919); I.T. 1764, II—2 C.B. 22 (1923); I.T. 2187, IV—2 C.B. 25 (1925); Sol. Mem. 4231, IV—2 C.B. 187 (1925); General Counsel's Mem. 11,096, 323 C.C.H. par. 6546 (1932); Regulations 74, art. 661 (under 1928 act).)

Also, rulings hereinafter cited—

By the Board of Tax Appeals. (*Robert W. Bingham v. Commissioner*, 27 B.T.A. 186 (1932), acquiesced in by the Commissioner (XII-12-6078, 333 C.C.H. par. 6165).)

By the United States Supreme Court. (*Provost v. U.S.*, 269 U.S. 443 (1926).

And by the present Revenue Act. (1932 Act, S. 23 (s).)

It is quite in order in the case of a short sale, if the lender is willing, not to return stock equivalent to that borrowed for as much as 2 years. (See, for instance, I.T. 2187, above.)

It is immaterial to the existence of a short sale whether the seller already owns shares of the same stock at the time that he borrows. (General Counsel's Mem. 7451, C.C.H. 1930 Fed. Tax Serv. par. 6171 (1930); I.T. 2683, 333 C.C.H. par. 6166 (1933); *Robert W. Bingham v. Commissioner*, above.)

2. It is accordingly settled for Federal income tax purposes by the Commissioner and the Board of Tax Appeals, there being no case to the contrary, (1) that the profit or loss on a "short sale" is to be determined by matching the later covering purchase against the earlier sale, and (2) that this is so even though the same person at the very time that he borrowed owned other shares of the same stock. (G.C.M. 7451; I.T. 2683; and *Robert W. Bingham v. Commissioner*, all cited above.)

3. In the present case the situation is even stronger; Shermar Corporation was "short" only; and while Murlyn Corporation was "long", it and Shermar, being run entirely separately, were entities separate from their stockholders and from each other. (See, for example, *Burnet v. Commonwealth Improvement Co.*, 287 U.S. 415 (U.S. Supreme Court, 1932); *Insurance & Title Guarantee Co. v. U.S.*, 36 F. (2d) 842 (C.C.A. 2d, 1929), cert. den. 281 U.S. 748; *Corcoran Lamp Co.*, 24 B.T.A., 284 (1931); General Counsel's Mem. 1977, VI—2 C.B. 168 (1927).)

Therefore, when the Shermar Corporation deferred the realization of profit on its Chase short account until it had actually covered its short position—irrespective of the concurrent Chase stock holdings of Murlyn—it fully complied with the requirements of the income tax law.

Senator GORE. Could you state the amount of the tax return filed by this concern?

Mr. WIGGIN. Which year are we talking about now, Senator, and which corporation?

Senator GORE. The year covered by this profit when you made these transactions to cover these short sales.

Senator COUZENS. The year 1931.

Senator GORE. Yes. The amount of income returned by the corporation that made the short sale and that covered it in 1931.

Mr. WIGGIN. The profit went into the return, but there was no tax that year for the Shermar Corporation.

Senator GORE. On account of losses?

Mr. WIGGIN. On account of losses.

Mr. PECORA. Is it not fair to say, Mr. Wiggin, that the acquisition for \$6,000,000 odd on December 11, 1929, by the Murlyn Corporation and the Metpotan Corporation of the 42,506 shares of the Chase Bank stock was really to enable the Shermar Corporation to cover its short position and to postpone payment of any tax on the resultant profit to the Shermar Corporation from those short sales?

Mr. WIGGIN. It was for the protection of the family, and the fact that it was purchased by Murlyn did postpone the profit to Shermar. The fact that Shermar did not buy it postponed the profit to Shermar.

Mr. PECORA. The Shermar Corporation actually loaned over \$4,000,000 on or about December 11, 1929, to the Murlyn Corporation, did it not?

Mr. WIGGIN. Yes.

Mr. PECORA. To enable the Murlyn Corporation to buy these 42,000-odd shares?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And the Shermar Corporation was in a position to have bought those shares itself out of its own resources which it had at that time?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And instead of so utilizing its resources the Wiggin family interests were enabled by the loan of this money by Shermar to Murlyn, and by the loan of 3 million dollars additional by the Chase Bank to Murlyn, to have the covering of these short sales by the Shermar postponed to some future time when it would be more convenient for tax purposes for the Shermar?

Mr. WIGGIN. Well, I think we did not go as far as that.

Mr. PECORA. Well, is that not what actually was the result?

Mr. WIGGIN. But the money was borrowed and Murlyn did make the purchase so as to protect the family interests in the stock.

Mr. PECORA. And to protect them in the manner which my question indicated?

Mr. WIGGIN. Well, I would not go as far as that.

Mr. PECORA. Well, have you not actually gone as far as that in this statement that your counsel has prepared and which we have put into the record at your request?

Mr. WIGGIN. I do not think so.

Senator GORE. The credit of the Murlyn Corporation and the Shermar Corporation with the Chase Bank was pretty good, was it not?

Mr. WIGGIN. Only on good collateral, Senator.

Mr. PECORA. Do you not go absolutely just that far, or does not your counsel, rather, by including the following in his prepared statement?—

In 1929, the Shermar Corporation sold more shares of Chase stock than it owned. On December 11, 1929, it was short 42,506 shares of Chase stock which it had borrowed from Mrs. Wiggin and me. On that date, the Murlyn Corporation purchased 42,506 shares of Chase stock. The Shermar Corporation covered its short position to the extent of 5,000 shares by a purchase in 1930 and closed out its short account in 1931 after merger with the Murlyn Corporation by utilizing the shares of Chase stock then owned by Murlyn. The result of these transactions was to defer to 1930 and 1931, respectively, the realization of profits which otherwise would have been taxable in 1929 if the Shermar Corporation had covered its short position in that year.

Mr. WIGGIN. That is perfectly right.

Senator GORE. I see now the occasion for these different companies.

Mr. PECORA. Well, it seems quite clear.

The fact of the matter is that in 1931 the Shermar Corporation was able to offset the entire amount of profit that accrued to it that year from the covering of these short sales made in 1929 by the losses that the Shermar Corporation was able to show for the taxable year 1931?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Was it because the Shermar Corporation in 1931 could offset those profits by those losses that the merger between the Murlyn Corporation and the Shermar Corporation took place that year?

Mr. WIGGIN. I do not think so. I do not think that was necessary in order to cover that stock.

Mr. PECORA. When did it first occur to you that the Murlyn Corporation had outlived its usefulness and hence should be merged?

Mr. WIGGIN. I do not know.

Mr. PECORA. Well, how long prior to the actual merger did you reach a conclusion that it should be merged because it had outlived its usefulness?

Mr. WIGGIN. I do not know.

Mr. PECORA. Why had it outlived its usefulness? What had happened which brought you to that conclusion?

Mr. WIGGIN. I could see no advantages.

Mr. PECORA. Well, what advantages could you see during the years of the existence of the corporation?

Mr. WIGGIN. As I told you, it was started partially out of sentiment.

Mr. PECORA. What is that?

Mr. WIGGIN. It was started partly on sentimental grounds.

Mr. PECORA. Well, the sentimental grounds you refer to are what?

Mr. WIGGIN. One corporation for each daughter.

Mr. PECORA. The Shermar Corporation was not designed to represent the interests of only one of the daughters, was it?

Mr. WIGGIN. No, sir.

Mr. PECORA. Neither was the Murlyn Corporation designed to represent the interests only of your other daughter, was it?

Mr. WIGGIN. No, sir.

Mr. PECORA. Well then, where does the sentimental reason exist?

Mr. WIGGIN. Just as I stated.

Mr. PECORA. Well, what?

Mr. WIGGIN. I thought it would be rather a desirable thing to have one for each daughter. One in each of their names.

Mr. PECORA. Was your sentimental interest in the other daughter lessened in 1931 so that you put the corporation that was the outgrowth of that sentiment out of business?

Mr. WIGGIN. No, sir.

Mr. PECORA. During the life of these two companies and prior to their merger in 1931, were sales or transfers of securities made one to the other at various times?

Mr. WIGGIN. At various times; yes, sir.

Mr. PECORA. And as the result of some of those sales or transfers were tax losses established by either company or by both of them?

Mr. WIGGIN. There was a change in the tax law rulings, and I should like to refresh my memory so as to give you the facts on your question. May I do so?

Mr. PECORA. Well, if you have to in order to answer a simple question that I asked you, I suppose you might do it.

Mr. WIGGIN. All right. [After consulting an associate:] Read the question, please. [Which was done.] Yes, sir.

Mr. PECORA. The answer to that question is yes?

Mr. WIGGIN. Yes.

Mr. PECORA. Well, now, will you say that that was the sentimental reason why you created the Murlyn Corporation and had it function at the same time as the Shermar Corporation was functioning?

Mr. WIGGIN. It was not necessary for that purpose.

Mr. PECORA. Well, that reason wouldn't be a sentimental reason, would it? But as a matter of fact the corporation was used in that way with the Shermar Corporation, wasn't it?

Mr. WIGGIN. That corporation was not created for that purpose, but after it existed they did buy and sell to each other.

Mr. PECORA. In order to establish paper losses for income-tax purposes?

Mr. WIGGIN. Not paper losses.

Mr. PECORA. Well, when one company transferred securities to another company that was owned by the same persons that owned the first company, aren't any losses paper losses?

Mr. WIGGIN. No, sir. Each corporation is an entity, you know.

Mr. PECORA. I know that, that each corporation is an entity, but the owners were the same.

Mr. WIGGIN. The owners of the equity were the same, but not the owners of the preferred stock.

Senator GORE. Was there much preferred stock outstanding?

Mr. WIGGIN. Yes, sir.

Senator GORE. Was it the same in each case?

Mr. WIGGIN. I think not. But I would have to look that up.

Mr. PECORA. The ownership of the preferred stock of these companies was such that it did not change the character of these companies from being what you have said they were, Wiggin family corporations.

Mr. WIGGIN. They were all family corporations.

Senator TOWNSEND. Did the family own the preferred stock?

Mr. WIGGIN. In one case, and not in the other case. It was trusts.

Senator GORE. Have you put into the record any statement in regard to the acquisition of the Washington Gas Light by the Chase interests?

Mr. WIGGIN. No, sir.

Senator GORE. Well, are you familiar with the La Follette law that was enacted some years ago?

Mr. WIGGIN. No, sir.

Senator GORE. Providing that not more than 20 percent of the stock of any gas light company, for instance, could be owned by any one outside corporation?

Mr. WIGGIN. I am not familiar with that law; no, sir.

Senator GORE. Do you have any knowledge of the fact that five trusts were organized in Massachusetts, which did acquire, each, 20 percent of the stock of the Washington Gas Light Co.?

Mr. WIGGIN. No, sir; I am not informed on that.

Senator GORE. And that that stock was acquired by the Chase Harris Forbes interests?

Mr. WIGGIN. I am not posted on that.

Senator GORE. Have you any data in your records concerning that, Mr. Wiggin? If so, I wish you would have it assembled and put in the record.

Mr. WIGGIN. Well, that better come from the Chase Securities Corporation, I should think, than from me.

Senator GORE. They would have handled that transaction?

Mr. WIGGIN. Yes, sir.

Senator GORE. Very well. How can we proceed to get that data? Whom should we call on to get the records of it?

Mr. WIGGIN. Well, the officers of the Chase Securities Corporation, I should say.

Senator GORE. And you were not one of those?

Mr. WIGGIN. Yes; but not now.

Senator GORE. Is that concern still functioning?

Mr. WIGGIN. Yes, sir; under the name of the Chase Corporation.

Senator COUZENS. Mr. Conboy could get it for you, Senator Gore. Can't Mr. Conboy get that?

Mr. CONBOY. I can make some inquiry.

Senator GORE. I should like for that data to be gotten and put into the record for the use of the Senate.

Mr. CONBOY. I want to be as helpful as possible, of course.

Senator GORE. What was that?

Mr. CONBOY. I say I want to be as helpful as possible.

Senator GORE. Yes; and I think that data might be helpful.

The CHAIRMAN. The subcommittee will now take a recess until 2 o'clock this afternoon.

(Thereupon, at 12:55 p.m. Wednesday, Nov. 1, 1933, the subcommittee recessed until 2 o'clock the same afternoon.)

#### AFTER RECESS

The subcommittee resumed at 2 p.m. on the expiration of the recess.

The CHAIRMAN. The subcommittee will come to order. Proceed, Mr. Pecora.

#### TESTIMONY OF ALBERT H. WIGGIN—Resumed

Mr. PECORA. Mr. Wiggin, as I recall the testimony you have given about these short sales made by the Shermar Corporation of Chase Bank stock, you said, in substance if not in words, that the making of those short sales is a good thing because it provides for purchasing power for the bank stock. Now, just what did you mean by that?

Mr. WIGGIN. I meant that if there was a break in the stock that might be injurious to the bank there was somebody there to buy the stock and keep it from breaking further.

Mr. PECORA. Who was the somebody that you had in mind?

Mr. WIGGIN. This company that was in a position to buy.

Mr. PECORA. The Shermar Co.?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, as a matter of fact that furnishing of a purchasing power would not have been of avail for that purpose unless the stock was bought in the open market, would it?

Mr. WIGGIN. Oh, I think so. No matter where it was bought it would have the same effect, would it not?

Mr. PECORA. I don't know. I am asking you.

Mr. WIGGIN. I think it would have the same effect.

Mr. PECORA. Well, now, as a matter of fact, what really did happen was that the Murlyn Corporation bought 42,000 shares which had been sold short by the Shermar Corporation on December 11, 1929, from the affiliate of the bank.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Well, how did that help to create a purchasing power for the stock that was beneficial to the market?

Mr. WIGGIN. Well, it put the Metpotan Co. in a position to buy stock with the cash that they had if they wanted to.

Mr. PECORA. Did the Metpotan Co. do that?

Mr. WIGGIN. I don't know. I would have to look that up in order to find out.

Mr. PECORA. When the Shermar Corporation made those short sales it did not know what the Metpotan Co. was going to do, did it?

Mr. WIGGIN. No, sir.

Mr. PECORA. When the Metpotan Corporation made those short sales was it in the contemplation that the Shermar Corporation would cover its short position by purchasing the stock of the Metpotan Co.?

Mr. WIGGIN. It had no definite plan.

Mr. PECORA. As a matter of fact you said among other things that another purpose you had in making those short sales for the Shermar Corporation was to enable your family to sell some of their holdings.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That purpose was not accomplished either, was it?

Mr. WIGGIN. Yes, sir. They did sell, and when the stock was repurchased it was at a lower price.

Mr. PECORA. Well, now, the stock was repurchased by the family interests, wasn't it?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Through the Murlyn Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And meanwhile the family had enough stock to enable the Shermar Corporation to deliver under its short sales without buying in the market, didn't it?

Mr. WIGGIN. That is very true; yes, sir.

Mr. PECORA. So that did not help to provide a purchasing power for the stock, did it?

Mr. WIGGIN. Why, I think it did.

Mr. PECORA. How?

Mr. WIGGIN. Because they did buy back.

Mr. PECORA. They bought back, not in the market, but from the Metpotan Co.?

Mr. WIGGIN. Yes, sir. They bought from the Metpotan Co.

Mr. PECORA. How did that improve the purchasing power in the market for the stock?

Mr. WIGGIN. It put the Metpotan Co. in funds, with that cash in case they wanted to buy.

Mr. PECORA. But you said that the sales made by the Shermar Corporation were not made in combination with the Metpotan Co. In other words, you did not know that the covering was going to be done through purchases made from the Metpotan Co., did you?

Mr. WIGGIN. No, sir.

Mr. PECORA. The Shermar Corporation would not have sold that stock short unless it expected to make a profit therefrom, would it?

Mr. WIGGIN. Yes, sir; I think so. It reduced the holdings of the family that much. If the stock had gone up they would have had to cover at a loss, but they could have covered.

Mr. PECORA. Well, the family was not going to reduce its holdings at a loss if it could avoid doing so, was it?

Mr. WIGGIN. Repeat that, please.

Mr. PECORA. The committee reporter will read it to you.

(The question was thereupon read by the reporter, as above recorded.)

Mr. PECORA. In other words, the family was not going to sell its holdings at a loss if it could avoid a loss, was it?

Mr. WIGGIN. Probably not.

Mr. PECORA. The Shermar Corporation when it made those short sales expected to make a profit from them, didn't it?

Mr. WIGGIN. I don't know whether they expected it or not. They hoped to.

Mr. PECORA. Well, did the Shermar Corporation consult any particular individual or individuals when it decided to make those short sales?

Mr. WIGGIN. I don't think so.

Mr. PECORA. You made the decision for the Shermar Corporation with regard to making those short sales, didn't you?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. What was in your mind at the time you made that decision? What object did you hope to accomplish or attain?

Mr. WIGGIN. Just as I testified this morning.

Mr. PECORA. Well, this morning you said, among other things, that it would provide a broader purchasing power for the Chase Bank stock, and to that extent it would be beneficial to the bank.

Mr. WIGGIN. It reduced the family holdings, and provided a purchasing power for the stock. I think those were the two reasons I gave.

Mr. PECORA. Those were the two reasons you gave?

Mr. WIGGIN. I think so.

Mr. PECORA. Was the factor of selling either at a loss or a profit in your mind?

Mr. WIGGIN. I have no doubt that I hoped I would make a profit on the transaction.

Mr. PECORA. And you thought you would make a profit by selling short?

Mr. WIGGIN. I do not know what I thought at that time, Mr. Pecora.

Mr. PECORA. Well, you know what would animate you to make short sales of the security.

Mr. WIGGIN. I might point out that if the stock had been bought back at a loss it would have been good business for the family to sell some of their stock at that time.

Mr. PECORA. Well, if you had thought you would have to buy that stock back at a loss you wouldn't have made those short sales, would you?

Mr. WIGGIN. No; not if I had expected that.

Mr. PECORA. So it is a fair inference that you made the short sales because you thought it would result in profits?

Mr. WIGGIN. I hoped it would; yes, sir.

Mr. PECORA. Now, what prompted you to believe, in August, September, and October of 1929, that by selling the bank stock short profits would accrue to you?

Mr. WIGGIN. I don't know.

Mr. PECORA. Well, if you don't know, who would know?

Mr. WIGGIN. I probably had some definite reasoning at that time but I don't know today what it was. This was sometime ago, as you know.

Mr. PECORA. I know it, but there must have been some reason that led you to believe you might cover at a lower price and thereby make a profit.

Mr. WIGGIN. Only the general reasoning that the market was very high on bank stocks.

Mr. PECORA. Did you believe that was the case at that time on Chase Bank stock?

Mr. WIGGIN. I thought all bank stocks were high, and I thought Chase National Bank stock was selling in line with other stocks.

Mr. PECORA. That is, selling too high.

Mr. WIGGIN. I don't know that—

Mr. PECORA (continuing). As compared with its real value.

Mr. WIGGIN. I don't know whether I thought so or not.

Mr. PECORA. Haven't you just said in substance that that is what you thought?

Mr. WIGGIN. Well, have I?

Mr. PECORA. You said all bank stocks, and Chase Bank Stock was a bank stock, and hence was included in the word "all", isn't that so?

Mr. WIGGIN. I think that is a fair conclusion, yes, sir.

Mr. PECORA. In other words, that is a fair inference?

Mr. WIGGIN. I think so.

Mr. PECORA. Now, if you thought Chase Bank stock was selling too high in the market in the summer and fall of 1929, why did you as the chief executive officer of the Chase Bank, and of its subsidiary, the Chase Securities Corporation, permit the Chase Securities Corporation and its wholly owned subsidiary, the Metpotan Corporation, to go into those various pools or syndicate accounts to stabilize the market, so to speak, or to keep up the price?

Mr. WIGGIN. Well, did they at that time?

Mr. PECORA. Mr. Wiggin, I had nothing to do with those pools at that time, nor since. You did. That is why I am asking you the question and expecting you to answer it. I cannot tell. I do not know anything about those things.

Mr. WIGGIN. Will you have the other question read to me?

Mr. PECORA. The committee reporter will read it to you.

(The question was thereupon read by the reporter as above recorded.)

Mr. WIGGIN. Let me see. [Inquiring of an associate.]

Mr. PECORA. Do you have to get the answer to that question from Mr. Lynch?

Mr. WIGGIN. I am trying to find out if they did do it. And I cannot find that they did.

Mr. PECORA. What is that?

Mr. WIGGIN. I cannot find that they did do it at that time. If you have any information there, perhaps it will help me out.

Mr. PECORA. Well, you have given some testimony here—for instance, that the Chase Securities Corporation participated in a trading account managed by Dominick & Dominick, formed in July of 1929 and which continued to operate for several months thereafter; in fact that particular account was closed November 11, 1929. You have already given a lot of testimony about that trading account.

Mr. WIGGIN. Well, I just wanted to identify the dates.

Mr. PECORA. Yes.

Mr. WIGGIN. And the Metpotan Co. was selling stock, wasn't it?

Mr. PECORA. It was doing both. It was in this trading account which, as you have already testified, bought and sold, was in and out of the market practically every day during the life of that trading account.

Mr. WIGGIN. And it sold stock. And the net result was a sale of stock, was it not?

Mr. PECORA. It both bought and sold. You said it was to stabilize the market. You said that was one of the purposes of that account and of other accounts of a similar character.

Mr. WIGGIN. The net result was a sale of stock, wasn't it? And they did just what I did.

Mr. PECORA. Well, you did it for a profit. You sold short. You did not buy and sell. The Shermar Corporation sold short between August and December of 1929, didn't it?

Mr. WIGGIN. That is right.

Mr. PECORA. Now, this trading account in which the Chase Securities Corporation, through the Metpotan, was a participant, and which was managed by Dominick & Dominick, was formed in July and operated until November 11. Now, you said they bought and sold, the Shermar Corporation sold short.

Mr. WIGGIN. The net result was—

Mr. PECORA (interposing). So that the two accounts' operations were different.

Mr. WIGGIN. The net result was the same to both corporations.

Mr. PECORA. Is that so, Mr. Wiggin, that the net result was the same?

Mr. WIGGIN. The Metpotan sold.

Mr. PECORA. What was that net result you are speaking of?

Mr. WIGGIN. On the options to Dominick & Dominick that they sold this large amount of stock.

Mr. PECORA. Did they not do both? They bought and sold, didn't they?

Mr. WIGGIN. They bought and sold, but the net result was sales.

Mr. PECORA. Well, now, let us see if that is so. Let me look that up.

The CHAIRMAN. Mr. Wiggin, while Mr. Pecora is looking that up, do you know of any other officer or officers of the Chase Bank who sold stock in the summer and fall of 1929 of the bank, bank stock?

Mr. WIGGIN. Oh, I think a good many of them did.

Mr. PECORA. I am going to recall to your mind the testimony during the first week you were on the stand before this committee, which was the week before last, with regard to these Chase Bank stock syndicates. There were eight of them that you testified about.

Mr. WIGGIN. There were quite a number.

Mr. PECORA. There were eight. The first one was formed on September 21, 1927, and terminated on April 18, 1928. During the life of that account, the account purchased 22,217 shares and sold that same number. So the amount of sales corresponded exactly to the number purchased in the open market.

Account no. 2 was formed on April 18, 1928, and terminated on April 9, 1929, and that account purchased 59,522 shares and sold that same amount.

The third account, being the first one managed by Dominick & Dominick, was formed on July 19, 1929, and terminated on November 11, 1929; and that also purchased 172,806 shares and sold that same number. So you see that the Metpotan and the Chase Securities Corporation, whichever one was the participant in those syndicate accounts or trading accounts, did not take a net short position in any of those accounts, whereas the Shermar Corporation's transactions gave it a net short position to the extent of 42,506 shares. So how could you say that the net result was the same?

Mr. WIGGIN. The Metpotan Corporation reduced its holdings, didn't it?

Mr. PECORA. Not if the trading account sold the same number of shares it purchased.

Mr. WIGGIN. I think it did, Mr. Pecora.

Mr. PECORA. That is not the evidence.

Mr. WIGGIN. I do not think that that is inconsistent. They put a certain number of shares into the trading account and the trading account sold what it bought; but the Metpotan undoubtedly reduced its holdings.

Mr. PECORA. The Metpotan was not selling short in those accounts. It was selling stock that it actually owned?

Mr. WIGGIN. Yes.

Mr. PECORA. The Shermar Corporation was selling short?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. It sold 42,000 shares it did not own?

Mr. WIGGIN. Yes; but the Metpotan reduced its holdings on Chase stock. Let me point out another matter, too, that may be of interest to you. The Shermar Corporation, or any of the family corporations, never sold or bought a share of Chase stock except through the Chase Securities Co.; so that there could not be any interference with their interests.

Mr. PECORA. Now, was it the purpose of the Metpotan in going into those trading accounts to dispose of its shares of the bank stock, or was it its purpose to stabilize the market and obtain a wider distribution of the bank stock?

Mr. WIGGIN. Both.

Mr. PECORA. What was the purpose of the Shermar Corporation in engaging in those short sales in the summer and fall of 1929?

Mr. WIGGIN. To reduce the family holdings and to be in position to buy stock if it seemed advisable, or in the interest of the bank.

Mr. PECORA. In the interests of the bank? Will you be good enough to tell the committee how the bank's interests were served directly by the Shermar Corporation selling short 42 thousand shares? Just explain that in detail to the committee.

Mr. WIGGIN. It gave them a purchasing power.

Mr. PECORA. When you say "they", whom do you mean?

Mr. WIGGIN. The Shermar Corporation.

Mr. PECORA. To do what?

Mr. WIGGIN. To purchase bank stock.

Mr. PECORA. From whom?

Mr. WIGGIN. Anybody.

Mr. PECORA. How did it profit the bank?

Mr. WIGGIN. It didn't profit the bank.

Mr. PECORA. How did it serve the bank's interests?

Mr. WIGGIN. Because there were frequently occasions when a violent fluctuation in the stock, with no purchaser, was injurious to the bank, and it was wise to have somebody that could purchase stock.

Mr. PECORA. When the Shermar Corporation engaged in these short sales, was it making some contribution possibly to bringing about those wide fluctuations?

Mr. WIGGIN. No, sir.

Mr. PECORA. Does not short selling operate to depress the value of a security, as a rule?

Mr. WIGGIN. They would not have done it if it depressed the stock.

Mr. PECORA. Does not short selling as a rule have that effect, namely, to depress?

Mr. WIGGIN. As a rule I cannot say, but perhaps it does.

Mr. PECORA. Is there any doubt about it in your mind that that is a distinct result of short selling?

Mr. WIGGIN. It depends entirely on the particular transaction.

The CHAIRMAN. The purchasing power would not have been increased unless they had made a profit, would it?

Mr. WIGGIN. Yes, sir. It gave them cash to buy with.

Mr. PECORA. If you thought, as an officer of the bank, apart from your relations to the Shermar Corporation with which the bank was not identified, that the market price of the stock of the bank in the summer and fall of 1929 was too high, why did you permit those high prices to be maintained through the participation in these trading accounts which dealt in the bank stock of the Chase Securities Corporation or the Metpotan Corporation?

Mr. WIGGIN. The Metpotan was in a trading account with the right to buy and the right to sell. Its purpose was to reduce its holdings—one of its purposes.

Mr. PECORA. You are not forgetting the other purpose that you emphasized last week, or the week before—that of stabilizing the market—are you?

Mr. WIGGIN. No, sir. The market price was entirely beyond my control.

Mr. PECORA. I do not think that answers my question, Mr. Wiggin.

Mr. WIGGIN. Well, repeat the question and I will try to answer it.

(The question referred to was read by the reporter as above recorded.)

Mr. WIGGIN. And the answer is?

(The reporter read the answer referred to as above recorded.)

Mr. WIGGIN. That is the best answer I can make.

Mr. PECORA. You have said in the past that one of the main reasons you had the affiliate of the Chase Bank go into these trading accounts that dealt in the bank stock was to stabilize the market for the bank stock.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And that is true, is it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. You have seen that one of these trading accounts, formed for the purpose, among other things, of stabilizing the market in the bank stock, was formed in July and operated until the 11th of November 1929, which period takes in the larger part of the period between August 8 and December 2, 1929, when your company, the Shermar Co., sold 42,506 shares short?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now you said one of the reasons for your company selling short was because you hoped to make a profit thereby. Is that correct?

Mr. WIGGIN. I hoped it would make a profit.

Mr. PECORA. But you knew that it could not make a profit unless it could cover the short sales at a lower price; is that right?

Mr. WIGGIN. That is the only way the Shermar Corporation could make a profit.

Mr. PECORA. You also said, in the course of your testimony here, that you thought in the summer and fall of 1929 all bank stocks, including the Chase Bank stocks, were selling too high?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, keeping in mind all those elements, why did you, as the chief executive officer of the Chase Bank, as well as of its security affiliate, permit or sanction the security affiliate of the bank going into these trading accounts to stabilize the market or maintain the price for the bank stock?

Mr. WIGGIN. Because they had the right to buy and also the right to sell, and they wanted to reduce their holdings.

Mr. PECORA. You did not permit them to do that in order that they might have the right to buy and the right to sell. That was simply an attribute of a trading account, was it not? It was not the reason for the trading account?

Mr. WIGGIN. I think it was the reason for the trading account.

Mr. PECORA. You said the reasons for the trading account were to stabilize the market and enable the security affiliate to sell some of its holdings.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. You said, also, that in your opinion the market prices for the bank stock in that period of time were too high or, in other words, out of proportion to its real value.

Mr. WIGGIN. I said I thought the market on bank stocks was high; yes, sir.

Mr. PECORA. And you, through your private corporation, the Shermar Corporation, acting upon the belief that you had that the market price for the bank stock was too high, and acting further upon the hope that you had that by selling the stock short your corporation would make profits, nevertheless permitted the security

affiliate of the bank to go into trading accounts designed to stabilize the market at the time when you thought the market price was too high. Why did you do that?

Mr. WIGGIN. I permitted them to go in to stabilize the market and buy and sell with the hope that they would reduce their holdings—the same purpose exactly.

Mr. PECORA. The Shermar Corporation had no holdings to reduce. They were engaged in a speculation, were they not?

Mr. WIGGIN. The family had large holdings, and the interests were the same.

Mr. PECORA. And the family never let go of those holdings, because it caused the Murlyn Corporation to buy back the total amount of its short stock from the Metpotan Co. on December 11, 1929?

Mr. WIGGIN. It did not buy it back until December.

Mr. PECORA. Who did not?

Mr. WIGGIN. These family interests.

Mr. PECORA. The Murlyn Corporation bought it in December, did it not?

Mr. WIGGIN. That is what I say: They did not buy it until December. You are speaking of August, I think.

Mr. PECORA. I am speaking of the whole period of time covered by the short sales, from August until December.

Mr. WIGGIN. I understood that you were speaking of the Metpotan sales in August, or October, or whatever that date was. Am I right?

Mr. PECORA. I was asking you not about those sales at all. I asked you to tell the committee why you, as the chief executive officer of the bank and its security affiliates, permitted the security affiliate to go into market operations through the medium of these trading accounts to stabilize the market at a time when you thought the price of the stock was so high, so far out of proportion to value, that you, as the owner or one of the owners of the Shermar Corporation, operated in the market by selling short with a view of making a profit.

Mr. WIGGIN. I think I have answered that question already, and the answer was that the Metpotan had the right to buy and the right to sell, and they hoped to reduce their holdings, and did.

Mr. PECORA. Do you know that the Metpotan reduced its holdings?

Mr. WIGGIN. Yes, sir.

The CHAIRMAN. I understand the gist of the question is, Mr. Wiggins, why you should endeavor to stabilize the market and keep the price of the bank stock as it was, practically, when you realized and believed that the bank stock was too high?

Mr. WIGGIN. Of course, any belief that I had that the bank stock was too high was purely a matter of opinion.

Mr. PECORA. It turned out that your opinion was pretty sound, did it not?

Mr. WIGGIN. It happened so in that case.

Mr. PECORA. Did it not occur to you as an individual who owned large blocks of Chase Bank stock at a time when you thought the market price thereof was too high that it created a situation in the market that enabled you, by selling the stock short, to reap handsome profits through the Shermar Corporation's activities and that

the affiliate of the bank of which you were the executive head at the same time was engaging in market operations that would keep this price up so as to enable you to sell short at the best possible profit to yourself?

Mr. WIGGIN. Not at all, sir. They were both selling, and we never sold except in consultation with them, and let them handle the sales so that there would be no possible interference of their interests.

Mr. PECORA. Do you mean to say, by that, that during the time that the Shermar Corporation was making short sales of 42,506 shares of bank stock the Shermar Corporation's activities were coordinated with those of the bank and its security affiliate?

Mr. WIGGIN. I mean to say that they never made a sale without doing it through the Chase Securities Corporation so it would not be allowed to interfere.

Mr. PECORA. How were these short sales that were made by the Shermar Corporation in the summer and fall of 1929 kept free from interfering?

Mr. WIGGIN. Because we gave them to the Chase Securities Co. to handle and they did all the selling for us.

Mr. PECORA. You mean the Chase Securities Co. made these sales for the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. How?

Mr. WIGGIN. I don't know. Wherever the selling was. They did the whole thing.

Mr. PECORA. Were you using the security affiliate of the bank to promote the activities of your own private company?

Mr. WIGGIN. No, sir. I was simply—

Mr. PECORA (interposing). It seems to me that is the inference from the testimony you have just given.

Mr. WIGGIN. I don't think so. I was simply handling it in a way that would not be permitted to interfere with the interests of the company. Therefore I let them handle the whole thing.

Mr. PECORA. Who were the officers of the Chase Bank affiliate that handled these short sales for the Shermar Corporation?

Mr. WIGGIN. I think it was mostly handled by Mr. Jonas Andersen, a vice president.

Mr. PECORA. How did he handle them?

Mr. WIGGIN. I don't know.

Mr. PECORA. What brokers were used by the Shermar Corporation for short sales?

Mr. WIGGIN. I don't know.

Mr. PECORA. Who would know?

Mr. WIGGIN. Mr. Andersen, if he used any brokers.

Mr. PECORA. Did the bank's security affiliate share any part of the profits that accrued to the Shermar Corporation from these short sales?

Mr. WIGGIN. They simply did the handling for the company.

Mr. PECORA. What is that?

Mr. WIGGIN. They had no share in the profits.

Mr. PECORA. But they handled the transactions for the Shermar?

Mr. WIGGIN. Yes; they handled the transactions.

Mr. PECORA. But got no share of the profits?

Mr. WIGGIN. No. It was simply done through them so as not to interfere with their own operations.

Mr. PECORA. Did you as an individual, as the party principally interested in the Shermar Corporation, discuss with the directors and the executive officers of the bank's affiliate this whole operation and agree upon it with them?

Mr. WIGGIN. No, sir. All that happened was that I would say I would like to sell some stock where it is possible, when it does not affect the market, when it does not interfere with you in any way.

Mr. PECORA. Well then, were they using their judgment for the benefit of the Shermar Corporation with regard to the making of these short sales?

Mr. WIGGIN. They were simply handling the sales when they could be handled without interference.

Mr. PECORA. Were the sales made in accordance with their judgment?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Then you were using the machinery and the personnel of the bank's affiliate in market operations for your private corporation that resulted in your private corporation making several millions of dollars of profits?

Mr. WIGGIN. They were only used for their own benefit and protection, sir.

Mr. PECORA. And the benefit and protection that they got—by "they" I mean the Chase Bank and its affiliate—was how much in dollars and cents, if there was a benefit in dollars and cents?

Mr. WIGGIN. I don't know. I don't know how you would figure it.

Mr. PECORA. You said that the bank received benefits from it. What were those benefits? What was the extent of them?

Mr. WIGGIN. Did I say the bank received benefits?

Mr. PECORA. Or the affiliate.

Mr. WIGGIN. No; I said it was handled through them so that it would not interfere with their interests and what they wanted to do themselves.

Mr. PECORA. Did you tell the officers of the affiliate that you wanted your corporation to sell short with a view of making a profit from such short sales?

Mr. WIGGIN. No, sir.

Mr. PECORA. That was your own judgment, and you did not pass that on to the affiliate's officers?

Mr. WIGGIN. No, sir.

Mr. PECORA. You simply told them that the Shermar Corporation wanted to sell some stock, the Chase Bank stock?

Mr. WIGGIN. Where it could do it without interference.

Mr. PECORA. Who determined upon the amount of sales of the bank stock that were made in the name of the Shermar Corporation in those months?

Mr. WIGGIN. You refer to the total amount?

Mr. PECORA. Yes, sir.

Mr. WIGGIN. There was no amount determined at the beginning of the transaction.

Mr. PECORA. I did not limit you to the beginning of the transaction.

Mr. WIGGIN. I have not finished yet.

Mr. PECORA. I am directing your attention to the whole period covered by these short sales.

Mr. WIGGIN. Will you let me finish that answer?

Mr. PECORA. I thought you had. Pardon me.

Mr. WIGGIN. There was no amount determined at the beginning of the transaction, and they sold through the Chase Securities so as not to interfere with them, and they sold until they decided they did not care to sell any more. Now, when they determined on that amount I don't know, but probably when it reached this round amount.

Mr. PECORA. Now, let us see: The Chase Bank's affiliate was both buying and selling through its interest in this trading account, was it not, at that time?

Mr. WIGGIN. They had the right to buy and the right to sell.

Mr. PECORA. And that is what they actually did; they both bought and sold, did they not?

Mr. WIGGIN. The net was a sale.

Mr. PECORA. But they both bought and sold, did they not?

Mr. WIGGIN. I do not know, but I suppose very likely. They had the right to.

Mr. PECORA. Well now, I have not questioned their right to buy and sell. The evidence is in the record showing that they had the right to buy and sell. We know that, Mr. Wiggin.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What they did was buying and selling for the affiliate?

Mr. WIGGIN. I do not know whether they bought at that time or not.

Mr. PECORA. Well, suppose you find out now from your affiliate's records so there will be no misunderstanding about it.

Mr. CONBOY. What dates do you want it from?

Mr. PECORA. This pool that was managed by Dominick & Dominick formed in July 1929 and continuing until November 11, 1929.

Mr. CONBOY. Mr. Pecora, the records that we have here showing the net position of Metpotan show that on the 18th of July Metpotan was long 43,265 58/100 shares. That position was decreased day by day, continuously down, to the 9th of November, when the total amount was 4,128 shares.

Senator COUZENS. During that process did they not sell, too?

Mr. CONBOY. Those are all sales. They were continually reducing their position all during that period.

Senator COUZENS. You are just giving the net results of each day, a general increase, but were there not some ups and downs?

Mr. CONBOY. I can give you figures for each day, Senator, and then you can draw your own conclusion.

Senator COUZENS. I think you should not make just a general answer.

Mr. CONBOY. The figures for each day will occupy a little time, but we have them here if you want them. I can give them to you day by day.

Senator COUZENS. I know; but can't you answer whether there was any buying or selling during that period, day by day, without taking up the time of the committee any further?

Mr. CONBOY. The net result was a decrease in the holdings, practically. Just a second—what I want—

Mr. PECORA. It seems to me—

Mr. CONBOY. Are you going to let me answer this question?

Mr. PECORA. I thought you had. Go ahead.

Mr. CONBOY. For instance, we started with the 18th of July, 43,000 shares. The next day it is 41,000. The next day it is 39,600. The next day it is 39,586. The next day it is 39,541. The next day 39,554. Then 38,211—38,039—38,054, and then apparently there is an increase of 1,000 shares, 39,173.

Senator COUZENS. So they were both buying and selling? That is what I want.

Mr. CONBOY. I have given you just what they were doing.

Senator COUZENS. So they were both buying and selling?

Mr. CONBOY. They apparently were.

Mr. PECORA. The whole question can be answered very concisely by telling the committee what the extent was of the buying done by that trading account and the extent of the selling by the same trading account during its life between July and November 1929. Now can't you answer that? That I think would be a complete answer.

Mr. CONBOY. Well, if the question is put to me, the extent of the answer that I can make is that shown by the fact that the position was reduced by 40,000 shares.

Mr. PECORA. That is the position of the Metpotan, but the Metpotan was only one of several participants in this trading account.

Mr. CONBOY. I thought you wanted Metpotan.

Mr. PECORA. I want the operations of the trading account, of which the Metpotan was only one of several participants.

Mr. CONBOY. We haven't the Dominick & Dominick accounts.

Mr. PECORA. Well, they are in evidence here.

Mr. CONBOY. Are they? Where are they? We haven't them; you have them. We have got the Metpotan. We are furnishing you with them.

Mr. PECORA. The Metpotan was one of the participants in the trading account conducted and managed by Dominick & Dominick.

Mr. CONBOY. Quite.

Mr. PECORA. And as a participant I would imagine that it would have business acumen enough to keep itself posted as to the operations of the whole account.

Mr. CONBOY. Mr. Pecora, you were directing your attention to a comparison between the position of Metpotan and the position of Shermar, and we are giving you the position of Metpotan during that period of time.

Mr. PECORA. If you please, I was not doing that. That is what Mr. Wiggin was trying to have me do, but I declined to do that. I want the operations of the trading account between those dates, July and November, of which the Metpotan was only one participant.

Mr. CONBOY. I do not think anybody was trying to get you to do anything, but we understood your question over here to be directed

to the ascertainment of the position of Metpotan during that period of time, and we have got the figures out here.

Mr. PECORA. The exhibit that gives that succinctly is now in the Government Printing Office being printed. But haven't you got a copy of that exhibit?

Mr. WIGGIN. I don't think so.

Mr. CONBOY. I don't know, Mr. Pecora. Will you tell us what it is? We put in lots of big long ones as long as that. That is not an identification at all, holding your arms out. [After a pause.]

Mr. Pecora, we have an exhibit here that is not as wide as was indicated by the width of Mr. Ross's generous embrace over there. It is much narrower. Maybe this is the one that you are looking for. [Handing document to Mr. Pecora.]

Mr. PECORA. I hope it is.

Mr. CONBOY. Is that it?

Mr. PECORA. Yes.

Mr. CONBOY. All right.

Mr. PECORA. Now, Mr. Wiggin, suppose you look at this exhibit. How many shares of Chase National Bank stock were bought for the trading account that was formed in July 1929 and which terminated on November 11, 1929?

Mr. CONBOY. Is that the question?

Mr. PECORA. Yes.

(Mr. Wiggin and Mr. Conboy at this point conferred.)

Mr. CONBOY. I will read you the figure off if you want it—80,710. Is that the figure?

Mr. PECORA. 80,710, bought in the market. And how many were sold?

Mr. CONBOY. 115,483.

Mr. PECORA. Right.

Mr. CONBOY. According to this exhibit. This exhibit, as I understand it, was prepared by you from the Dominick & Dominick books, was it not?

Mr. PECORA. No; it was prepared by Dominick & Dominick and given to us.

Mr. CONBOY. Prepared by Dominick & Dominick, then.

Mr. PECORA. So that this syndicate account was not engaged only in selling; it was engaged in buying to a very substantial extent, was it not?

Mr. WIGGIN. I only know from those figures. Apparently, yes.

Mr. PECORA. You have no reason to doubt those figures, have you?

Mr. WIGGIN. Not at all.

Mr. PECORA. Now, the Shermar Corporation was engaged only in selling from August 8, 1929, up to and including December 2, 1929?

Mr. WIGGIN. I think so. That is right.

Mr. PECORA. And selling short in large part?

Mr. WIGGIN. Yes.

Mr. PECORA. The Metpotan was not selling short as a participant in that trading account, was it?

Mr. WIGGIN. No, sir.

Mr. PECORA. And the trading account itself was not selling short, was it?

Mr. WIGGIN. No, sir.

Mr. PECORA. That trading account was organized, as you have already testified, among other reasons, for the purpose of stabilizing the market—right?

Mr. WIGGIN. And buying and selling.

Mr. PECORA. Well, the buying and selling was the process by which stabilization was effected, was it not?

Mr. WIGGIN. And I have also stated that it was for the desire to reduce their holdings, which they did.

Mr. PECORA. All right; but one of the purposes was stabilization of the market, and that market price at that time, in your opinion, was too high?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. As a result of the operations of that trading account, wasn't that high price substantially maintained in the market?

Mr. WIGGIN. I think the price went—I don't know what the fluctuations were. I will have to look.

Mr. PECORA. Suppose you look.

Mr. CONBOY (after a pause). What dates do you want those figures for, high and low, Mr. Pecora? I think I gave that to Senator Gore this morning shortly before we adjourned.

Mr. PECORA. Say August.

Mr. CONBOY. August '29?

Mr. PECORA. August 8, 1929.

Mr. CONBOY. 228-1/2-233.

Mr. PECORA. And what was the market quotation just prior to the market price on October 29?

Mr. CONBOY. 221-235 on October 25, 222 to 230 on October 26, and 190 to 231 on October 28.

Mr. PECORA. So the first crash was on October 26, as I remember it?

Mr. CONBOY. There was a low on October 24 of 196. That is the first low under 200.

Mr. PECORA. So that the price remained fairly stabilized between August the 8th and October 25, did it not?

Mr. CONBOY. Oh, yes, apparently. In fact, it increased during that period.

Mr. PECORA. Do you know, Mr. Wiggin, where that trading account got the Chase Bank stock which it sold in the market over and above the number of shares that it bought in the market, the number being the difference between 115,483 shares sold in the market and 80,710 shares bought in the market?

Mr. WIGGIN. Isn't that the account that we discussed week before last where they had the options?

Mr. PECORA. Yes, sir.

Mr. WIGGIN. Well, they got it on those options.

Mr. PECORA. And the Shermar Corporation gave those options in part, did they not?

Mr. WIGGIN. They gave them in part; yes, sir.

Mr. PECORA. Do you recall to what extent the Shermar Corporation gave options to the account?

Mr. WIGGIN. I will get that. I have forgotten it.

Mr. PECORA. It was 40,000 shares, wasn't it?

Mr. CONBOY. I think that is right.

Mr. WIGGIN. Sixty.

Mr. PECORA. Forty and twenty. The first option was for 40,000 shares. Then there was another option for 20,000 shares, but only 10,000 was drawn down under that second option.

Mr. WIGGIN (after conferring with associate). Yes; that is right.

Mr. PECORA. Now, does that indicate to you, Mr. Wiggin, that the 42,506 shares which the Shermar Corporation sold short between August 8 and December 2 were sold in large part to that trading account?

Mr. WIGGIN. I am very sure there was not any of it sold to that trading account.

Mr. PECORA. The trading account drew down 50,000 shares from the Shermar, did it not, under those options?

Mr. WIGGIN. I thought you were speaking of the additional amount of the short sale.

Mr. PECORA. Do you now understand what I am speaking about?

Mr. WIGGIN. Wait a minute. I will make sure. Read the question, will you please?

(The reporter read the pending question.)

Mr. WIGGIN. Is that the only question?

Mr. PECORA. That question was complete. Now can you answer it?

Mr. WIGGIN (after conferring with associates). I am advised that of the 42,506 shares sold, 5,000 shares went under the option to Dominick & Dominick.

Mr. PECORA. Who informed you of that?

Mr. WIGGIN. I just learned it.

Mr. PECORA. Who informed you?

Mr. WIGGIN. Mr. Lynch.

Mr. PECORA. Do you know where he got his information from?

Mr. WIGGIN. No, sir.

Mr. PECORA. Will you ask him?

Mr. WIGGIN (after consulting an associate). From the records.

Mr. PECORA. What records are you referring to?

Mr. WIGGIN. Shermar Corporation records.

Mr. PECORA. Didn't you testify week before last that the Shermar Corporation, in connection with this trading account that was managed by Dominick & Dominick, gave to that trading account, or its managers, Dominick & Dominick, options for 60,000 shares of the Chase Bank stock?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And didn't you further testify that Dominick & Dominick, as managers of that trading account, drew down 50,000 of those shares?

Mr. WIGGIN. I think I did.

Mr. PECORA. And were those shares actually furnished by the Shermar Corporation to the trading account?

Mr. WIGGIN. I will find out [consulting an associate].

Mr. CONBOY. Mr. Pecora, here is a memorandum. Look it over and see if that will help you [handing paper to Mr. Pecora].

Mr. PECORA (after examining paper). This is something I have not seen before.

Mr. CONBOY. It was only for your information, sir.

Mr. PECORA. I do not think that answers the question.

Mr. Wiggin, let us see if I can recall to your mind the testimony you gave before this committee week before last. Do you recall

being examined about this trading account formed in July 1929 and managed by Dominick & Dominick, and in which the Metpotan was a participant?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. You recall that you testified that you gave options—that is, the Shermar Corporation gave an option, first, for 40,000 shares to Dominick & Dominick, as managers of that trading account, and subsequently gave an option for an additional 20,000 shares to the same people.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall that you further testified that the Shermar Corporation delivered to Dominick & Dominick, under these options, 50,000 shares of the total number of 60,000 shares that the options called for? Do you recall testifying to that?

Mr. WIGGIN. I do not doubt it. I just do not recall it. Repeat that last question, will you please?

(The reporter read the pending question.)

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, were there included in the 50,000 shares so sold and delivered under these options by the Shermar Corporation to Dominick & Dominick as managers of this trading account, the 42,506 shares that were sold short by the Shermar Corporation?

Mr. WIGGIN. Only 5,000 of them.

Mr. PECORA. Where did the other 45,000 shares come from which the Shermar Corporation sold and delivered to Dominick & Dominick as managers of that trading account?

Mr. WIGGIN. You have a schedule—let me show you this schedule, and it will aid you in getting yours out. It will give you all that information [handing document to Mr. Pecora].

Mr. PECORA (after examining papers). While your representatives and ours are conferring on some records, Mr. Wiggin, let me ask you this. You recall distinctly, do you not, that the Shermar Corporation furnished and delivered to the trading account which was managed by Dominick & Dominick, 50,000 shares of the bank stock under the options which the Shermar Corporation had given Dominick & Dominick for 60,000 such shares?

Mr. WIGGIN. That is my recollection; yes, sir.

Mr. PECORA. Now, at the time the Shermar Corporation gave those options, the first one for 40,000 shares and the second for 20,000 shares, to Dominick & Dominick as the managers of the trading account, did the Shermar Corporation actually own those 60,000 shares?

Mr. WIGGIN. I think not.

Mr. PECORA. You are sure that it did not, are you not?

Mr. WIGGIN. Yes; that is right.

Mr. PECORA. Then why did the Shermar Corporation give those options?

Mr. WIGGIN. Because they, in turn, received options from the other companies and other individuals that enabled them to give that option.

Mr. PECORA. Did the Shermar Corporation at that time have options running to it from other corporations and individuals for 60,000 shares, or as much as 60,000 shares of the bank stock?

Mr. WIGGIN. It had the stock available in the family and in the corporations, but there was no written notice from the family or the other corporations to the Shermar Co.

Mr. PECORA. What other corporations do you refer to?

Mr. WIGGIN. The Murlyn or the Clingston.

Mr. PECORA. I see—the other family corporations.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Did the Shermar Corporation get from the Murlyn and the Clingston, as well as from members of your family, the 50,000 shares of the bank stock which it delivered to Dominick & Dominick as managers of the trading account under these options?

Mr. WIGGIN. It is on this schedule they are working at. Some of it came from other individuals.

Mr. PECORA. Who were the other individuals that furnished some of those 50,000 shares?

Mr. CONBOY. As soon as Mr. Lynch can get back here with that schedule, we can furnish that to you. It is all on the schedule they are working on.

Mr. PECORA. Some of those other individuals were persons who were executive officers of the bank as well as of its securities affiliate, were they not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Was that practice frequently indulged in by any of your family corporations?

Mr. WIGGIN. No, sir.

Mr. PECORA. Was this incident an exceptional incident in that respect?

Mr. WIGGIN. I think there were other cases.

Mr. PECORA. Other cases where the Shermar Corporation or one of your other family corporations gave options for stock which it did not own, but which it expected to furnish through individuals who were officers of the bank and the securities affiliate of the bank?

Mr. WIGGIN. There was one other case, I am advised.

Mr. PECORA. Which was that other case?

Mr. WIGGIN. An option to Schroeder & Co., of London.

Mr. PECORA. J. Henry Schroeder & Co.?

Mr. WIGGIN. I think that is it?

Mr. PECORA. Is that an option, or was that an option on the capital stock of the Chase Bank?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. While they are conferring about those figures, I want to ask you about something else. Did you ever have any transactions, Mr. Wiggin, whereby loans which were due and owing to you individually by other individuals were repaid by those individuals out of the proceeds of loans made to such other individuals by the Chase Bank?

Mr. WIGGIN. I do not remember any.

Mr. PECORA. Do you know a man named Edward W. Decker?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Who was he?

Mr. WIGGIN. He was the executive officer of the Northwestern National Bank of Minneapolis.

Mr. PECORA. He was the president of that bank, was he not, and its executive head?

Mr. WIGGIN. I do not know whether he is president now, but he has at one time been president.

Mr. PECORA. Now while he was the president of the Northwestern National Bank of Minneapolis did you have certain private transactions with him involving securities?

Mr. WIGGIN. I do not remember. I may have. If you will give me the data—

Mr. PECORA. What is that?

Mr. WIGGIN. If you will tell me the details I will either confirm it or look it up.

Mr. PECORA. Did you have many transactions with Mr. Decker for your individual account?

Mr. WIGGIN. No. I had forgotten that I had had any.

Mr. PECORA. Will you refer to the correspondence files of the Shermar Corporation and see if you find therein a letter dated November 26, 1928, addressed to you, on the letterhead of the Northwestern National Bank, Minneapolis, Edward W. Decker, president, which is signed "Ed"?

Mr. WIGGIN. I will.

Mr. PECORA. The identification number, I believe, in your files is 340-D.

Mr. WIGGIN. I have the letter here; yes, sir.

Mr. PECORA. I show you what purports to be a photostatic copy thereof. Will you please look at it and tell me if it is a true and correct copy of such a letter?

Mr. CONBOY. Yes.

Mr. WIGGIN. Yes; it is.

Mr. PECORA. I offer it in evidence and ask to have it spread upon the record.

The CHAIRMAN. It may be received in evidence and placed in the record.

(Letter dated Nov. 26, 1928, to A. H. Wiggin signed "Ed." was received in evidence and marked "Committee Exhibit No. 86 of Nov. 1, 1933.")

Mr. PECORA. The letter, committee exhibit no. 86, of this date, reads as follows [reading]:

THE NORTHWESTERN NATIONAL BANK,  
*Minneapolis, November 26, 1928.*

Mr. A. H. WIGGIN,  
*Chase National Bank, New York, N.Y.*

DEAR AL: I am drawing on you personally for \$37,399.50, for 100 shares of our bank stock attached. This is what I paid for the stock today—saved \$100.50 on the bid price. I am drawing on you personally, because I do not know whether you want to carry it personally or for the bank, but you may fix it up any way you like. If you want me to sign a note for the full amount to the bank, it will be all right as far as I am concerned.

Two brokers here notified me today that they had wires from New York offering \$375 for the stock; so far as I know this is the only stock that has been sold today. My idea is to pick up what we can get under 400—if it goes above that I think we had better let the other fellow have it. What do you think? If you have any different idea, send me a wire.

Very truly yours,

Ed.

Mr. PECORA. Now, the Ed whose signature reading "Ed" appears in this letter is Edward W. Decker, is it?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Did you reply to this letter, Mr. Wiggin?

Mr. WIGGIN. I do not remember.

Mr. PECORA. Under date of November 28, 1928? Let me refer to your correspondence files no. 340-C.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I show you what purports to be a photostatic copy of a letter addressed to Edward W. Decker, Esq., under date of November 28, 1928. Will you please look at it and tell us if it is a true and correct copy of such a letter sent by you to Mr. Decker in reply to the letter last offered in evidence [handing paper to Mr. Wiggin]?

Mr. WIGGIN (after examining same). Yes, sir.

Mr. PECORA. I offer it in evidence and ask to have it spread upon the record.

The CHAIRMAN. Let it be received and placed in the record.

(Letter dated November 28, 1928, to Edward W. Decker was received in evidence and marked "Committee Exhibit No. 87 of Nov. 1, 1933.")

Mr. PECORA. Letter marked "Committee's Exhibit No. 87" of this date reads as follows [reading]:

NOVEMBER 28, 1928.

EDWARD W. DECKER, Esq.,  
Care of the Northwestern National Bank,  
Minneapolis, Minn.

DEAR ED: Yours of the 26th, with enclosures, received. I have paid the draft today.

For the present I will carry this stock for our joint account. If it should develop that I should need to borrow some money, I will perhaps ask the bank to make a loan to you for one half of this amount against one half of the stock. In other words, leave the details to me, merely giving me authority to arrange it.

I have more confidence in your judgment than I have in my own. I think the stock is worth more than \$400 a share, so I would not hesitate to accumulate even at somewhat over that price.

Thanks for counting me in on this. I hope it works out to your and my advantage.

Yours sincerely.

Did you sign the original of this letter?

Mr. WIGGIN. I presume so.

Mr. PECORA. Does not this correspondence indicate, Mr. Wiggin, that Mr. Decker had purchased for the account ultimately of yourself and himself some stock of his bank, namely the Northwestern National Bank, and that you had arranged in the event it was necessary for you to borrow money to carry your half of this stock in this joint account, that you would borrow that money from the Chase Bank in the name of Decker?

Mr. WIGGIN. No, sir.

Mr. PECORA. What did you mean then when you said in your letter to Mr. Decker—

If it should develop that I should need to borrow some money I will perhaps ask the bank to make a loan to you for one half of this amount against one half of the stock.

Mr. WIGGIN. That was for his half. Nothing to do with my half.

Mr. PECORA. Well, why should he borrow if you needed to borrow?

Mr. WIGGIN. Because I was loaning him at the initial transaction, and I am not a banker. I happened to have some money, and I simply told him that if I got where I did not have the money to loan him that the bank would loan him the money.

Mr. PECORA. What was the draft referred to in your letter to Decker of November 28, 1928, which you said you had paid?

Mr. WIGGIN. In my letter to Decker?

Mr. PECORA. Yes, sir.

Mr. WIGGIN. You mean the letter from Decker to me, do you not?

Mr. PECORA. What is that?

Mr. WIGGIN. You mean the letter from Decker to me? I understood you asked about the letter from me to him. You mean his letter of November 26 to me, perhaps?

Mr. PECORA. His letter of November 26, 1928, to you.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. It states that he was drawing on you personally for \$37,399.50, which, I take it, was the cost price for the 100 shares of the Northwestern National Bank stock which Decker had bought for the joint account of himself and you; is that right?

Mr. WIGGIN. I so understood it.

Mr. PECORA. That is the way you understood it?

Mr. WIGGIN. Yes.

Mr. PECORA. And you paid that draft for \$37,399 on November 28, 1928, according to your letter of that date offered in evidence just now, is that right?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, in your letter of November 28, 1928, you say to Decker, after having informed him that you had paid that draft—

For the present I will carry this stock for our joint account.

Mr. WIGGIN. Yes.

Mr. PECORA (continuing reading):

If it should develop that I should need to borrow some money I will perhaps ask the bank to make a loan to you for one half of this amount against one half of the stock.

Now, what did you mean by that?

Mr. WIGGIN. Well, I meant that if it got where I did not have the money to loan him that he would borrow his own money from the bank in the regular way. It had nothing to do with my share of it.

Mr. PECORA. He would borrow the money from the Chase Bank?

Mr. WIGGIN. Yes.

Mr. PECORA. And that was to enable him to carry his half of this account, is that right?

Mr. WIGGIN. Yes, as I understand it. Nothing to do with me. His half.

Mr. PECORA. All right. Now have you in the correspondence files of the Shermar Corporation a letter addressed to Mr. Decker dated April 11, 1929, which perhaps you will find under the identifying number of 340-E?

Mr. WIGGIN. I assume we have it.

Mr. PECORA. I show you what purports to be a photostatic reproduction of such a letter. Will you kindly look at it and tell us if it is a true and correct copy of the letter which you sent to Mr. Decker on that date? [handing same to Mr. Wiggin].

Mr. WIGGIN (after examining same). Yes, sir.

Mr. PECORA. I offer it in evidence and ask to have it spread upon the record.

The CHAIRMAN. Let it be admitted and placed in the record.

(Letter dated Apr. 11, 1929, to Edward W. Decker was received in evidence and marked "Committee Exhibit No. 88 of Nov. 1, 1933.")

Mr. PECORA. The letter marked "Committee Exhibit 88" of this date reads as follows [reading]:

APRIL 11, 1929.

EDWARD W. DECKER, Esq.,

*Care of the Northwestern National Bank, Minneapolis, Minn.*

DEAR NED: I have yours of the 9th with its enclosures. If you will authorize me to do so, I will increase your loan at the bank to reimburse me for the advance which I have made. This will perhaps be more satisfactory to you, and as the transaction is no longer a joint transaction perhaps it is entirely in order. It will only be necessary for you to send me an application addressed to the Bank requesting an increase in your loan, which application I am enclosing herewith and I will take care of the details. I have dated the application April 18 and have filled in the amount plus interest to that date.

Yours sincerely,

Did you sign this letter in behalf of the Shermar Corporation or yourself?

Mr. WIGGIN. I think that is a personal letter, is it not? I presume I signed it.

Mr. PECORA. Well, I only have a photostatic copy of it.

Mr. WIGGIN. I presume it is a personal letter that I signed.

Mr. PECORA. Was the reference made in this letter to your arranging to have the bank increase his loan to reimburse you for an advance which you had made in reference to a transaction whereby Decker was to pay back an advance to you out of the proceeds of a loan made to the debtor?

Mr. WIGGIN. I assume so. He was borrowing the money from the bank to pay the loan to Shermar.

Mr. PECORA. In other words, to pay the loan to you?

Mr. WIGGIN. Well, to the Shermar Corporation.

Mr. PECORA. Well, this then was an instance where one of your debtors, your individual debtors, or the debtor of the Shermar Corporation, was paying back his loan to you or to your corporation out of the proceeds of a loan that you had arranged to have the Chase Bank make to such debtor?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What was the amount of the loan that was given to Decker at that time?

Mr. WIGGIN. Does that show?

Mr. PECORA. It does not show in the letter; no, sir.

Mr. WIGGIN. I think it was \$18,752.73.

Mr. PECORA. Did you receive a letter from Mr. Decker under date of April 13, 1929, in reply to your letter to him of April 11, 1929, marked "Committee Exhibit No. 88"?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I show you what purports to be a photostatic reproduction of such a letter. Will you kindly look at it and tell me if it is a true and correct copy of such a letter received by you from Mr. Decker [handing same to Mr. Wiggin]?

Mr. WIGGIN (after examining same). Yes.

Mr. PECORA. I offer it in evidence and ask to have it spread upon the record.

The CHAIRMAN. It may be received in evidence and placed in the record.

(Letter dated April 13, 1929, addressed to A. H. Wiggin, signed "Ed" was received in evidence and marked "Committee Exhibit No. 89" of Nov. 1, 1933.)

Senator COUZENS. Has that loan been paid to the Chase Bank, Mr. Wiggin?

Mr. WIGGIN. I do not know.

Mr. PECORA. The letter, Committee Exhibit No. 89, of this date, reads as follows [reading]:

THE NORTHWESTERN NATIONAL BANK,  
EDWARD W. DECKER, PRESIDENT,  
Minneapolis, April 13, 1929.

Mr. A. H. WIGGIN,  
*Chase National Bank, New York, N.Y.*

DEAR AL: I enclose herewith application for an increase in my loan with the Bank, properly signed, as requested in yours of the 11th.

Hope to see you next month, as I plan to be in New York.

With kind regards, I am,

Very truly yours,

Ed.

And then there is this inscription in handwriting at the foot of this letter: "Rec'd. from C.N.B. check to order Shermar \$18,752.73." In whose handwriting is that inscription, Mr. Wiggin?

Mr. WIGGIN. I do not know.

Mr. PECORA. You do not know in whose handwriting it is? Is there not an initial?

Mr. WIGGIN. I am trying to make out the initial. [After conferring with his associates:] I am advised that it is probably Mr. Victor Emanuel's writing.

Mr. PECORA. Whose?

Mr. WIGGIN. A man named Victor Emanuel.

Mr. CONBOY. That name ought not to be altogether unknown to you.

Mr. PECORA. Do you mean the name or this particular individual?

Mr. CONBOY. No; I said the name.

Mr. PECORA. Well, was this Mr. Victor Emanuel, assuming that he is the gentleman who wrote this inscription on this letter, connected with, or is he connected with the Shermar Corporation?

Mr. WIGGIN. He was a clerk in the bank in my particular office.

Mr. PECORA. That is, a clerk in the bank assigned to your office as the executive head of the bank?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. From that inscription would you say that in pursuance of the suggestion you made to Decker in your letter of April 11, 1929, Decker was enabled to repay to your corporation, the Shermar Corporation, a loan of \$18,752.73 which he then owed to your corporation, out of the proceeds of a loan which he obtained from the Chase National Bank of that amount?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. Undoubtedly. So this was an instance where a private debtor of yours or of the Shermar Corporation repaid his

indebtedness to you or to your corporation by means of a loan made to him by the Chase Bank?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, Mr. Wiggin, remember that I asked you before I introduced any of these letters whether there were any such occasions.

Mr. WIGGIN. And I didn't remember it at all.

Mr. PECORA. You did not remember that one?

Mr. WIGGIN. No, sir.

Mr. PECORA. Are there any others of a similar character that you might have forgotten?

Mr. WIGGIN. I don't know. There might have been.

Mr. PECORA. Well, this was a species of transaction that might be called "bailing out", wasn't it?

Mr. WIGGIN. Not at all.

Mr. PECORA. At the expense of the bank, wasn't it?

Mr. WIGGIN. Not at all. Mr. Decker was——

Mr. PECORA (interposing). If the loan was a good enough loan for the bank to carry why wasn't it a good enough loan for you or the Shermar Company to carry?

Mr. WIGGIN. Because it is the bank's business to loan money, and it wasn't my business to loan money.

Mr. PECORA. But your corporation was loaning money?

Mr. WIGGIN. Some.

Mr. PECORA. At a profit, presumably?

Mr. WIGGIN. And at a loss.

Mr. PECORA. Well, so were the bank's at a loss, too, weren't they, many of them?

Mr. WIGGIN. Oh, yes, sir.

Mr. PECORA. The original loan to Decker was made, apparently, by the Shermar Corporation, wasn't it?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And when the time came that the Shermar Corporation wanted that loan paid, Decker apparently did not have the money.

Mr. WIGGIN. That is right.

Mr. PECORA. Is that right?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. So you, as the head of the Chase Bank, saw to it that he got that money from the Chase Bank through a loan made by the Chase Bank?

Mr. WIGGIN. It is quite clear; yes, sir.

Mr. PECORA. If the loan was good enough for the Chase Bank why wasn't it good enough for you to carry?

Mr. WIGGIN. Because it wasn't the Shermar's business, and it did not have the money to do it.

Mr. PECORA. Whether it was its business or not, the Shermar was making loans even in larger amounts than this \$18,000 to other individuals, wasn't it?

Mr. WIGGIN. Apparently so; yes, sir. But you must remember this, that the Northwestern National Bank was the Chase Bank's customer. Mr. Decker was at the head of that bank. Any applica-

tion to loan him money, or any need that he had to borrow money in New York, naturally would come to the Chase National Bank. And they loaned him money off and on for years.

Mr. PECORA. But, apparently, he also came to the Shermar Corporation for loans.

Mr. WIGGIN. Apparently he did. I had forgotten it, but that is quite evident from this letter.

Senator COUZENS. Why did he get the first loan from you instead of from the Chase Bank?

Mr. WIGGIN. As I read this correspondence, and this has now all come back to me, for years we had had dealings, and he and I bought 50 shares each of his bank's stock, a joint account. Apparently the account had become a separate account. It was no longer a joint account. That is what the letter indicates, and the bank financed him for his half.

Senator COUZENS. In the first instance that was a joint account, and that was the reason you put it in the Shermar Corporation; is that it?

Mr. WIGGIN. Apparently.

Mr. PECORA. How many other transactions of a similar sort do you think there were?

Mr. WIGGIN. I did not know of this one, or I had forgotten all about it. There may be others but I have forgotten what they were.

The CHAIRMAN. Have you still got your bank shares?

Mr. WIGGIN. No, sir.

Mr. PECORA. Do you know whether this loan to the bank was repaid?

Mr. WIGGIN. I don't know. He has had a loan for years. Now, whether this part of it has been repaid, I don't know.

Mr. PECORA. Mr. Chairman, I think we might adjourn at this time, if convenient to you and the other members of the subcommittee.

Mr. CONBOY. Mr. Pecora, you asked for some information yesterday in reference to reporting to the Federal Reserve Bank certain loans listed in the schedules marked "Exhibits 81 and 81-A." I have had the request transmitted and am given this information: That those loans were included in the amount of loans to brokers and dealers in securities reported each week to the Federal Reserve Bank to the extent that such loans were made in whole or in part to brokers or dealers in securities. Otherwise they were included in the weekly reports made to the Federal Reserve Bank in the classification of loans to others.

Senator COUZENS. Mr. Wiggin, is the Clingston Co., Inc., still in existence?

Mr. WIGGIN. No, sir.

Senator COUZENS. Was that abandoned, or consolidated, or what?

Mr. WIGGIN. It was taken over.

Senator COUZENS. By what?

Mr. WIGGIN. It was dissolved.

Senator COUZENS. Where did the assets go?

Mr. WIGGIN. They went to their creditors, the Shermar Corporation.

Mr. PECORA. When was it dissolved?

Mr. WIGGIN. In January of this year.

Senator COUZENS. Mr. Wiggin, you were going to furnish us the extent of your income on which you paid those taxes that you reported this morning. Will that be here before the week is out?

Mr. WIGGIN. I am sorry, but will you repeat that question?

Senator COUZENS. You reported the income tax, I think, that you paid for the year 1928, this morning.

Mr. WIGGIN. Yes, sir.

Senator COUZENS. And you were to furnish the extent of the income on which you paid those taxes.

Mr. WIGGIN. Yes. We will get that. That is individually you are speaking of?

Senator COUZENS. Yes.

Mr. WIGGIN. Yes; we will get that for you.

The CHAIRMAN. The subcommittee will now take a recess until 10 o'clock tomorrow morning.

(Thereupon, at 4 p.m., Wednesday, Nov. 1, 1933, the subcommittee adjourned to meet at 10 o'clock the following morning.)

# STOCK EXCHANGE PRACTICES

THURSDAY, NOVEMBER 2, 1933

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

The subcommittee met, pursuant to adjournment on Wednesday, November 1, 1933, in the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Gore (substitute for Barkley), Couzens, Townsend, and Goldsborough (substitute for Norbeck).

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver, David Saperstein, associate counsel to the committee; Eldon Bisbee, Alfred E. Mudge, Joseph B. Lynch, and C. Horace Tuttle, of Rushmore, Bisbee & Stern, and also William Dean Embree and A. Donald MacKinnon of Millbank, Tweed, Hope & Webb, counsel representing The Chase National Bank and The Chase Corporation; Martin Conboy, counsel for Albert H. Wiggin.

The CHAIRMAN. The subcommittee will come to order. Mr. Pecora, you may proceed.

## TESTIMONY OF ALBERT H. WIGGIN—Resumed

Mr. PECORA. Mr. Wiggin—

Mr. WIGGIN (interposing). Mr. Chairman and Mr. Pecora, Senator Couzens asked for the figures on my personal income, and I have those for you. Here they are.

Senator COUZENS. Mr. Pecora, do you want to read them or have him do it?

Mr. PECORA. Let me look at them for a moment.

Senator COUZENS. Mr. Wiggin, are these figures before deductions for losses or exemptions?

Mr. WIGGIN. I think it is complete, isn't it [addressing an associate]?

Mr. CONBOY. The capital gains or losses are shown separately.

Mr. WIGGIN. Take this one, Senator Couzens, and you will see what it shows. They are indicated.

The CHAIRMAN. Does it cover your individual income only, or the corporations?

Mr. WIGGIN. It is individually. That is what I understood Senator Couzens to ask for.

Mr. PECORA. Well, yesterday you read into the record the income taxes paid by you for the years 1928 to 1931, both inclusive; and not

only paid by yourself but by the various immediate members of your family. And then I asked you, in view of the fact that you saw fit to put those income taxes into the record in behalf not only of yourself but members of your family, that you also give the subcommittee the incomes earned by you and the members of your family in connection with the corporations that paid these taxes.

Mr. WIGGIN. I can do that, but I did not understand that was the request. The request as I understood it coming from Senator Couzens was for myself, but we can get for you anything you want.

Senator COUZENS. Mr. Pecora, I think Mr. Wiggin is correct in that, because as I recall the situation he first read off the taxes paid by himself, and then later the taxes paid by his corporations.

Mr. PECORA. Mr. Wiggin, have you got the income of the family corporations?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Will you please produce them?

Mr. WIGGIN. All right.

Mr. PECORA. Mr. Chairman, I offer in evidence the statement produced by the witness entitled "Albert H. Wiggin. Schedule of income and Federal income taxes for the years 1928 to 1932, inclusive", and ask that it may be spread on the record of our proceedings.

The CHAIRMAN. Let it be admitted, and the committee reporter will make it a part of the record.

(The statement entitled "Albert H. Wiggin, Schedule of income and Federal income taxes for the years 1928 to 1932, inclusive", was marked "Committee Exhibit No. 90, Nov. 2, 1933", and is as follows:)

ALBERT H. WIGGIN

*Schedule of Income and Federal Income Taxes for the Years 1928 to 1932, inclusive*

	1928	1929	1930	1931	1932	Total
Net income excluding capital gain or loss...	\$1,609,438.80	\$1,563,689.98	\$1,308,588.11	\$940,679.66	\$459,228.66	\$5,881,620.21
Capital gain or loss.....	452.20	None.	None.	179,872.34	None.	179,420.14
Net income, including capital gain or loss.....	1,609,891.00	1,563,689.98	1,308,588.11	860,807.32	459,228.66	5,802,200.07
Federal income taxes..	338,092.12	325,455.80	283,495.81	197,457.76	220,733.25	1,365,234.74

<sup>1</sup> Loss.

Mr. PECORA. I also offer in evidence the statement produced by the witness, entitled: "The Shermar Corporation, the Murlyn Corporation; the Clingston Co., Inc. Schedule of income and Federal income taxes paid for the 5 years 1928 to 1932, inclusive", and ask that the same may be made a part of the record.

The CHAIRMAN. Let it be admitted, and the committee reporter will include it as a part of the record.

(The statement of income taxes paid for the years 1928 to 1932, inclusive, by Shermar, Murlyn, and Clingston Co. was marked "Committee Exhibit No. 91, Nov. 2, 1933", and is as follows:

The Shermar Corporation, the Murlyn Corporation, the Olingston Co., Inc.—  
Schedule of Federal income taxes paid for the 5 years 1928 to 1932,  
inclusive

## INCOME

Year	Shermar	Murlyn	Clingston	Total
1928.....	\$3,320,456.15	\$1,881,044.10	\$20,754.28	\$5,222,254.53
1929.....	760,416.30	17,858.68	1,529,501.41	2,307,776.39
1930.....	317,024.94	256,107.96	12,287.31	570,865.56
1931.....	1602,918.51	12302,747.88	1286,241.33	11,191,907.72
1932.....	13,313,854.05	Merged	1796,347.97	14,110,202.02
Total.....	481,124.83	1,852,262.86	465,399.08	2,798,786.77

## FEDERAL INCOME TAXES PAID

1928.....	\$359,926.24	\$225,725.29	\$2,150.51	\$623,802.04
1929.....	67,647.97	1,293.14	167,236.83	236,177.97
1930.....	37,332.26	27,502.27		64,834.53
1932.....				
1933.....				
Total.....	500,906.47	254,520.70	169,387.34	924,814.51

<sup>1</sup> Loss.

<sup>2</sup> To date of merger, to wit, Feb. 4, 1931.

Mr. PECORA. Mr. Wiggin, while I am waiting for certain records to be given to me, let me ask you if you are now prepared to produce the original documents, or true copies thereof, that passed between the Shermar Corporation and others connected with the syndicate in the Sinclair Consolidated Oil Corporation common stock?

Mr. WIGGIN. Here it is.

Mr. PECORA. Mr. Wiggin, among the documents produced by you in response to the last question I fail to find any written communication to you or the Shermar Corporation which invited your participation in this syndicate. Was there such a written communication sent to you or to the Shermar Corporation?

Mr. WIGGIN. I do not know. [Consulting an associate.] I am advised there was none.

Mr. PECORA. Well, how was your participation in this syndicate invited—orally?

Mr. WIGGIN. Well, I don't remember it at all.

Mr. PECORA. Who formed this syndicate?

Mr. WIGGIN. Well, I presume Mr. Cutten formed it.

Mr. PECORA. Do you know whether or not Mr. Cutten was connected with the Sinclair Consolidated Oil Corporation at the time of the formation of this syndicate.

Mr. WIGGIN. I do not know.

Mr. PECORA. I show you what purports to be either a copy or duplicate original of a letter addressed to Mr. Arthur Cutten under date of October 24, 1928, by the Sinclair Consolidated Oil Corporation, which document is one of the documents produced by you. Will you please look at it and tell us if you understand it to be a true and correct copy or duplicate original of a letter sent by the Sinclair Consolidated Oil Corporation to Mr. Cutten?

Mr. WIGGIN. I have no way of knowing, but have no doubt about it.

Mr. PECORA. Well, how do you happen to have that copy of the letter or that duplicate original thereof in your possession?

Mr. WIGGIN. That I do not know.

Mr. PECORA. You say you haven't any doubt that it is a true copy?

Mr. WIGGIN. I do not question it at all.

Mr. PECORA. But you have no personal knowledge thereof?

Mr. WIGGIN. No, sir.

Mr. PECORA. But you believe it to be?

Mr. WIGGIN. I do not question it at all.

Mr. PECORA. Mr. Chairman, I offer it in evidence and ask that it may be spread on the record.

The CHAIRMAN. Let it be received, and the committee reporter will make it a part of the record.

(A letter dated Oct. 24, 1928, addressed to Mr. Arthur Cutten from Sinclair Consolidated Oil Corporation was marked "Committee Exhibit No. 92, Nov. 2, 1933", and will be found below where read by Mr. Pecora.)

Mr. PECORA. The letter reads as follows:

OCTOBER 24, 1928.

MR. ARTHUR CUTTEN,  
New York, N.Y.

DEAR SIR: The undersigned, Sinclair Consolidated Oil Corporation, a New York corporation (hereinafter called the corporation) confirms its agreement with you as follows:

1. The Corporation has a duly authorized capital stock consisting of \$100,000,000 par amount of preferred stock and 5,500,000 shares of common stock without par value, of which \$16,604,600 par amount of 8 percent cumulative preferred stock and 4,384,480 shares of common stock without par value are now validly outstanding fully paid and nonassessable. The 1,130,000 shares of its common stock hereinafter mentioned which remain unissued or in the treasury of the corporation will, when issued and sold as herein provided, constitute duly issued, full paid and nonassessable shares of common stock of the corporation.

2. The Corporation agrees promptly to take all necessary corporate action to authorize the issue and sale of said 1,130,000 shares and to authorize and approve this agreement, and to furnish to your counsel certified copies of all corporate papers and minutes of proceedings required to evidence such authorization and approval.

3. The Corporation agrees to sell to you, or to purchasers found by you, and, subject to the terms and conditions herein set forth, you agree to purchase, or to find purchasers who will purchase, from the corporation said 1,130,000 shares at and for the price of \$30 per share.

4. Delivery of and payment for said 1,130,000 shares shall be made at the office of the Corporation, No. 45 Nassau Street, New York City, or at such other place as you shall specify, at any time or from time to time designated by you within a period of 12 months from the date hereof, subject to the right of the Corporation, at any time or from time to time after 30 days from the date hereof, and upon 30 days' written notice to you signed by the president or treasurer of the Corporation, to require you to take up and pay for said shares in whole or in part, and pay the purchase price or balance thereof when due. You agree that, if you shall not take up and pay for all of said shares within 30 days from the date hereof, you will pay to the corporation, if and when requested by the corporation, up to but not exceeding 20 percent of the purchase price of said shares, and will pay interest at not exceeding 6 percent per annum on the balance of the purchase price until paid (with appropriate adjustment for dividends, if any, which shall be declared during such period).

5. The shares at any time or from time to time delivered hereunder may be in temporary or definitive form. The certificates for such shares shall be issued in such name or names and for such number of shares, respectively, as you shall specify.

6. The Corporation will pay all costs and expenses involved in the issue and delivery to you, or to purchasers procured by you, of said 1,130,000 shares

including the cost of printing temporary certificates and engraving definitive certificates, the cost of execution, registration, and delivery of such certificates, temporary and definitive, and the cost of all stamp or issue and transfer taxes and of listing such shares on the New York Stock Exchange.

7. The Corporation will at its expense promptly furnish you with prospectus letters descriptive of the corporation's business and affairs in such form and containing such information, signed by its Chairman or its President and addressed to such persons, firms, or corporations, as you shall request, for use in connection with any sale or offering of said shares which you or your associates desire to make.

8. The Corporation will at its expense and contemporaneously with the delivery thereof at any time or from time to time hereunder cause said shares to be listed on the New York Stock Exchange.

The Corporation will also, at its expense and when requested by you, from time to time comply with the Blue Sky laws of any and all States designated by you under the laws of which such compliance will not require the corporation to qualify through the appointment of a resident agent for any purpose other than the service of process in actions arising out of or founded upon the sale of its securities.

9. Your obligation to purchase, or to procure purchasers for said shares, or to make any payment on account of said shares hereunder shall be subject to the further condition that prior to the date on which you shall be required to take delivery of any of said shares, or make any such payment hereunder, you shall have received an opinion of counsel, Messrs. Cravath, de Gersdorff, Swaine & Wood, New York City, approving all legal details in connection with the authorization of and issue and sale of said shares.

10. References herein to the Corporation shall be deemed to include any successor Corporation carrying on the business of the corporation.

11. Kindly confirm the foregoing statement between the Corporation and yourself by signing the annexed confirmation thereof.

Very truly yours,

SINCLAIR CONSOLIDATED OIL CORPORATION,  
By \_\_\_\_\_.

I cannot read the signature.

Mr. WIGGIN. They tell me it is W. E. Watts.

Mr. PECORA. W. E. Watts, vice president. And then the following appears at the foot of the letter [reading]:

SINCLAIR CONSOLIDATED OIL CORPORATION,  
45 Nassau Street, New York, N.Y.

DEAR SIR: I confirm the foregoing agreement between us.

Very truly yours,

ARTHUR W. CUTTEN,  
By R. E. CUTTEN.

NEW YORK, October 24, 1928

Mr. PECORA. Mr. Wiggin, attached to this letter which has been marked in evidence as committee's exhibit no. 92 I find what purports to be either a copy or a duplicate original of a letter addressed to Mr. Arthur Cutten under date of October 24, 1928, signed by H. F. Sinclair. Will you kindly look at it and tell me if you recognize that to be either a true copy or a duplicate original of such letter?

Mr. WIGGIN. I have no recollection of it, but I have no question about it.

Mr. PECORA. Was it furnished to you as a true copy of such a letter?

Mr. WIGGIN. I presume so. I just do not remember anything about it.

Mr. PECORA. Do you believe it to be that?

Mr. WIGGIN. Yes.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. It will be admitted and entered on the record.

(The copy or duplicate original referred to, dated October 24, 1928, addressed to Mr. Arthur Cutten and signed by H. F. Sinclair, was received in evidence, marked "Committee's Exhibit No. 93, Nov. 2, 1933.")

Mr. PECORA. The letter, which has been marked in evidence as "Committee's Exhibit No. 93" of this date, reads as follows [reading]:

OCTOBER 24, 1928.

MR. ARTHUR CUTTEN,  
New York, N.Y.

DEAR MR. CUTTEN: You have advised me that you and your associates have bought from Sinclair Consolidated Oil Corporation 1,130,000 shares of the common stock of that Corporation, as per copy of your agreement with said Corporation hereto attached.

This confirms the agreement between you and your associates and myself whereby you are to sell to me, and I am to purchase from you, 130,000 shares of the common stock of Sinclair Consolidated Oil Corporation upon the same terms and conditions that you are purchasing from the said Sinclair Consolidated Oil Corporation.

Delivery and payment for such shares shall be made at the office of Sinclair Consolidated Oil Corporation, No. 45 Nassau Street, New York City. The certificates for such shares are to be issued in such name or names as I shall request and shall be duly endorsed in blank for transfer or accompanied by appropriate instruments of transfer in blank and also accompanied by appropriate transfer stamps.

Kindly confirm at the bottom hereof the foregoing agreement between us.

Very truly yours,

H. F. SINCLAIR.

New York, October 24, 1928.

I confirm the foregoing agreement.

ARTHUR W. CUTTEN.  
By R. E. CUTTEN.

Now I show you another document which is one of those that you have handed me this morning and which purports to be either a copy or a duplicate original of a memorandum of agreement made on October 24, 1928, between Blair & Co., Inc., Chase Securities Corporation, the Shermar Corporation, Arthur Cutten, and Harry F. Sinclair, and I ask you if you recognize that to be either a true copy or a duplicate original of such an agreement.

Mr. WIGGIN. It is undoubtedly correct, because the signature of the Shermar Corporation is on there.

Mr. PECORA. Who executed or signed that agreement on behalf of the Shermar Corporation?

Mr. WIGGIN. The treasurer.

Mr. PECORA. With your approval?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted.

(The memorandum of agreement referred to, dated October 24, 1928, between Blair & Co., Inc., Chase Securities Corporation, the Shermar Corporation, Arthur Cutten, and Harry F. Sinclair, was received in evidence, marked "Committee's Exhibit No. 94, Nov. 2, 1933.")

Mr. PECORA. The memorandum of agreement reads as follows, and it is marked "Committee's Exhibit No. 94" [reading]:

MEMORANDUM OF AGREEMENT MADE THIS 24TH DAY OF OCTOBER, 1928, BETWEEN BLAIR & CO., INC., CHASE SECURITIES CORPORATION, THE SHERMAR CORPORATION, ARTHUR CUTTEN, AND HARRY F. SINCLAIR

Arthur Cutten is negotiating with Sinclair Consolidated Oil Corporation (hereinafter called Sinclair Consolidated) for the purchase of 1,130,000 shares of the common stock of Sinclair Consolidated on the terms and conditions set forth in the form of agreement between Arthur Cutten and Sinclair Consolidated annexed hereto. The other parties hereto wish to join and participate in such purchase on original terms.

The parties hereto, therefore, agree as follows:

1. Arthur Cutten will contemporaneously with the execution of this agreement execute said agreement between him and Sinclair Consolidated in the form annexed hereto.

2. In consideration thereof and of the obligations on the part of the other parties hereby assumed, it is agreed that the parties shall participate and take an interest, and they hereby do participate and take an interest, on original terms, in such agreement for the purchase and in the purchase pursuant thereto of said 1,130,000 shares in the following respective proportions (sharing all profits, expenses, and losses in such respective proportions):

Arthur Cutten, 3/12; Blair & Co., Inc., 3/12; Chase Securities Corporation, 2/12; The Shermar Corporation, 1/12; Harry F. Sinclair, 3/12.

The participations of the parties hereto shall be joint and several, so that if any one of the parties hereto shall fail at any time or from time to time to take up and pay for his or its proportion of said shares required to be taken up and paid for hereunder and pursuant to Arthur Cutten's agreement with Sinclair Consolidated, the other parties hereto in each such case shall be obligated, when requested by Cutten, to take up and pay for such shares in respect of which default shall be made, in the respective proportions thereof that the participation of each of the parties hereto not in default bears to the aggregate of the participations of such parties not so in default.

3. The parties hereto hereby agree immediately to form a trading account in the shares of common stock of Sinclair Consolidated, the aggregate commitment for such account not to exceed 500,000 shares of such stock, and such trading account to run for a period of 6 months from the date hereof with such extension or extensions of such period as the parties hereto shall determine. After making allotments to others in such trading account as the parties hereto shall determine, the parties hereto shall participate in the balance of the trading account in the respective proportions in which they participate in the original purchase of said 1,130,000 shares of common stock of Sinclair Consolidated hereunder. Cutten shall be the manager of such trading account with customary powers.

4. It is understood that the parties hereto intend to give participations on original terms or otherwise to such others as the parties hereto shall determine, not exceeding in the aggregate 12 percent of the business, such participations to be deducted pro rata from the original participations of the parties hereto.

BLAIR & CO., INC.,  
By HUNTER S. MARSTON.  
CHASE SECURITIES CORPORATION,  
By FRANK CALLAHAN.  
THE SHERMAR CORPORATION,  
By J. F. WERNERSBACH, *Treas.*  
H. F. SINCLAIR [L.S.],  
ARTHUR W. CUTTEN [L.S.],  
By R. E. CUTTEN.

Senator GOLDSBOROUGH. Do I understand from your reading of that that each of the participants took three twelfths with the exception of Chase Securities, which divided its part one third with the Shermar?

Mr. PECORA. The participations are, Arthur Cutten, three twelfths; Blair & Co., three twelfths; Harry F. Sinclair, one twelfth. The other three twelfths were taken by the Chase Securities Corporation and the Shermar Corporation in these participations, respectively, two twelfths and one twelfth.

Now, have you any other correspondence whatsoever that passed between the Shermar Corporation and any of the other participants with respect to this syndicate agreement?

Mr. WIGGIN. I do not know. I will find out.

Mr. CONBOY. All we have is what we were requested to bring. I do not know about any more correspondence than that. We brought what was indicated upon the memorandum that was shown to us the other day as the documents that were wanted. We can make an inquiry for other things.

Mr. PECORA. I asked for all documents or writings pertaining to this syndicate.

Mr. CONBOY. We were requested to bring those things that were mentioned upon the sheet that Mr. Silver showed me, and we made a note of them, and we have got them here. If there are other things that you want us to bring, we will try to get them for you. But Mr. Silver will acquaint you with what was shown to me.

Mr. PECORA. On the record, according to my recollection, when I first interrogated Mr. Wiggin about this syndicate operation, I asked for all documents or writings relating to that syndicate. I used that phraseology because I wanted it to be all-inclusive—all correspondence as well as documents evidencing the terms and conditions under which the syndicate was formed.

Senator COUZENS. And they are not here?

Mr. CONBOY. No, sir. Nothing else is here except what we understood you had requested.

Mr. PECORA. I asked, you remember, at the time, that Mr. Wiggin produce a folder from the Shermar Corporation files known as "folder no. 40", which I understood contained all the documents and writings pertaining to this syndicate. Is folder no. 40 here?

Mr. CONBOY. My recollection is that you have folder no. 40 there. If you will look at the folder you will see that it is folder no. 40. If there is more than what is in folder no. 40 we will try to find it for you. Will Mr. Silver give me the memorandum that he showed me the other day?

Mr. SILVER. That was an abstract of the contents of folder 40.

Mr. CONBOY. That is what we furnished you; and if you check what we furnished you as the contents of that folder, you will find that everything you have asked for has been handed to you.

Mr. PECORA. I asked for all documents and writings. That certainly would include letters. If there are such letters in existence I would like to have them.

Mr. CONBOY. We will see if there are.

Mr. PECORA. You have not got them here?

Mr. CONBOY. No, sir.

Mr. PECORA. That is, other than what is contained in this envelop marked "folder 40."

Mr. CONBOY. What we have furnished you were four documents on the list that was shown me.

Mr. PECORA. Mr. Wiggim, have you not some recollection of the circumstances under which the Shermar Corporation was invited to participate in this syndicate?

Mr. WIGGIN. I have not. I only judge by the management of the syndicate that it must have come from Mr. Cutten.

Mr. PECORA. Do you recall discussing the proposed syndicate and the participation of the Shermar Corporation therein with anybody?

Mr. WIGGIN. No; I do not; but I probably did.

Mr. PECORA. This syndicate operation involved a considerable sum of money, did it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. It involved the purchase in the aggregate by the syndicate of 1,130,000 shares of the common stock of Sinclair Consolidated at the price of \$30 per share, which meant a transaction involving upwards of \$30,000,000?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Have you forgotten the substance of any conversations that you may have had with anybody in connection with the Shermar Corporation entering the syndicate?

Mr. WIGGIN. I do not remember any; but there may have been some, and probably were some.

Mr. PECORA. Mr. Wernersbach is the treasurer of the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Is he also employed by the Chase National Bank or any of its subsidiaries?

Mr. WIGGIN. Part of his time. He was employed by the Chase National Bank; yes, sir.

Mr. PECORA. Was he an employee of the Chase National Bank during the time that he was treasurer of the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What position or office did he hold with the Chase National Bank at those times?

Mr. WIGGIN. One of the secretaries in my office.

Mr. PECORA. Was his compensation paid by the bank?

Mr. WIGGIN. Both.

Mr. PECORA. Both by the bank and the Shermar Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Was he one of those employees of the Chase Bank who was not required to sign that form of agreement that has been heretofore offered in evidence whereby the employees agreed to devote all of their time to the interests of the bank?

Mr. WIGGIN. I don't know whether he ever signed that agreement or not.

Mr. PECORA. You recall the evidence introduced here with regard to employees signing such an agreement?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Well, if he signed such an agreement, you as executive head permitted him to devote part of his time to the activities of your family corporation?

Mr. WIGGIN. I don't know that he did sign such an agreement, but I do state without any question that he devoted part of his time to my own affairs.

Mr. PECORA. Whose convenience was served by his doing that—yours or the bank's?

Mr. WIGGIN. Both, I think.

Mr. PECORA. How was the bank's convenience served by his acting as treasurer of your family corporation?

Mr. WIGGIN. Well, I don't know that it was. He was there; that is all. He was used by both parties, just as any official's secretary is frequently used for personal affairs. It is very hard to draw the line, as you know.

Mr. PECORA. What did you know about the Sinclair Consolidated Oil Corporation's common stock at that time that caused you to have your family corporation participate in this syndicate to the extent to which it did?

Mr. WIGGIN. I think the participation was based more on the confidence that Cutten would handle the syndicate successfully than it was from knowledge of the stock.

Mr. PECORA. What did you know about Cutten's ability to handle syndicate operations successfully?

Mr. WIGGIN. Well, I knew Mr. Cutten and I knew that he had handled things successfully.

Mr. PECORA. Handled what kind of things successfully?

Mr. WIGGIN. Other operations.

Mr. PECORA. Stock market operations?

Mr. WIGGIN. I understood so; yes, sir.

Mr. PECORA. Was he a member of the New York Stock Exchange?

Mr. WIGGIN. I don't think so.

Mr. PECORA. So that his stock market operations, insofar as they related to securities listed on the Exchange, necessarily were had through members of the Exchange; he had no membership there himself?

Mr. WIGGIN. You mean, any purchases or sales had to be made through somebody else?

Mr. PECORA. Yes.

Mr. WIGGIN. I so understand.

Mr. PECORA. Did you understand that this syndicate was engaged in stock-market operations with regard to this common stock of the Sinclair Consolidated?

Mr. WIGGIN. Yes. There was a trading account that gave him that right.

Mr. PECORA. The agreement evidencing this syndicate formation contained provision for the operation of a trading account incidental to the operations of the syndicate; is that so?

Mr. WIGGIN. I understand so.

Mr. PECORA. Had you made any research into the value of the common stock of the Sinclair Consolidated which led you to believe that the price of \$30 a share which your corporation obligated itself to pay for a large block of that common stock was a fair and reasonable value?

Mr. WIGGIN. I had made no research.

Mr. PECORA. Did you have any knowledge or information which caused you to form any opinion that \$30 a share was then the fair and reasonable value of that security?

Mr. WIGGIN. I don't think so.

Mr. PECORA. Then you went into this operation, or rather caused your Shermar Corporation to go into it, without any knowledge of the fair and reasonable value of the stock that this syndicate was organized to trade in?

Mr. WIGGIN. I had made no study of it myself at all.

Mr. PECORA. And you had no knowledge or information which gave you any opinion as to the fair and reasonable value of the stock?

Mr. WIGGIN. I presume I did have at that time; yes, sir; but I don't know what it was or how I got it.

Mr. PECORA. Is it fair to presume that if you had any such knowledge or information it led you to believe that the stock was fairly and reasonably worth, in October 1928, \$30 a share?

Mr. WIGGIN. I would say, yes, sir.

Mr. PECORA. I thought you said you had made no research.

Mr. WIGGIN. I don't think I did.

Mr. PECORA. Do you know from what sources you derived your knowledge and information upon which you based any such opinion of value?

Mr. WIGGIN. I had known of the Sinclair Oil Co. for some years; known more or less as to its financing; knew a good many of the directors. I believe it all came from that general relationship.

Mr. PECORA. Was this issue of common stock referred to in this syndicate agreement a new issue that was just being brought out by the Sinclair Consolidated?

Mr. WIGGIN. I don't know. I will find out for you.

Mr. PECORA. Apparently the stock had not yet been listed on the New York Stock Exchange, because of the references in the syndicate agreement to an obligation on the part of the Sinclair Consolidated to cause the stock to be listed on the New York Stock Exchange at its expense.

Mr. WIGGIN. Does the agreement show whether it was new stock or not?

Mr. PECORA. I have read the agreement.

Mr. CONBOY. Mr. Wiggin means that he does not carry the terms of it in his mind. You have it before you there.

Mr. PECORA. I assume he has had it before him all these years.

Mr. CONBOY. He had a great many things before him all during these years, Mr. Pecora.

Mr. PECORA. So have I.

Mr. CONBOY. I think you understand that.

Mr. PECORA. Now, subsequent to the execution of the agreement which has been marked in evidence here as "Committee's Exhibit No. 94", was an agreement entered into in writing between Arthur W. Cutten and the other participants in the syndicate under consideration?

Mr. WIGGIN. Is that a question?

Mr. PECORA. I asked it.

Mr. WIGGIN. I did not follow it.

(The pending question was read by the reporter, as above recorded.)

Mr. PECORA. I show you one of the documents you gave me this morning, and ask you if that is a true copy or a duplicate original

of an agreement dated October 25, 1928, between Arthur W. Cutten and the other participants in the syndicate under discussion?

Mr. WIGGIN. I presume so. I don't know, but I don't question it at all.

Mr. PECORA. Was not the Shermar Corporation a party to that agreement by its signature?

Mr. WIGGIN. Yes; there is no question about it.

Mr. PECORA. Does not that satisfy you?

Mr. WIGGIN. I am perfectly satisfied.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted and entered on the record.

(Copy of agreement dated October 25, 1928, between Arthur W. Cutten and other participants was received in evidence, marked "Committee's Exhibit No. 95, Nov. 2, 1933.")

Mr. PECORA. The agreement which is marked in evidence as "Exhibit No. 95" of this date reads as follows (reading):

AGREEMENT made and entered into as of this 25th day of October 1928, by and between Arthur W. Cutte, of 209 Lake Shore Drive, Chicago, Illinois, (hereinafter called the Manager), party of the first part, and the subscribers hereto, severally (each of whom is hereinafter called the subscribers) parties of the second part, and all of whom together constitute the syndicate:

WHEREAS, the parties hereto desire to form a syndicate for the purpose of buying and/or selling the shares of the Common Capital Stock of the Sinclair Consolidated Oil Corporation,

NOW, THEREFORE, in consideration of the premises and the sum of \$1 by each to the other in hand paid, the receipt whereof is hereby acknowledged, the subscribers hereby agree with one another and with the Manager as follows:

1. The subscribers hereby form a syndicate for the purpose above expressed, and each subscriber for himself or itself, and not for any other, agrees to subscribe to an interest in said syndicate represented by the number of shares set opposite his or its name, and authorizes the Manager to purchase at private sale, 1,130,000 shares of the Common Capital Stock of the Sinclair Consolidated Oil Corporation, at the price of \$30 per share, and thereafter to purchase, and/or sell for the syndicate account, from time to time, shares of the common capital stock of said Sinclair Consolidated Oil Corporation, provided only that the Manager shall not have a net commitment at any one time for the syndicate account exceeding in the aggregate (including the shares so to be purchased at private sale) 1,130,000 shares of said stock. All stock bought by the Manager pursuant to the authority hereby given shall be carried by him in a syndicate account which he shall open on his books, or with any firm or firms, members of the New York Stock Exchange, which the Manager may select. Each subscriber hereto shall participate in such purchases and/or sales, and in the profits and/or losses and reasonable expenses of the Syndicate, in the proportion that the number of shares subscribed for by him or it bears to the total of 1,130,000. The Manager may call upon the subscribers, or any of them, from time to time, for payment of their or its proportion of all or any part of the stock purchased for the syndicate account, and each subscriber agrees to pay promptly the full amount of such call or calls, up to but not exceeding in any event the full amount of his or its individual liability as indicated by the interest in the syndicate subscribed for by him hereunder. Each subscriber shall, at the request of the Manager, at any time, or from time to time, during or upon the termination of the syndicate, take up and pay for in full at the cost thereof to the syndicate, his or its proportion of any stock held for the syndicate or for which it may be committed, or, at the option of the Manager, shall margin to the Manager's satisfaction, his or its proportionate part of any such stock held by the syndicate and shall meet his or its other syndicate obligations, if any, upon call by the Manager. Stocks so taken up by participants during the life of the syndicate, shall be for carrying purposes only, and shall be subject to recall by the Manager at any time.

2. In case of the failure of any subscriber to make such payments as and when called, the Manager may sell the rights and interests of the defaulting

subscriber in and under this agreement, and any stock represented thereby at public or private sale, at any time thereafter without advertisement or notice, and after deducting all interest or other costs and expenses the residue shall be applied on any liability or indebtedness of such defaulting subscriber, and if there be any deficiency he or it shall pay and discharge the same. Any overplus shall be paid over to such defaulting subscriber. The managers may purchase on any such sale the rights and interests of any defaulting subscribers, for the benefit of the nondefaulting subscribers and may call for and apportion any assessment to pay for the same.

3. The Manager shall have the sole direction, management, and entire control of the business and transactions of the syndicate, and any stock purchased by him for the syndicate account may, in his discretion, be loaned by him or by any Stock Exchange House carrying the syndicate account. He shall have full power to buy and/or sell said stock at public or private sale, or upon the New York Stock Exchange, for the account of the syndicate, in his uncontrolled discretion, but as above provided, he shall not have a net commitment for the syndicate account at any one time exceeding 1,130,000 shares of said stock, and shall not purchase, except on the floor of the New York Stock Exchange, any shares of said stock at a price in excess of \$30 per share. The Manager may become a subscriber to the syndicate, and in that event, his share in the assets, profits, losses, and expenses thereof, shall be on the same basis as any other member. He shall have the exclusive custody of the money and assets of the syndicate, but may deposit the same with any firm or firms, members of the New York Stock Exchange, or any national bank or trust company selected by him, and he may use the same in the operations of the syndicate. He may deal with any other group or syndicate of which he is a member and/or manager for the syndicate account, and no contract with any such group or syndicate shall be affected by reason of the fact that he is manager thereof or a member or participant therein.

4. The Manager may borrow for the syndicate account such amounts as he may deem necessary, not to exceed in the aggregate at any time the total amount due and unpaid from the syndicate subscribers, and may pledge all or any portion of the stock so purchased, or this agreement and the several payments to be made hereunder by the subscribers to secure any loan or loans made for the syndicate account. He may, for and on behalf of the syndicate, contract with any bank and/or trust company for any loan or loans necessary to carry on the operation of the syndicate, and may himself advance or loan money to the syndicate, charging for such advances the current interest rate charged by stock-exchange firms to their customers.

5. As soon as subscriptions are obtained to the syndicate aggregating 1,130,000 shares of stock, the syndicate shall become operative without further notice.

6. The syndicate shall continue for a period of 180 days from the date hereof, but the Manager may, in his discretion, extend the same for a further period or periods not exceeding in the aggregate 180 days. He may, in his discretion, close the operation of the syndicate at any time. At the expiration of the syndicate the Manager shall prepare a statement of the syndicate operations, and after paying all the costs and expenses of the syndicate, and settling all of its obligations, any money and/or stock belonging to the syndicate remaining shall be distributed pro rata among the various subscribers. The acceptance by the subscribers of any statement rendered by the Manager at the expiration of the syndicate, together with any payment in either stock or money, or both, shown to be due by said statement, shall operate as a full and complete release of the Manager from any and all liability hereunder.

7. The Manager shall not be liable for any error in judgment or for any mistake of law or fact nor shall he be liable save for his own gross negligence or willful default, nor liable for any acts done or performed in good faith under any of the provisions of this agreement.

8. Each subscriber ratifies, assents to, and agrees to be bound by any action of the Manager assumed to be taken under this agreement, and agrees to perform his undertakings herein as stated in this agreement to the full extent of the number of shares subscribed for as his participation herein, but in no event or under no circumstances shall he be called upon to pay or be liable for any amount beyond the interest in the syndicate subscribed for by him plus interest thereon. The failure of any subscriber to perform any of his undertakings hereunder shall not affect or release any other subscriber.

9. Any notice which the Manager or any lender may have occasion to give to any subscriber shall be sufficient for all purposes if given in writing mailed postpaid to the address of such subscriber set opposite his signature hereto.

10. Nothing contained in this agreement or otherwise shall constitute the subscribers partners with or agents or—

I think that “or” should read “of”—

partners with or agents of one another or for the Manager or render them liable to contribute in any event more than the interest in the syndicate subscribed for by them, plus interest thereon.

11. In case of the resignation or incapacity to act of the Manager, a successor or successors shall be appointed in writing by a majority in amount of the subscribers.

12. This agreement shall be binding upon and enure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto and it may be executed in several counterparts each of which when so executed shall be deemed to be the original and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Manager, party of the first part, and the subscribers, parties of the second part, have subscribed this agreement, as of the day and year first above written.

ARTHUR W. CUTTEN,  
*Manager.*

By R. E. CUTTEN.

Subscribers and address:	<i>Number of shares</i>
Blair & Co., Inc., by Elisha Walker, President, 24 Broad Street..	282, 500
Chase Securities Corporation, H. G. Freeman, President, 60 Cedar Street.....	188, 333½
The Shermar Corporation, J. F. Wernersbach, Treas., 18 Pine Street.....	94, 166¾
Arthur W. Cutten.....	282, 500
Harry F. Sinclair.....	282, 500
Total.....	1, 130, 000

Mr. PECORA. Now, Mr. Wiggin, the profits that were derived by the syndicate from its operations under this agreement aggregated \$12,002,109.41, did they not? To enable you to answer that, I refer you to a letter given to me by you in connection with these other documents that have been read into the record, and which is addressed to the Shermar Corporation under date of April 16, 1929, by E. F. Hutton & Co. [Handing paper to Mr. Wiggin.]

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I offer that in evidence.

The CHAIRMAN. It may be admitted and spread on the record. (The document referred to, letter Apr. 16, 1929, Hutton & Co. to Shermar Corporation, was received in evidence, marked “Committee’s Exhibit No. 96”, and the same was subsequently read into the record by Mr. Pecora—see page 3009.)

The CHAIRMAN. This stock was listed on the New York Stock Exchange, Mr. Wiggin?

Mr. WIGGIN. Yes, sir.

The CHAIRMAN. Can you tell about the course of the market from that time on?

Mr. WIGGIN. I have no recollection of it. I will look it up if you would like to have me.

The CHAIRMAN. I would be glad if you would. I cannot quite understand the provision in the agreement that prohibited Cutten from buying any of this stock at above \$30 a share.

Mr. BISBEE. Except on the New York Stock Exchange.

Mr. PECORA. Except such purchases be made on the New York Stock Exchange.

The CHAIRMAN. What was the purpose of that?

Mr. WIGGIN. I do not know.

Mr. PECORA. The letter just offered in evidence has been marked "Committee's Exhibit No. 96" and reads as follows. It is on the letterhead of E. F. Hutton & Co., 61 Broadway, New York, and is dated April 16, 1929. [Reading:]

SHERMAR CORPORATION,  
*New York City.*

GENTLEMEN: At the request of the Manager we have closed the Sinclair Syndicate with a profit of \$12,002,109.41. After deducting 2½% due Mr. Fitzpatrick per the group's agreement, there remains a net profit of \$11,702,056.68. Your 7½% participation therefore amounts to \$877,654.25, for which we enclose our check. Please acknowledge receipt of this check as final settlement of your interest in this account by signing the enclosed duplicate form for our files.

The Manager further requests that we state the Sinclair Trading Account, in which you have a 33,333½ share participation, remains on our books and will be extended for an additional 6 months. The position of that account at last night's close of the market was long approximately 150,000 shares and figured at 39, had an approximate credit equity of \$700,000.

Options have been given on 100,000 shares which are expected to be exercised by May 1, therefore all selling pressure will be withdrawn from the Sinclair market, and it is reasonable to assume that the stock will advance in sympathy with the generally improved oil situation.

Very truly yours,

E. F. HUTTON & Co.  
FOR THE SYNDICATE MANAGER.

Now Mr. Wiggin, what do you understand by the expression in this letter which reads as follows:

Options have been given on 100,000 shares which are expected to be exercised by May 1, therefore all selling pressure will be withdrawn from the Sinclair market.

What do you understand by that expression in this letter?

Mr. WIGGIN. I should judge that they had given options on the stock. What is the rest of the sentence, Mr. Pecora?

Mr. PECORA. I will read that portion of it again to you [reading]:

Options have been given on 100,000 shares which are expected to be exercised by May 1, therefore all selling pressure will be withdrawn from the Sinclair market, and it is reasonable to assume that the stock will advance in sympathy with the generally improved oil situation.

Mr. WIGGIN. I do not know that I understand what they meant. I do not see the connection between the options and the withdrawal of selling.

Mr. PECORA. What is the selling pressure to which this letter refers?

Mr. WIGGIN. I do not know.

Mr. PECORA. The signers of this letter, E. F. Hutton & Co., constitute a firm of stock brokers, do they not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Having membership on the New York Stock Exchange?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. One of the members of that firm at this time, I notice from the letterhead, is Ruloff E. Cutten. Is that the same per-

son who executed the various syndicate agreements for Arthur W. Cutten and in his behalf?

Mr. WIGGIN. I think so.

Mr. PECORA. Is he a brother of Arthur W. Cutten?

Mr. WIGGIN. I do not think so. I think he is a nephew, but I am not sure.

Mr. PECORA. What part did E. F. Hutton & Co. play in the syndicate operations?

Mr. WIGGIN. I think they handled the stock exchange orders.

Mr. PECORA. What was this syndicate designed for? What was it designed to do?

Mr. WIGGIN. You are referring now to the big syndicate?

Mr. PECORA. I am referring to the syndicate that was formed under the terms and provisions of the agreements that have been put in evidence here, of which the Shermar Corporation was one.

Mr. WIGGIN. Reference has been made to two syndicates.

Mr. PECORA. What is that?

Mr. WIGGIN. Reference has been made to two syndicates, one underwriting the increase in the stock for the company, and the other in this smaller trading account. The purposes of the syndicate on the increase in stock, I take it, were to sell the stock for the company and increase its capital.

Mr. PECORA. The purpose of the first syndicate was to sell for the Sinclair Co. 1,130,000 shares.

Mr. WIGGIN. They underwrote that stock for the company.

Mr. PECORA. Didn't they buy that stock from the company?

Mr. WIGGIN. Yes, sir; I think they did. I think that would show it.

Mr. PECORA. That is one thing, isn't it, and selling the stock for the Sinclair Co. is another thing?

Mr. WIGGIN. Yes; there is a difference.

Mr. PECORA. This syndicate was organized and formed for the purpose, among other things, of buying from the Sinclair Consolidated Oil Corporation 1,130,000 shares of the common stock at \$30 a share.

Mr. WIGGIN. That is right, sir.

Mr. PECORA. Was that purchase completed by the syndicate?

Mr. WIGGIN. I understand so; yes, sir.

Mr. PECORA. When did the syndicate complete or consummate the purchase from the Sinclair Corporation of these 1,130,000 shares of its common stock?

Mr. WIGGIN. I will have to go back to these papers to get the date, but I have no doubt it is in there.

Mr. PECORA. All right, sir. I will hand them all to you, and let you look at them as much as you want to. [Handing papers to Mr. Wigg.]

Mr. WIGGIN (after examining papers). I do not remember, and I cannot tell from these papers.

Mr. PECORA. Can you tell from any other papers?

Mr. WIGGIN. No papers that I have.

Mr. PECORA. Have you any other papers with you?

Mr. WIGGIN. No, sir.

Mr. PECORA. What is your recollection of the matter?

Mr. WIGGIN. I have no recollection. I will have to look it up. We can undoubtedly get that from the Sinclair Co.

Mr. PECORA. From whom?

Mr. WIGGIN. The Sinclair Co.

Mr. PECORA. Why could we not also get it from the Shermar Corporation's books and records?

Mr. WIGGIN. We could get their share. We could get their dates of payment.

Mr. PECORA. Are the books of account of the Shermar Corporation here?

Mr. WIGGIN. Here it is. Here is when the Shermar paid. I have a memorandum before me which states, with respect to the Shermar participation, that on December 31, 1928, the Shermar Corporation paid in \$1,125,000 to the account. I am not sure that is the total payment, from this memorandum. I thought it would show in there, but it does not seem to.

Mr. PECORA. Was that the only payment made by the Shermar Corporation on account of its interest in this syndicate?

Mr. WIGGIN. I do not know. I will find out. [After conferring with associates.] I am advised that that is the only payment they have any record of in their information here.

Mr. PECORA. The syndicate was formed to purchase 1,130,000 shares at \$30 a share, and the Shermar Corporation participated to the extent of one twelfth thereof.

Mr. WIGGIN. Yes, sir; and that was cut down a little more. That was afterward cut down a little more, you remember.

Mr. PECORA. That was cut down to what?

Mr. WIGGIN. To 84,750 shares.

Mr. PECORA. Cut down to 7½ percent. The total purchase price that the syndicate agreed to pay to the Sinclair Consolidated for these 1,130,000 shares, at \$30 a share, was \$33,900,000; 7½ percent thereof would represent a figure greatly in excess of the \$1,125,000 which you say was the only payment made by the Shermar Corporation to the syndicate on account of its interest in the syndicate.

Mr. WIGGIN. Yes, sir. That payment was practically one half of the amount due, apparently, from the figures.

Mr. PECORA. Why was not the Shermar Corporation required to make its full payment representing its 7½ percent interest in this syndicate?

Mr. WIGGIN. I do not know what the bookkeeping was. It must have paid for it one way or another, but why it was paid 50 percent at that time, I do not know, and I do not know how the other payments were made. We will try to ascertain.

Mr. PECORA. Do you know that any other payments were made?

Mr. WIGGIN. They must have been. The company got its money.

Mr. PECORA. Do you know what this common stock was selling for on the public exchange on October 25, 1928, that being the date of the formation of this syndicate?

Mr. WIGGIN. I do not know, sir. We can ascertain.

Mr. PECORA. Can you ascertain now?

Mr. WIGGIN. We will have to go back to the newspapers of that date. We have not got it here.

Mr. PECORA. I notice that the syndicate agreement marked "Committee's Exhibit No. 95" gave Arthur W. Cutten, as the manager, the right to borrow moneys on behalf of the syndicate. Were any moneys borrowed on behalf of the syndicate to enable it to carry out its operation?

Mr. WIGGIN. I do not know; very probably.

The CHAIRMAN. The syndicate was organized for 180 days. Do you know exactly when it was terminated?

Mr. WIGGIN. I think we have that date, Senator.

Mr. PECORA. April 16, about 180 days.

From the testimony you have given in the last few moments, the payment by the Shermar Corporation was not made until December 1928.

Mr. WIGGIN. That is what I understand.

Mr. PECORA. That is about 2 months after the syndicate was created. Do you know why it was not called upon to make any payments on account of its participation in this syndicate account at any prior date?

Mr. WIGGIN. I do not know.

Mr. PECORA. You referred before to a second syndicate agreement or operation. Is that the one that you designate as a trading syndicate?

Mr. WIGGIN. I understand that is the way they describe it in the letter.

Mr. PECORA. A trading syndicate. What was the purpose of the organization of that trading syndicate which had the same participants as the original purchasing syndicate?

Mr. WIGGIN. I think to aid the first syndicate.

Mr. PECORA. To aid the first syndicate to do what?

Mr. WIGGIN. In disposing of that large amount of Sinclair stock.

Mr. PECORA. Then, the syndicate which agreed to buy for \$30 a share, these 1,130,000 shares, at the same time organized or formed a trading account to enable it to dispose of those 1,130,000 shares, presumably at a profit?

Mr. WIGGIN. Apparently.

Mr. PECORA. Would you call that a pool account, Mr. Wiggin?

Mr. WIGGIN. We are getting back to an old subject, are we not?

Mr. PECORA. Yes. It seems to be an ever-present one.

Mr. WIGGIN. I do not know. Did they call it a pool account or do they call it a trading account?

Mr. PECORA. Would you call it a pool account?

Mr. WIGGIN. No; I would call it a trading account.

Mr. PECORA. How would you distinguish this, as a trading account, from what you recognize or understand to be a pool account?

Mr. WIGGIN. I do not know that I can.

Mr. PECORA. You think they are one and the same, do you?

Mr. WIGGIN. Similar.

Mr. PECORA. How was it designed to have this trading account, or pool account, operate?

Mr. WIGGIN. How was it designed to have it operate? What was the question?

(The reporter read the pending question.)

Mr. WIGGIN. Entirely in the hands of E. F. Hutten & Co., apparently.

Mr. PECORA. What was E. F. Hutton & Co. to do in behalf of this trading account or pool account?

Mr. WIGGIN. I suppose they were to buy and sell.

Mr. PECORA. They were to buy and sell on the exchange?

Mr. WIGGIN. I think so.

Mr. PECORA. With a view of eventually effectuating a sale and distribution of the 1,130,000 shares?

Mr. WIGGIN. I think that was the purpose, to aid the larger syndicate.

Mr. PECORA. Do you know the course of the buying and selling operations that E. F. Hutton & Co. conducted?

Mr. WIGGIN. I do not.

Mr. PECORA. Did it include short selling?

Mr. WIGGIN. I do not know what it included. I have no knowledge.

Mr. PECORA. These trading accounts or pool accounts are formed at times for the purpose of creating a market or stimulating a market for the security that they deal in, are they not?

Mr. WIGGIN. I do not know that I am enough of an expert to know just how to describe the purpose, but the purpose of the smaller syndicate undoubtedly was to aid in the distribution of the stock for the increased capital of the company.

Mr. PECORA. How was such aid given?

Mr. WIGGIN. I do not know. I am not a stockbroker. I can only guess at it, just as you could guess at it.

The CHAIRMAN. Do the commissions on the purchases and sales made by them go to them or to the syndicate?

Mr. WIGGIN. They go to the broker.

Mr. PECORA. Haven't you some familiarity with the operations of these trading or pool accounts, despite the fact that you are not a stockbroker?

Mr. WIGGIN. I do not know that I know any more about it than anybody else. I know there are those accounts, and I can imagine what they are for, just as you can.

Mr. PECORA. I have never been a participant in one, Mr. Wiggin, nor a beneficiary of any of them. You apparently have, so your opinion or knowledge would be based upon experience, which I lack, either sadly or wisely—I do not know. I would like to have you tell the committee your opinion of how these trading or pool accounts operate.

Mr. WIGGIN. I do not know enough about it to tell the committee. I might make some very serious error in my guess, and I do not like to guess.

Mr. PECORA. You are perhaps modest in saying you do not know enough about it. Tell the committee what you do know about it.

Mr. WIGGIN. I do not really know anything about it.

Mr. PECORA. Is it all a mystery to you?

Mr. WIGGIN. I have not the slightest familiarity with the way they are operated. I can only guess what it is for, just as you could guess.

Mr. PECORA. As a participant in such accounts, haven't you, in the course of your experience, acquired some knowledge of the way these accounts operate?

Mr. WIGGIN. I don't think so; only from results.

Mr. PECORA. From the results, how do you think they operate?

Mr. WIGGIN. This particular trading account showed that they bought and sold stock, and made a profit out of it.

Mr. PECORA. And made a very substantial profit.

Mr. WIGGIN. Yes.

Mr. PECORA. A profit of over one third of the original purchase price of the 1,130,000 shares of the stock purchased by the syndicate.

Mr. WIGGIN. I am speaking of the trading account. You are speaking of the trading account, I take it, when you are speaking of the profits.

Mr. PECORA. The profit of the trading account which was organized to effect a distribution of the 1,130,000 shares originally acquired by the syndicate, amounted to more than one third of the total cost to the syndicate of those 1,130,000 shares, did it not?

Mr. WIGGIN. You have separate figures on the trading account and you have separate figures on the underwriting of that lot of shares.

Mr. PECORA. Where are the figures on the trading account?

Mr. WIGGIN. We had those yesterday, you remember. The first letter you introduced on the subject was from Hutton.

Mr. PECORA. I do not recall introducing a letter in evidence yesterday from E. F. Hutton & Co.

Mr. WIGGIN. The first letter, I think, when you brought up the subject, was that letter.

Mr. PECORA. I think it was a letter to which you made a reference and which I have not yet seen and which I have not introduced in evidence.

Mr. WIGGIN. It does not really matter who saw it first.

Mr. PECORA. So long as you refer to that letter, will you produce it now?

Mr. WIGGIN. It is in your exhibits.

Mr. PECORA. We haven't any such letter.

Mr. CONBOY. We gave you that letter.

Mr. WIGGIN. You have it, Mr. Pecora.

Mr. PECORA. I don't think so.

Mr. CONBOY. We gave you the letter and then I think you said you did not want it.

Mr. PECORA. I recall Mr. Wiggin made some reference in his testimony to such a letter.

Mr. WIGGIN. Well, let us get the record. I do not think it really matters.

Mr. PECORA. I think it was dated some time in May 1929, as I recall your testimony about it, but I do not remember ever seeing the letter.

Mr. CONBOY. You have a photostat on the letter there. It is no. 77.

Mr. PECORA. Yes.

Mr. CONBOY. And your attention was directed to it.

Mr. PECORA. I show you what purports to be a photostatic reproduction of a letter sent to you or sent to the Shermar Corporation by E. F. Hutton & Co., dated May 17, 1929. Is that a true and correct copy of the letter to which you refer?

Mr. WIGGIN. Yes, sir; that is the letter. I do not think it is important, except that I did not want to confuse the committee about two different syndicates.

Mr. PECORA. No. Now, I think I will offer that letter in evidence. The CHAIRMAN. Let it be admitted.

(Photostat of letter dated May 17, 1929, from E. F. Hutton & Co. to the Shermar Corporation, Re: Sinclair Trading Account, was thereupon designated "Committee Exhibit No. 97, Nov. 2, 1933.")

Mr. PECORA. The letter offered in evidence and marked "Exhibit No. 97" of this date is written on the letterhead of E. F. Hutton & Co. and reads as follows. [Reading:]

MAY 17, 1929.

THE SHERMAR CORPORATION.  
Care of Mr. A. W. Wiggins,  
New York City.

Re: Sinclair Trading Account

GENTLEMEN: At the request of the Manager of the above syndicate we have today closed the syndicate, showing a profit of \$418,333.54. We are therefore enclosing check to your order for \$13,946.12, being your proportionate share of this profit based on your 33,333 $\frac{1}{3}$ -share participation.

We are enclosing check for \$69,662.51, being the \$66,666.67 deposited by you with the Manager, with interest earned on same.

Your endorsement of these checks will be acknowledgment of the full and final settlement of your interest in this syndicate.

Yours very truly,

E. F. HUTTON & Co.

This profit of four hundred and eighteen thousand and odd dollars referred to in this letter was a profit accruing to the trading account as distinguished from the profit of over 12 million dollars that accrued to the syndicate purchasing account?

Mr. WIGGIN. That is as I understand it; yes, sir.

Mr. PECORA. Do you know what the range of market prices of this Sinclair Consolidated stock was during the life of this trading syndicate?

Mr. WIGGIN. I have no information on it, sir.

Mr. PECORA. Was Harry F. Sinclair, who was one of the participants in these two syndicates, an officer or director of the Sinclair Consolidated Oil Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know what office he held in it?

Mr. CONBOY. Is there not a letter there? One of those papers that is in file 40, doesn't that indicate what office Mr. Sinclair held? Doesn't he sign in some capacity there?

Mr. PECORA. He signed in his individual capacity as a member of the syndicate.

Mr. CONBOY. Would you let me have that folder?

Mr. PECORA. Yes.

Mr. CONBOY. Look at the bottom of it, will you? It is the one you have in your hand. By whom is that signed?

Mr. PECORA. That is signed by P. W. Watts, vice president.

Mr. CONBOY. I thought his name was on there.

Mr. WIGGIN. I think he is chairman of the board, or I think he was at that time. I am not sure. That is easily ascertainable.

Mr. PECORA. Do you know why these 1,130,000 shares of the common stock of that Sinclair Consolidated Oil Corporation was not offered to the stockholders of that corporation for subscription?

Mr. WIGGIN. I do not.

Mr. CONBOY. Do you know that it was not?

Mr. PECORA. Well, there are no references anywhere here to indicate that it was.

Mr. CONBOY. No; but your question implied that it was not.

Mr. PECORA. And if it had been offered I imagine that it might have been subscribed for, because it proved to be such a low price for the stock, according to subsequent developments.

Mr. CONBOY. I thought you might have information there that there was not any exercise of any preempted right.

The CHAIRMAN. The syndicate made about \$9 a share profit?

Mr. WIGGIN. I haven't got that figure before me, but I think that is right.

Mr. PECORA. Did you or your family corporations frequently loan stock to brokers to enable them to cover short sales?

Mr. WIGGIN. I do not think frequently, but I think they have done it on some occasions. I haven't any detail in mind on it, but I think they may have.

Mr. PECORA. Did any of the shares you loaned by your—

Mr. CONBOY (interposing). Just a second. I am informed that there is a schedule showing that that we can furnish to you.

Mr. PECORA. Yes.

Mr. CONBOY. Do you want that information?

Mr. PECORA. Yes.

Mr. CONBOY. Mr. Pecora, I understand that a statement has been furnished to you that contains all of that information.

Mr. PECORA. I am just going to show to Mr. Wiggin a copy of that statement that has been furnished to us. Mr. Wiggin, I show you two typewritten sheets. I ask you to look at them and tell us if that constitutes a true and correct record of various transactions in which the Shermar Corporation loaned to the individuals or corporations or firms indicated thereon various shares of the securities listed in that statement. I ask you if this statement is a true, correct, and complete listing of those transactions had by the Shermar Corporation between June 2, 1927, and February 8, 1932.

Mr. CONBOY. Mr. Pecora, it is my information that this statement was subsequently corrected and you have the corrected copy. This is not the correct copy.

Mr. PECORA. I have just sent for one of my staff to see if he has the correct copy.

Mr. CONBOY. Do you want to withdraw this for the present?

Mr. PECORA. Yes. They are looking for that corrected list. Meanwhile, let me show you this typewritten statement, which purports to be a list of transactions in which the Murlyn Corporation between January 17, 1927, and February 1, 1931, loaned the stock shown thereon to the individuals named therein. I ask you if that is a true, correct, and complete compilation of all such transactions had by the Murlyn Corporation.

(Mr. Conboy compared documents.)

Mr. PECORA. Mr. Wiggin, will you look at this list which has just been handed me, and which I believe is a substitute for the one that I have shown you, and which appears to have been furnished to us as a corrected list in behalf of the Murlyn Corporation?

Mr. CONBOY (after examining document). This is right.

Mr. PECORA. The second one?

Mr. CONBOY. The second one is right.

Mr. PECORA. Then I will offer that in evidence and ask that it be spread on the record. It is intended to show the stocks loaned by the Murlyn Corporation at the time stated therein to the persons named therein.

The CHAIRMAN. Let it be admitted.

(Murlyn list of stocks loaned from Jan. 17, 1927, to Feb. 1, 1931, was thereupon designated "Committee Exhibit No. 98, Nov. 2, 1933", and same appears in full on page 3036.)

The CHAIRMAN. In the case of stocks loaned that means money engaged in short selling?

Mr. WIGGIN. Not necessarily.

Mr. PECORA. Is it not usually indicative of that?

Mr. WIGGIN. I have no way of knowing, but sometimes it is indicative of that, certainly.

Mr. PECORA. When requests were made of you or your family corporation for the loaning of stock what did you think that you were loaning the stock for if it was not to enable the persons to whom you loaned it to cover short sales?

Mr. WIGGIN. Well, it may have been to enable them to make delivery of something that was delayed in being received.

Mr. PECORA. It is also done for the purpose of enabling sellers of securities, which they do not own, to make delivery?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. In other words, to enable them to make delivery of short sales?

Mr. WIGGIN. Frequently.

Mr. PECORA. Have you any notion that these borrowings made by the Murlyn Corporation to the brokers named therein were not made for that purpose?

Mr. WIGGIN. May I see the list?

Mr. PECORA. Certainly [handing document to Mr. Wiggin].

Mr. WIGGIN. Of course, I have no way of telling in each case what the broker wanted to borrow the stock for, but in the case of the Chase Bank stock belonging to the Chase Securities Corporation it was not for a short sale; it was to enable them to make a delivery in connection with the transaction, as I understand it.

Mr. PECORA. Well, it was loaned to the Chase Security Corporation?

Mr. WIGGIN. Oh, yes.

Mr. PECORA. In those instances where the name of that corporation appeared as a borrower of stock?

Mr. WIGGIN. Undoubtedly. Perfectly right.

Mr. PECORA. If it was necessary for the Chase Securities Corporation to borrow such stock from you, then it was because the Chase Securities Corporation had made short sales of that stock?

Mr. WIGGIN. No; not necessarily.

Mr. PECORA. Well, for what other purpose would it borrow it?  
Mr. WIGGIN (after conferring with associates). The big item in the loan of Chase stock on this list to the Chase Securities Corporation was to supply to them the necessary amount of stock they needed for the purchase of the Harris-Forbes Co.

The CHAIRMAN. How many shares?

Mr. WIGGIN. Sixty-two thousand four hundred and eighty-six. It was not a short sale; it was just to enable them to carry through that transaction.

Mr. PECORA. Now I show you what I understand is the so-called "corrected list" furnished by the Shermar Corporation to us.

Mr. CONBOY. It is not "so-called corrected"; it is corrected.

Mr. PECORA. All right; I am just referring to it as the corrected list, so-called "corrected list"—purporting to indicate the transactions between June 2, 1927, and February 8, 1932, in which the Shermar Corporation loaned stock to various individuals or companies named therein. I ask you if that constitutes a true, complete, and correct listing of those transactions.

Mr. CONBOY. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted.

(Shermar list of stocks loaned from June 2, 1927, to Feb. 8, 1932, was thereupon designated "Committee Exhibit No. 99, November 2, 1933", and same appears in full on page 3038.)

Mr. PECORA. I notice on the list of the lendings of stock by the Murlyn Corporation the name of one O. L. Gubelman. Who was he?

Mr. WIGGIN. He is a dealer in securities with an office at 20 Pine Street.

Mr. PECORA. Is he a broker?

Mr. WIGGIN. I suppose you would call him a broker. He is not a member of the stock exchange.

Mr. PECORA. Is he a stock market operator?

Mr. WIGGIN. I think so.

Mr. PECORA. Do you suppose that he wanted that stock to cover a short sale?

Mr. WIGGIN. I don't know what he wanted that for.

Mr. PECORA. Who is the firm of Gude, Winmill & Co. whose name also appears as a frequent borrower of stocks from the Murlyn Corporation?

Mr. WIGGIN. It is a brokerage house with whom these companies do a good deal of business. One of my sons-in-law is a member of the firm.

Mr. PECORA. Which one?

Mr. WIGGIN. Prescott.

Mr. PECORA. I also notice that a borrower of stock from the Shermar Corporation is Pyncheon & Co. What was the business of that firm?

Mr. WIGGIN. Stockbrokers.

Mr. PECORA. Members of the Exchange?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Is that the firm that went into bankruptcy?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Were you a director of a corporation called the "Underwood-Elliott-Fisher Co."?

Mr. WIGGIN. I am still a director; yes, sir.

Mr. PECORA. And were you such a director in June 1929?

Mr. WIGGIN. I think so.

Mr. PECORA. While you were a director of that company did you participate in a trading account with the stock brokerage firm of Hayden, Stone & Co. which had for its purpose trading in the common stock of that company—that is, of the Underwood-Elliott-Fisher Co.?

Mr. WIGGIN. I do not recall it; but if it is on the record, I have no question of it.

Mr. PECORA. I show you photostatic reproduction of a communication addressed to you and others by Hayden, Stone & Co., dated June 14, 1929. Will you please look at it and tell us if it is a true and correct copy of such a communication received by you on or about the date which it bears.

Mr. WIGGIN. Yes; it is.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted and entered on the record. (Letter dated June 14, 1929, from Hayden, Stone & Co. to Albert H. Wiggin, and others, was thereupon designated "Committee Exhibit No. 100, Nov. 2, 1933.")

Mr. PECORA. The letter reads as follows, marked "Exhibit No. 100"; on the letterhead of Hayden, Stone & Co. [reading]:

JUNE 14, 1929.

Mr. ALBERT H. WIGGIN,  
Mr. REEVE SCHLEY,  
Mr. OSCAR GUBELMAN,  
Mr. PHILIP D. WAGONER,  
Mr. CHARLES HAYDEN,  
*New York City.*

GENTLEMEN:

We have opened an account on our books known as Account No. 818 for the purpose of acquiring not to exceed 25,000 shares of Underwood Elliott Fisher common stock.

The handling of this order is in the hands of Mr. Oscar Gubelman. It is for the joint account of the five gentlemen to whom this letter is addressed, each having an equal proportionate interest. We shall be glad to carry this stock for the joint account. Any participant is at liberty at any time to take up his proportion of the shares. We should be very glad at your convenience to receive a check for \$25,000.00 from each of you as margin on the account.

Will you kindly confirm that this letter is in accordance with your understanding.

Very truly,

HAYDEN, STONE & CO.

Mr. CONBOY. Mr. Pecora, before you pass the stock loans, would you inquire of Mr. Wiggin what the purpose was of the loans to the Chase Securities of Chase Bank stock in July through October?

Mr. PECORA. From July 6, 1928.

Mr. CONBOY. To October 1928, because there might be an erroneous impression created by this examination.

Mr. PECORA. To October 1928. I will be glad to ask that question. Will you answer it, Mr. Wiggin?

Mr. WIGGIN. Yes. It was to enable Chase Securities Corporation or the Metpotan Corporation to make deliveries under the Dominick & Dominick option.

Mr. PECORA. That was the option that was given in connection with the operation by Dominick & Dominick as managers of the trading account regarding which you were questioned at some length yesterday?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Well, now, so long as you have mentioned that again, let me ask if the Shermar Corporation actually had that amount of Chase National Bank stock which it sold only to the Chase Securities Corporation which appears from the statement put in evidence as exhibit no. 99.

Mr. WIGGIN. No.

Mr. PECORA. It did not hold it?

Mr. WIGGIN. No.

Mr. PECORA. Shermar in turn had to borrow it from others; is that it?

Mr. WIGGIN. Had to obtain it from the other corporations.

Mr. PECORA. And from other individuals?

Mr. WIGGIN. Yes; that is right.

Mr. PECORA. Some of those other individuals being other officers of the Chase National Bank at the time?

Mr. WIGGIN. I don't think they borrowed any from other officers. [After consulting associate.] They did not borrow any from the other officers. They simply made deliveries, when the time came, to the other officers.

Mr. PECORA. Was this account evidenced by this letter of Hayden, Stone & Co. to you and to the other four gentlemen named therein, marked "Exhibit No. 100", a trading or pool account?

Mr. WIGGIN. I only know what the letter states. Apparently they did not expect to trade. They just wanted to buy. "Acquire" is what they say.

Mr. PECORA. Wasn't there a sale of any of the shares acquired by that account?

Mr. WIGGIN. There may have been. I don't know.

Mr. PECORA. For the purpose of refreshing your recollection thereon, let me show you what purports to be a photostatic reproduction of a letter addressed to the Shermar Corporation by Hayden, Stone & Co. and dated July 8, 1929, relating to 818 Joint Account Underwood-Elliott-Fisher, and ask you if that is a true and correct copy of such a letter received by the Shermar Corporation on or about the date which it bears.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted.

(Letter dated July 8, 1929, from Hayden, Stone & Co. to the Shermar Corporation, was thereupon designated "Committee Exhibit No. 101, Nov. 2, 1933.")

Mr. PECORA. The letter marked "Committee Exhibit No. 101" reads as follows. It is on the letterhead of Hayden, Stone & Co. [reading]:

NEW YORK, N.Y., July 8, 1929.

THE SHERMAR CORPORATION,  
New York City.

818 JOINT ACCOUNT

UNDERWOOD ELLIOTT FISHER COMMON

DEAR SIR:

We enclose herewith a check to your order for \$80,539.84, \$25,000 of which is return of margin put up on the above account and \$55,539.84 is profit on your proportion of the same account.

Kindly acknowledge receipt.

Yours very truly,

HAYDEN, STONE &amp; Co.

Mr. PECORA. Does not this letter, Committee Exhibit No. 101, indicate that this account evidence by the letter of June 14, 1929, marked "Committee Exhibit No. 100," was a trading or pool account?

Mr. WIGGIN. Absolutely.

Mr. PECORA. What is that?

Mr. PECORA. Absolutely.

Mr. PECORA. And it was a trading or pool account trading in the stock of a corporation in which you were then a director?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Have you with you the books corresponding to the stock register of the Shermar Corporation?

Mr. CONBOY. Just what book is it you want, Mr. Pecora?

Mr. PECORA. The stock register of the Shermar Corporation. Or the securities register. It might be known as the securities register.

Mr. WIGGIN. Oh, the securities owned by the Shermar?

Mr. PECORA. Yes.

Mr. WIGGIN. I thought you meant their own stock.

Mr. CONBOY. I think what you mean is the securities ledger, is it?

Mr. PECORA. Or securities ledger.

Mr. CONBOY. Are you finished with our folder on the Sinclair? If you are not, why, keep it, but if you are we would like to have it so we can keep it in our files, in order that it will not be displaced.

Mr. PECORA. The documents have been read into the record, so you can have them. The stenographer has them. When he is through I will have them returned.

While your associates are looking for that securities ledger or register let me ask you if you recall any transactions with Gude, Winmill & Co. in the stock of the Underwood Elliot Fisher Co. that were short sales?

Mr. WIGGIN. I do not recall any. I might not have known anything about it and yet there might have been some.

Mr. PECORA. Would you have any scruples against engaging in short sales of the stock of the company in which you were a director or officer?

Mr. WIGGIN. Oh, yes. I would not do it.

Mr. PECORA. What is that?

Mr. WIGGIN. I would not do it.

Mr. PECORA. Did not the Shermar Corporation do just that in connection with the stock of the Chase National Bank that it sold between August and December 1929?

Mr. WIGGIN. Yes, sir. But the family always had a great deal more than that amount of stock, as you know.

Mr. PECORA. Well, it was a species of short selling then against the box?

Mr. WIGGIN. The corporation entered into a short sale.

Mr. PECORA. What?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And the corporation and the family did not actually divest themselves of any shares because they covered the short sales by the purchase through the Murlyn Corporation on December 11, of the 42,506 shares that they sold short?

Mr. WIGGIN. Ultimately; yes, sir.

Mr. PECORA. You were also a director of the Brooklyn-Manhattan Transit Corporation, were you not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And at one time received a salary of \$20,000 from that corporation as such director?

Mr. WIGGIN. Not as a director. As the chairman of the finance committee, yes.

Mr. PECORA. As a member of the finance committee?

Mr. WIGGIN. As chairman of the finance committee; yes, sir.

Mr. PECORA. Were you, when you were chairman of this finance committee, an owner of a substantial block of the common and preferred stock of that company?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall in the early summer of 1932 engaging in heavy selling transactions in the common stock as well as the preferred stock of the Brooklyn-Manhattan Transit Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall the circumstances under which you made those transactions?

Mr. WIGGIN. I think so.

Mr. PECORA. What were they, generally?

Mr. WIGGIN. The company had owned the stock some time, and I realized that the company would probably have to stop paying dividends on the common stock, so we sold it.

Mr. PECORA. You sold it before any public announcement that the dividends would be passed?

Mr. WIGGIN. Before we knew positively.

Mr. PECORA. Before who knew positively?

Mr. WIGGIN. Before I knew.

Mr. PECORA. Before you as chairman of the finance committee knew positively that the dividend would be passed?

Mr. WIGGIN. Yes, sir. Before anybody knew it.

Mr. PECORA. About how many shares did you sell of the common stock of the Brooklyn-Manhattan Transit Corporation at that time?

Mr. WIGGIN. I think they sold practically all they had. I will find out the number.

Mr. PECORA. Well, you had a block of around 26,000 shares, did you not?

Mr. WIGGIN. I will find out.

Mr. PECORA. In the name of the Shermar Corporation?

Mr. WIGGIN. I will get that for you.

Mr. PECORA. At about the time that the Shermar Corporation commenced to make substantial sales of its holdings of the capital common stock of the Brooklyn-Manhattan Transit Corporation, did Mr. Gerhard M. Dahl also sell large blocks of the same common stock which he owned, and which was in the possession of the Chase Securities Corporation or the Chase National Bank as collateral for loans made to Dahl?

Mr. WIGGIN. My recollection is that his sales were 1 or 2 days later.

Mr. PECORA. What position did Mr. Dahl hold at that time in the Brooklyn-Manhattan Transit Corporation?

Mr. WIGGIN. Chairman of the board of directors.

Mr. PECORA. He was the executive head of the corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And you were chairman of the finance committee of the board?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. When for the first time, Mr. Wiggin, did you definitely know or have reason to believe that the board of directors of the Brooklyn-Manhattan Transit Corporation would pass the dividend on its common stock?

Mr. WIGGIN. I do not know that I can tell you the date, but my judgment was based on the fact that they had notes coming due, that the conditions were such that it was very difficult to finance.

Mr. PECORA. That is, that the B.M.T., which is the way I will refer hereafter to the Brooklyn-Manhattan Transit Corporation, had notes falling due which were held by the Chase National Bank in part?

Mr. WIGGIN. In part?

Mr. PECORA. Yes. And as a matter of fact was not the Chase National Bank at about the time you commenced these heavy sellings of the Shermar Corporation's common stock of the B.M.T. preparing to bring out a note issue for the B.M.T.?

Mr. WIGGIN. Not until later; no, sir. Not at that time. But they did later.

Mr. PECORA. Have you got the data from which you can tell the committee the dates of the sales that you made at around that period of time of the Shermar Corporation's holdings of the B.M.T. common stock?

Mr. WIGGIN. I think so.

Mr. PECORA. Will you give us those dates?

Mr. WIGGIN. I will have it in a minute.

The CHAIRMAN. Were those sales, Mr. Wiggin, made on the stock exchange?

Mr. WIGGIN. Yes.

Mr. PECORA. By the way, Mr. Wiggin, when was the meeting of the board of directors of the B.M.T. held at which the dividend on the common stock was passed?

Mr. WIGGIN. I will have to look it up. I do not know.

Mr. PECORA. Well, my recollection is it was June 20, 1932.

Mr. WIGGIN. Well, I do not know. If you know I will be satisfied.

Mr. PECORA. I think you will be able to confirm that that was the date. But, apart from the confirmation of it, and assuming that that was the date, how long before that time would you as chairman of the finance committee of its board of directors be in a position to know whether or not the condition of the company was such that at the meeting of the board on June 20 the dividend would be passed?

Mr. WIGGIN. Well, let us get the date of the dividend.

Mr. PECORA. Well, regardless of the date, how long before the date at which the dividend was passed would you as chairman of the finance committee think that you would be in possession of enough information to indicate whether or not the dividend was going to be passed?

Mr. WIGGIN. It would be a guess in any event. I would not know.

Mr. PECORA. Well, as chairman of the finance committee you were receiving a salary of \$20,000 a year, were you not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And for that salary I presume you rendered services of value to the company?

Mr. WIGGIN. I think so.

Mr. PECORA. And those services included or involved the possession by you of a comprehensive knowledge of the financial condition of the company currently, did they not?

Mr. WIGGIN. I think so.

The CHAIRMAN. When did you sell the common stock, Mr. Wiggins?

Mr. WIGGIN. I am getting the dates now, Senator.

Mr. PECORA. Well, how long before the meeting of the board at which the dividend was passed do you think as chairman of the finance committee you would have been in a position to know whether or not the dividend was going to be passed?

Mr. WIGGIN. I would not know.

Mr. PECORA. Or have reason to believe that it would be passed?

Mr. WIGGIN. Of course my judgment was based on the fact that they had a maturity that the market conditions made it very difficult to renew.

Mr. PECORA. How long before June 20 did you know that?

Mr. WIGGIN. Well, we knew it for some time.

Mr. PECORA. You knew it currently, did you not?

Mr. WIGGIN. We knew for some time that they had this maturity.

Mr. PECORA. And you knew that the company would have to refund those notes?

Mr. WIGGIN. That the company would have to refund those notes in part; yes.

Mr. PECORA. Yes; and you knew that because of the business and financial condition of the company?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And would not the passing of the dividend be a matter on which you would exercise, as chairman of the finance committee, a considerable weight?

Mr. WIGGIN. I think so.

Mr. PECORA. So that your judgment was not formulated at the time the meeting of the board, at which the dividend was passed, was held, was it?

Mr. WIGGIN. Oh, no.

Mr. PECORA. You had given thought to the matter some time prior?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. And when did you first reach the conclusion that, from your judgment at least, the board should pass the dividend?

Mr. WIGGIN. I think at the time I sold the stock.

Mr. PECORA. And it was about the same time that Mr. Dahl, the chairman of the board, sold large holdings of the stock?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, after the dividend was passed there was a marked depreciation of the market value of the stock, was there not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know the range of prices that you obtained in connection with your sale then of the B.M.T. common stock that your Shermar Corporation owned?

Mr. WIGGIN. I cannot tell you. I will get that information.

Mr. PECORA. The data which we have, which has been obtained from the records of the Shermar Corporation, as well as from the Chase National Bank, would indicate, Mr. Wiggin, that on the 1st of June 1932 the Shermar Corporation owned 26,400 shares of the common stock of the B.M.T.; that on June 3, 1932, the Shermar Corporation sold 8,700 shares of that stock; that on June 4, 1932, the Chase National Bank sold 50,000 shares of the B.M.T. common stock from the collateral which had been pledged to it by Gerhard M. Dahl for a loan, a large loan which he was then carrying at the bank. Our data further shows that on June 6, 1932, the Shermar Corporation sold 17,700 shares of its common stock of B.M.T.

Mr. CONBOY. Did you say 17,700 or 17,100?

Mr. PECORA. 17,700 shares.

Mr. CONBOY. 17,100 I think is correct.

Mr. PECORA. 17,100, did you say?

Mr. CONBOY. Yes.

Mr. PECORA. And that on the same date, namely, June 6, 1932, the Chase National Bank sold 5,000 shares of the B.M.T. common stock from the collateral which it held to secure the loan to G. M. Dahl. And the following appears to be from our data the range of market quotations for the common stock, commencing with June 4 and ending on June 9:

June 4, high 25, low  $23\frac{1}{2}$ ; June 5 is Sunday; June 6, high  $24\frac{1}{4}$ , low  $17\frac{1}{2}$ ; June 7, high,  $18\frac{3}{4}$ , low  $15\frac{1}{4}$ ; June 8, high  $15\frac{1}{4}$ , low  $11\frac{1}{8}$ ; June 9, high  $14\frac{3}{4}$ , low 12.

So that in a period of 5 days the common stock went from a high of 25 to a low of  $11\frac{1}{8}$ . Have you followed those figures?

Mr. CONBOY. Our records do not indicate anything different.

Mr. PECORA. Do you know for what prices the Shermar Corporation sold its shares on June 3 and on June 6?

Mr. WIGGIN. I can give it to you approximately, and I think it will be near enough.

Mr. PECORA. All right.

Mr. WIGGIN. The question is what?

Mr. PECORA. The prices at which the Shermar Corporation on June 3 and on June 6 sold its holdings of B.M.T. common stock.

Mr. WIGGIN. I think an average of about 24.

Mr. PECORA. Yes.

The CHAIRMAN. Both dates?

Mr. WIGGIN. Well, the average on the whole thing, I think, was about that, Senator.

Mr. PECORA. And were there 50,000 shares sold by the Chase Bank for the account of G. M. Dahl?

Mr. WIGGIN. There was a large block sold.

Mr. PECORA. On June 4, 1932?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. On June 4, 1932, sold for prices ranging from 24 to 25?

Mr. WIGGIN. That is correct. He got just a little more for his than I got for mine.

Mr. PECORA. And both of you got a good deal more than the public sold it at after that day?

Mr. WIGGIN. No; because the stock is selling very much higher today. Mr. Pecora, I am asked if I understood the question correctly that the bank sold that stock for Dahl.

Mr. PECORA. Yes; the bank did sell that Dahl stock.

Mr. WIGGIN. That is right.

Mr. PECORA. And credited the proceeds of sale to his loan account?

Mr. WIGGIN. That is right.

Senator COUZENS. What is it selling for now?

Mr. WIGGIN. Well, I do not know today; but I should say about 30. [After conferring with his associates.] Twenty-six or twenty-seven today.

The CHAIRMAN. It went down to 11?

Mr. WIGGIN. It went down to 11, and went up to forty something, I think.

Mr. PECORA. Did you not know by June 3, 1932, that the dividend would be passed on June 20?

Mr. WIGGIN. Not certainly; no, sir. I thought they ought to, but I was only one.

Mr. PECORA. What is that?

Mr. WIGGIN. I thought they should pass it unless they could make arrangements for renewal of the notes.

Mr. PECORA. And you knew that negotiations were then in progress for the refunding of those notes by the Chase National Bank, did you not?

Mr. WIGGIN. We had been considering it right along.

Mr. PECORA. Let me show you a photostatic copy of what purports to be a memorandum to you on the question of the refunding of these notes, signed by "H. G. F.", who, I take it, is Mr. Freeman, then the president of the Chase Securities Corporation, dated June 4, 1932. Will you please look at it and tell me if it is a true and correct copy of such a memorandum received by you on or about that date? [Handing paper to Mr. Wiggin.]

Mr. WIGGIN (after examining same). Yes, sir.

Mr. PECORA. I offer it in evidence and ask to have it spread upon the record.

The CHAIRMAN. Let it be received in evidence and placed in the record.

(Memorandum signed "H. G. F." was received in evidence and marked "Committee Exhibit 102 of Nov. 2, 1933.")

Mr. PECORA. The memorandum, marked "Committee Exhibit No. 102" of this date, reads as follows. [Reading:]

## MEMORANDUM

If the common dividend was passed there would be a saving of approximately \$3,000,000 per year. On the other hand, if the dividend was cut in half the saving would be \$1,500,000 per year. On the first basis, we think a 2-year issue with proper collateral might be made if there were quarterly sinking fund payments of \$750,000 each quarter. This would mean seven payments, as the end of the last quarter would be at maturity and would result in \$5,250,000 of the new notes being retired out of the \$13,500,000.

If the dividend was cut in half the sinking fund could be \$500,000 for each of the first four quarters and \$1,000,000 for the remaining three quarters, making a total retired of \$5,000,000. This could only be done, however, in case, after 9 months or possibly one year, the dividend was cut out entirely.

The other possibility in the situation, I understand, is that the employees might accept a 10% deduction from their wages, such an amount to be applied to the purchase of notes or bonds of the company. If it were done there would be a maximum of about \$2,500,000 available which could be used either in retirement of the notes or of the bank debt through purchase in the latter case of bonds in the treasury of the company, or held as collateral.

In regard to the banking syndicate, the present arrangement is that there is a 3/3 account on original terms between Hayden, Stone & Co, Chase Harris Forbes Corporation, and Seligman. This group then offers at a step-up of one third of 1 percent 33 $\frac{1}{3}$  percent of the issue to Kuhn, Loeb & Company and associates, resulting in each of the original three having a 22.22% interest in the issue. Under the circumstances, it would seem unwise to attempt to obtain the  $\frac{1}{3}$  of 1% profit. If Chase were willing to take 50% of the issue, so far as the original group is concerned, there remains 16 $\frac{2}{3}$ % to be divided between Hayden, Stone & Co. and Seligman, provided Kuhn, Loeb and associates took 33 $\frac{1}{3}$ %.

I would like to talk about the situation after you have read this memorandum.

H. G. F.

JUNE 4, 1932.

So that is it fair to say from this memorandum that you knew before June 4, 1932, enough about the financial condition of the B.M.T. to indicate to you that the dividend would have to be passed?

Mr. WIGGIN. It indicated to me that there was a possibility of its being passed, and that my personal judgment would be that it should be passed. This, you will understand, was a study of the thing some time before any conclusion was reached on the finances.

Mr. PECORA. Exactly. This memorandum of June 4, 1932, simply is a product of study that had been commenced long before that date, is it not?

Mr. WIGGIN. No; commenced at about that time.

Mr. PECORA. Well, how long before June 4?

Mr. WIGGIN. I do not know that it was any before. It may have been that very day. You see, in ordinary conditions the company would have no difficulty financing, but we were in a market condition where you could not sell a perfectly good note, and we realized that we would have to get a forced extension or partially forced extension on that loan unless we could put it in shape where it would make an attractive note. We finally, in August, I think it was—August 1 was the maturity—we finally made an arrangement that saved the company and saved the credit of the company, and we believe we did a good job for the company.

Mr. PECORA. Is it fair to assume that the reasons that prompted you and Mr. Dahl to sell these holdings of your B.M.T. common

stock is the knowledge that you had of the financial condition of the company, which knowledge you acquired as the chairman of the finance committee and the chairman of the board respectively?

Mr. WIGGIN. Yes. I had no inside information, except the knowledge that influenced my judgment was the maturity of the notes, and everybody knew about it.

The CHAIRMAN. I have an idea, Mr. Wiggin, but you might explain it if you would: Just exactly what was this Brooklyn-Manhattan Transit Corporation's enterprise? What was that?

Mr. WIGGIN. Brooklyn-Manhattan Transit is a holding company that owns railroad operating companies, street railroads, subway and elevated railroads in Brooklyn and in Manhattan.

The CHAIRMAN. This was a holding company?

Mr. WIGGIN. This was a holding company.

The CHAIRMAN. Not an operating company?

Mr. WIGGIN. A holding company.

I ought to add one word there, I think, Mr. Pecora. The notes that were maturing on August 1 were in the hands of the investors; in the hands of the public. And it was impossible to sell a new note to the public. And largely by my efforts, helped by my associates on the committee, we placed the new issue in amounts and divided it up in enough places so that we did prevent a default and did enable the company to continue its preferred stock dividend.

Mr. PECORA. Are you through, Mr. Wiggin?

Mr. WIGGIN. Wait a minute. Hayden, Stone & Co. helped, and J. & W. Seligman—their representatives were on the board—helped. And we also received assistance in the matter from a number of the other banks who each took one half a million or a million of the notes. And in that way, by real strenuous efforts, we did prevent the default.

Senator COUZENS. Did those who took those notes sell them to the public again?

Mr. WIGGIN. No, sir.

Senator COUZENS. Or keep them in their portfolio?

Mr. WIGGIN. They kept them in their portfolio, and they have since been partially paid.

Senator COUZENS. What return was made on those shares that were sold around 24 or 25? That is, what was the dividend rate?

Mr. WIGGIN. On the shares?

Senator COUZENS. Yes; at the time that you were selling them.

Mr. WIGGIN. I will have to look that up. I do not remember. There was a dividend, but what it was up to that time I do not know.

Mr. PECORA. Now, there was a dividend on the preferred stock that was being paid?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. That dividend was not passed on June 20, 1932, was it?

Mr. WIGGIN. No, sir.

Mr. PECORA. And was the Shermar Corporation a holder of the preferred stock of the B.M.T. at that time?

Mr. WIGGIN. It was; and it sold it. It made a mistake.

Mr. PECORA. What is that?

Mr. WIGGIN. It was a holder, and it sold it, and it made a mistake in selling it, just as it did with the common.

Mr. PECORA. And did Dahl hold on to his preferred stock in large part?

Mr. WIGGIN. The bank sold part of his stock.

Mr. PECORA. A small part only of the preferred stock?

Mr. WIGGIN. I will have to look that up.

The CHAIRMAN. Have you finished, Mr. Wiggin?

Mr. WIGGIN. I think so.

Mr. PECORA. The heavy selling of these shares of the common stock by you and Mr. Dahl between June 3 and June 6 contributed substantially to the downward trend of that stock, do you not think so?

Mr. WIGGIN. No, sir. We would not have sold if the stock had gone down. The bank said they would only sell if they could get the present market.

Mr. PECORA. Well, the bank got the present market, but the day after the sales by you and Dahl on June 5 or June 6, as I recall it, there was a decline in the high quotation for the stock of about 6 points from the preceding day?

Mr. WIGGIN. I do not know the dates, but it did decline afterward; yes, sir.

Mr. PECORA. Right afterward?

Mr. WIGGIN. Yes.

The CHAIRMAN. I wish to make the following statement for the record. I am just advised that the First National Bank of New York announced in a letter to stockholders today that it proposes to dissolve its securities affiliate, the First Securities Co., which was formed in 1908.

Mr. PECORA. I think, Mr. Chairman, that was either the first or the second securities affiliate organized in this country by any national bank. It was either the first or the second.

Mr. CONBOY. I suppose that dissolution is taking place under the new banking act.

The CHAIRMAN. Probably so.

Mr. PECORA. Mr. Chairman, I want to have subpoenas issued for Harry F. Sinclair and Arthur W. Cutten in connection with the syndicate operation in the stock of the Sinclair Consolidated Corporation.

The CHAIRMAN. Those subpoenas will be issued. We will now take a recess until 2:15 o'clock.

(Thereupon at 1:10 o'clock a recess was taken until 2:15 p.m. the same day, Thursday, Nov. 2, 1933.)

#### AFTER RECESS

The subcommittee resumed its hearing at 2:15 p.m. at the expiration of the recess.

The CHAIRMAN. The subcommittee will come to order. Proceed, Mr. Pecora.

**TESTIMONY OF ALBERT H. WIGGIN—Resumed**

Mr. PECORA. Mr. Wiggin, have you found that stock or investment securities ledger of the Shermar Corporation?

Mr. WIGGIN. I will inquire [talking to an associate]. I understand they have identified the account as shown in your papers.

Mr. PECORA. Yes. They have identified the account as it appears on page 96 of the Murlyn Corporation Investment Securities Journal. Have you got that here?

Mr. WIGGIN. I will find out. [After inquiring of an associate.] We have page 96 here before us.

Mr. PECORA. Mr. Wiggin, you have before you one of the books of accounts of the Murlyn Corporation?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. What book is it?

Mr. WIGGIN. The Daily Journal.

Mr. PECORA. The Daily Journal?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you find any entries on page 96 hereof relating to any profits received by you or your family corporations from short accounts in the sale of the common stock of the Underwood Elliott Fisher Co.?

Mr. WIGGIN. Yes, sir. There is an item here marked "Proceeds of Underwood short account, O.L.G.—"

Mr. PECORA (interposing). And the "O.L.G." refers to O. L. Gubelman, doesn't it?

Mr. WIGGIN. Yes, sir; undoubtedly.

Mr. PECORA. Will you read the entire entries relating to this short account into the record, please?

Mr. WIGGIN. It reads:

Proceeds Underwood short account O.L.G., \$6,292.64.

Is there anything else?

Mr. PECORA. Is there another entry of a similar nature?

Mr. WIGGIN. I do not find it. Was there anything else you had in mind?

Mr. PECORA. Well, our accountant is going around the table there to point out to you another entry.

Mr. WIGGIN. Yes, Mr. Pecora; I now find on page 91, under date of August 15, 1929:

Profits Underwood T.W. short account O.L.G., \$3,130.98.

Mr. PECORA. Now, do those two entries serve to refresh your recollection as to whether or not at about a time corresponding to the dates of those entries you had entered into an account with O. L. Gubelman that made short sales of the stock of the Underwood Elliott Fisher Co.?

Mr. WIGGIN. Well, I don't recall it except from this. But is this the same account that—

Mr. PECORA (interposing). No. This is another account. In the one that you were examined about this morning, that was formed with Hayden, Stone & Co.

Mr. WIGGIN. Well, I don't recall it.

Mr. PECORA. But do these entries convey to you now information that at about the time of the making of those entries you, while a

director of the Underwood Elliott Fisher Co., engaged in an account that made short sales of the stock of that company?

Mr. WIGGIN. I do not recall it, but I have no doubt that this is so.

Mr. PECORA. Now, from the evidence already given by you it has appeared that Mr. Dahl, who you said was chairman of the board of B.M.T., was a heavy borrower from the Chase National Bank.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And some evidence has already been given indicating that he had a loan account with the Chase National Bank aggregating over 3 million dollars at one time, which was considerably under-collateralized.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. And in addition to those three million and odd dollars of loans made to him personally, did the Chase National Bank from time to time make large loans to other individuals on notes endorsed by Mr. Dahl?

Mr. WIGGIN. I remember one loan.

Mr. PECORA. And what note was that?

Mr. WIGGIN. A loan to Barron Collier, indorsed by Mr. Dahl.

Mr. PECORA. What was the amount of it?

Mr. WIGGIN. I cannot recall, but I can ascertain.

Mr. PECORA. Will you please do so?

Mr. WIGGIN. Mr. Chairman and Mr. Pecora, before I answer the last question, let me speak again on the Elliott Fisher matter, to which Mr. Pecora directed my attention a moment ago.

Mr. PECORA. All right.

Mr. WIGGIN. That the family corporation always had on hand during that entire period about 9,000 shares of Underwood Elliott Fisher stock.

Mr. PECORA. Well, the short sales that were made were covered afterwards by the purchase of stock at prices that yielded a profit to the short account; isn't that so?

Mr. WIGGIN. I know nothing about the details of that account. That was entirely handled by Mr. Gubelman, and all that I have is this memorandum that I have just read to you, which describes it, on the books as a short account.

Mr. PECORA. All right.

Mr. WIGGIN. Now, in answer to your question about the loan to Barron Collier: I understand that the advances were made in various amounts, and at various dates, and that the maximum loan amounted to \$1,177,850.

Senator COUZENS. Were they all endorsed by Mr. Dahl?

Mr. WIGGIN. Yes, sir; guaranteed by Mr. Dahl.

Mr. PECORA. Do you know that Barron Collier had a contract with the B.M.T. which gave him or his company the advertising rights in the B.M.T.'s subway?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Now, to get back to the loans made to various individuals on the endorsement of Mr. Dahl: I have before me copy of a clearing house examiner's report on the Chase National Bank as of September 24, 1928, and it shows that as of that date there were loans outstanding to an aggregate amount of \$4,340,576, on which Mr. Dahl was endorser or guarantor. Have you got that record?

Mr. WIGGIN. I haven't any record.

Mr. PECORA. Will you look for it, under the identification number 204-8?

Mr. WIGGIN. I will ask for it. [Inquiring of an associate.] Now will you read the question?

Mr. PECORA. The committee reporter will repeat that question to you. [Which was done.]

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you know the nature of the loans that are represented in that item?

Mr. WIGGIN. Well, I can give you a part of them, anyway. There was \$260,127 loaned to Mr. Dahl—

Mr. PECORA (interposing). Well, that is exclusive of this item of \$4,340,576, isn't it?

Mr. WIGGIN. Yes, sir. And then on the next page you will find listed a loan to the Waubesa Corporation for the amount of \$4,340,576. And then there is listed that a part of the collateral was: 76,083 shares of B.M.T. common stock, 9,636 shares of B.M.T. preferred stock, 12,450 shares of New York Railway stock, and \$447,000 of New York Railways 6-percent bonds due in 1965.

Mr. PECORA. Does that loan represent this item of \$4,340,576?

Mr. WIGGIN. That is right.

Mr. PECORA. Was Mr. Dahl connected with that corporation?

Mr. WIGGIN. That is his family corporation, as I understand it.

Mr. PECORA. So that this loan of an amount of more than 4 million dollars was really a loan for the benefit of Mr. Dahl or his family?

Mr. WIGGIN. Undoubtedly.

Mr. PECORA. Do you know whether that is the private corporation of Mr. Dahl and his family?

Mr. WIGGIN. I understand so.

Mr. PECORA. What is the status of that loan today, if you know?

Mr. WIGGIN. Well, I think that is the loan out of which those sales of stock were made, so that it has been reduced by the proceeds of the sales of stock.

Mr. PECORA. What is the status of the loan?

Mr. WIGGIN. I will have to get that for you. [Inquiring of an associate.] I am advised that there is no loan at the present time to this family corporation of Mr. Dahl's, but that there is a loan to Mr. Dahl personally.

Mr. PECORA. Of what amount?

Mr. WIGGIN. I will inquire. [After inquiring of an associate.] Apparently the loan to the corporation was paid on March 12, 1930, and at the same time a loan to Mr. Dahl personally was made.

Mr. PECORA. In what amount?

Mr. WIGGIN. \$4,244,114.91.

Mr. PECORA. What is the status of that loan account?

Mr. WIGGIN. I will get it for you. [After consulting associates.] I can give it to you on October 13 last.

Mr. PECORA. That is close enough.

Mr. WIGGIN. The amount due was \$3,176,016.69.

Mr. PECORA. What is the value of collateral held by the bank against that loan?

Mr. WIGGIN. As I understand it, the value of the collateral on that date was about \$1,300,000.

Mr. PECORA. Do you know the purposes for which that loan of over \$4,000,000 was made?

Mr. WIGGIN. As I meant to make clear, the loan was made to him individually, and the larger part of it was used in connection with this family corporation.

Mr. PECORA. What was the purpose of making the loan originally to the family corporation?

Mr. WIGGIN. I simply think he believed in the stock thoroughly, and wanted to carry a lot of it.

Mr. PECORA. The stock of the B.M.T.?

Mr. WIGGIN. Yes, sir; and whatever else the collateral was.

Mr. PECORA. Did those loans make him the largest individual borrower from the bank, do you know?

Mr. WIGGIN. I do not think so.

Mr. PECORA. Is he the largest individual borrower from the bank among the officers and directors of the bank?

Mr. WIGGIN. I would have to look and see. We had a long list of directors, and I would have to make a thorough search before I could answer that question. It is only fair to say that undoubtedly when the loan was made it had ample margin. It was a perfectly good loan at the time it was made.

Mr. PECORA. He is still a director of the bank, is he not?

Mr. WIGGIN. No, sir.

Mr. PECORA. When did he cease to be a director?

Mr. WIGGIN. I am not sure, but I think it was January 1932 he ceased to be a director. That I will have to look up. I will have it for you in a minute.

Senator COUZENS. Does your record show the estimated value of the securities that were put up for that loan that you said was good at the time it was made?

Mr. WIGGIN. I do not have it here, but I can trace it back and see. It would not have been made if it had not appeared to be good at the time. He ceased to be a director in January 1933.

Mr. PECORA. January 1933. That was the time you ceased to be the executive head of the bank, was it not?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Mr. Wiggin, will you turn to the correspondence files of the Shermar Corporation and see if you find therein reference to, or a copy of a letter addressed to Mr. Howard P. Ingels, care of Theodore Schulze & Co., Inc., 44 Wall Street, New York, dated April 6, 1927, designated as No. 308-A. Do you find it?

Mr. WIGGIN. I am getting that, but while they are getting that, in answer to Senator Couzens' question, let me give you these figures. The first Dahl loan was made December 28, 1927, and was for \$162,000. Then the original amount fluctuated by increases and decreases, and on March 12, 1930, the loan was \$553,978.26, secured by collateral, the market value of which on that date was \$814,100. Then on March 12, 1930, Dahl took over the Waubesa Corporation loan of \$4,244,114.91, and made a total loan of \$4,798,093.17, and the market value of the Waubesa collateral on March 12, 1930, before the transfer of the loan to Dahl, was \$6,208,900, and the market value of the collateral to the Dahl loan March 12, 1930, after the transfer of the Waubesa loan to Dahl, was \$7,023,000. In other words, the collateral was worth \$7,023,000, and the loan was then \$4,798,000.

Senator COUZENS. When you sold these shares that were put up for collateral that reduced the security to the point that it is now.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. But the proceeds of the sale were applied to the reduction of the loan.

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Did you find the letter which I asked you about?

Mr. CONBOY. It reduced the number of securities and other things reduced the value of them as well. Have you got the letter you referred to?

Mr. PECORA. Yes.

Mr. CONBOY. Let us see it, if you please. [Mr. Pecora hands paper to Mr. Conboy.]

Mr. WIGGIN. Yes, sir. We have the letter.

Senator COUZENS. Do you want it in the record?

Mr. PECORA. I show you what purports to be a photostatic reproduction of such a letter. Do you recognize it as being a true copy thereof? [Exhibiting paper to the witness.]

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be received.

(The document referred to, letter Apr. 6, 1927, Wiggin to Ingels, was received in evidence, marked "Committee's Exhibit No. 103," Nov. 2, 1933, and the same was subsequently read into the record by Mr. Pecora.)

Mr. PECORA. The letter marked "Committee's Exhibit No. 103" heads as follows [reading]:

APRIL 6, 1927.

DEAR HOWIE:

Thank you very much for including me in the Tobacco syndicate without any responsibility. It is most generous of you. Regards to all. Renewed thanks.

Yours sincerely,

HOWARD P. INGELS, Esq.,

(% Theodore Schulze & Co., Inc., 44 Wall Street, New York, N.Y.)

Was the original of this letter sent by you?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. Do you recall the Tobacco syndicate referred to therein?

Mr. WIGGIN. No, sir.

Mr. PECORA. What did you mean when you referred in the letter to the Shermar Corporation having been included in such a syndicate without any responsibility?

Mr. WIGGIN. I think it means just what it says.

Mr. PECORA. That is, that he gave your company a participation in the syndicate without your company assuming any liability or responsibility?

Mr. WIGGIN. I think so, apparently.

Mr. PECORA. Who is Mr. Ingels, the man to whom this letter is addressed?

Mr. WIGGIN. He is a neighbor of mine in the country.

Mr. PECORA. What was his business?

Mr. WIGGIN. He used to be with W. B. Thompson. Where he was at this time I do not know.

Mr. PECORA. The letter was addressed to him at this time care of Theodore Schulze & Co., 44 Wall Street, New York.

Mr. WIGGIN. He was undoubtedly with Theodore Schulze & Co.

Mr. PECORA. What sort of firm was that?

Mr. WIGGIN. They were a banking firm.

Mr. PECORA. Is there any reason why Mr. Ingels should include your corporation in a syndicate without your corporation assuming any responsibility or liability?

Mr. WIGGIN. Presumably, if it had gone wrong, they would have called on me for my share, but he was a personal friend, and we had done things together a good many times. That is the only reason I know of.

Mr. PECORA. Did you ever let him in on any of your participations without any liability or responsibility on his part?

Mr. WIGGIN. I don't think so.

Mr. PECORA. It was all one way, then.

Mr. CONBOY. You have the letter to which that is a reply.

Mr. PECORA. I show you what purports to be a photostatic copy of a letter addressed to you by Mr. Howard P. Ingels, dated April 6, 1927. Do you recognize it as being a true and correct copy of such a letter that you received on or about that date?

Mr. WIGGIN. Yes, sir.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and spread on the record.

(The document referred to letter, Apr. 6, 1927, Ingels to Wiggin, was received in evidence marked "Committee's Exhibit No. 104, Nov. 2, 1933", and the same was subsequently read into the record by Mr. Pecora.)

Mr. PECORA. The letter is marked "Committee's Exhibit No. 104", and is written on the letterhead of Theodore Schulze & Co., Inc., 44 Wall Street, New York, and reads as follows [reading]:

APRIL 6, 1927.

Mr. ALBERT H. WIGGIN,  
Care of The Chase National Bank,  
New York, N.Y.

DEAR MR. WIGGIN:

You will recall that a couple of days before you left I spoke to you about a small operation that we were undertaking in connection with Universal Leaf Tobacco Co.

Having had you as a participant in every one of our syndicates since we have been in business, we couldn't leave you entirely out of this one, so carried a very modest participation for you. I am glad to enclose herewith the check covering the profits on the same.

We are very much pleased with the way things are going with the Splitdorf Company, especially in connection with the deal we have just made with the Radio Corporation.

Yours very truly,

HOWARD P. INGELS.

Mr. CONBOY. Will you just indicate upon the record that that is the letter to which the letter which you produced was a reply?

Mr. PECORA. Yes. [Addressing Mr. Wiggin.] I show you a type-written statement entitled "Balance sheets of the Chase Securities Corporation and its subsidiary companies as of December 31, 1932", which has been prepared by us, and I understand confirmed or checked by Mr. Hargreaves, of the Securities Corporation. Will

you please look at it and tell us if you recognize it as being a true and correct statement of the consolidated balance sheets of the Chase Securities Corporation and its subsidiary companies shown thereon, as of December 31, 1932? [Handing papers to the witness.] It is not a consolidated balance sheet, but a balance sheet of the parent company and its subsidiaries.

Mr. WIGGIN. Mr. Hargreaves tells me that he has checked this.

Mr. PECORA. And found it to be correct?

Mr. WIGGIN. And found it to be correct.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and spread on the record.

(The document referred to, balance sheets, Chase Securities Corporation and subsidiary companies, Dec. 31, 1932, was received in evidence, marked "Committee's Exhibit No. 105, Nov. 2, 1933", and the same will be found on p. 3040.)

The CHAIRMAN. The committee will stand adjourned now until 10 o'clock next Wednesday morning. The witnesses will all please observe that.

(Whereupon, at 3:10 p.m., Thursday, Nov. 2, 1933, the subcommittee adjourned to meet Wednesday, Nov. 8, 1933, at 10 a.m.)

COMMITTEE EXHIBIT No. 98, NOVEMBER 2, 1933

*Murlyn stock loaned*

Jan. 17, 1927, 3,500 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	\$12, 250. 00
Jan. 20, 1927, 1,500 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	5, 250. 00
Mar. 25, 1927, 3,700 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	12, 950. 00
Apr. 6, 1927, 1,900 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	6, 650. 00
Apr. 7, 1927, 2,000 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	7, 000. 00
Apr. 8, 1927, 1,000 shares Consolidated Textile Corporation loaned to O. L. Gubelman.....	3, 500. 00
Apr. 30, 1928, 400 shares Chase loaned to Chase Security Corporation.....	300, 000. 00
July 1, 1930, 2,300 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	231, 600. 00
July 2, 1930, 200 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	18, 400. 00
July 23, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	9, 600. 00
July 30, 1930, 800 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	72, 000. 00
July 31, 1930, 1,500 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	127, 500. 00
Aug. 4, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	8, 600. 00
Aug. 13, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	7, 700. 00
Aug. 18, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	8, 100. 00
Aug. 20, 1930, 200 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	16, 200. 00
Aug. 22, 1930, 200 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	15, 000. 00

*Murlyn stock loaned—Continued*

Aug. 22, 1930, 62,486 shares Chase loaned to Chase Security Corporation.....	\$35, 538. 91
Sept. 2, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	8, 500. 00
Sept. 2, 1930, 100 shares American Rolling Mills loaned to Gude Winmill & Co.....	5, 300. 00
Sept. 2, 1930, 200 shares St. Louis-San Francisco Ry. loaned to Gude Winmill & Co.....	18, 400. 00
Sept. 3, 1930, 500 shares Chase loaned to Chase Security Corporation.....	75, 000. 00
Sept. 5, 1930, 400 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	33, 600. 00
Sept. 8, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	8, 600. 00
Sept. 10, 1930, 100 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	8, 600. 00
Sept. 10, 1930, 200 shares American Rolling Mills loaned to Gude Winmill & Co.....	10, 000. 00
Sept. 17, 1930, 200 shares American Rolling Mills loaned to Gude Winmill & Co.....	10, 000. 00
Sept. 19, 1930, 1,900 shares American Rolling Mills loaned to Gude Winmill & Co.....	88, 000. 00
Sept. 23, 1930, 100 shares American Rolling Mills loaned to Gude Winmill & Co.....	4, 500. 00
Sept. 26, 1930, 200 shares St. Louis-San Francisco Ry. loaned to Gude Winmill & Co.....	16, 600. 00
Sept. 26, 1930, 400 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	32, 000. 00
Oct. 3, 1930, 200 shares Southern Ry. Co. loaned to Gude Winmill & Co.....	15, 200. 00
Oct. 3, 1930, 100 shares Otis Elevator loaned to Gude Winmill & Co.....	5, 900. 00
Oct. 6, 1930, 500 shares Southern Ry. loaned to Gude Winmill & Co.....	35, 000. 00
Oct. 6, 1930, 300 shares Southern Ry. loaned to Gude Winmill & Co.....	21, 000. 00
Oct. 8, 1930, 100 shares Southern Ry. loaned to Gude Winmill & Co.....	7, 200. 00
Oct. 9, 1930, 200 shares Southern Ry. loaned to Gude Winmill & Co.....	14, 400. 00
Oct. 15, 1930, 500 shares U.S. Steel Co. loaned to Gude Winmill & Co.....	74, 000. 00
Oct. 16, 1930, 1,300 shares Southern Ry. loaned to Gude Winmill & Co.....	94, 900. 00
Oct. 16, 1930, 700 shares American Rolling Mills loaned to Gude Winmill & Co.....	27, 300. 00
Nov. 7, 1930, 2,500 shares Standard Oil of Ohio preferred loaned to Chase Security Corporation.....	257, 500. 00
Nov. 24, 1930, 2,100 shares Standard Oil of Ohio preferred loaned to Chase Security Corporation.....	216, 300. 00
Nov. 26, 1930, 400 shares Standard Oil of Ohio preferred loaned to Chase Security Corporation.....	41, 200. 00
Jan. 12, 1931, 200 shares Southern Ry. loaned to Gude Winmill & Co.....	11, 600. 00
Jan. 13, 1931, 100 shares Otis Elevator loaned to Gude Winmill & Co.....	5, 700. 00
Jan. 14, 1931, 100 shares Otis Elevator loaned to Gude Winmill & Co.....	5, 600. 00
Jan. 19, 1931, 100 shares Otis Elevator loaned to Gude Winmill & Co.....	5, 600. 00
Jan. 29, 1931, 300 shares Underwood Elliott Fisher loaned to Gude Winmill & Co.....	18, 000. 00
Jan. 29, 1931, 400 shares Otis Elevator loaned to Gude Winmill & Co.....	22, 400. 00
Feb. 1, 1931, 100 shares Underwood Elliott Fisher loaned to Gude Winmill & Co.....	6, 100 00

COMMITTEE EXHIBIT No. 99, Nov. 2, 1933

*Shermar stock loaned*

June 2, 1927, 200 shares Utilities Power & Light B loaned to Pynchon & Co.....	\$3, 200. 00
June 19, 1928, 10,000 shares Chase rights loaned to Chase Security Corporation.....	500, 000. 00
July 6, 1928, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	300, 000. 00
Jan. 3, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	450, 000. 00
Aug. 9, 1929, 15,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	3, 325, 000. 00
Aug. 14, 1929, 2,500 shares Chase National Bank stock loaned to Chase Security Corporation.....	562, 500. 00
Aug. 19, 1929, 2,500 shares Chase National Bank stock loaned to Chase Security Corporation.....	562, 500. 00
Aug. 19, 1929, 10,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	2, 300, 000. 00
Aug. 19, 1929, 10,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	2, 350, 000. 00
Aug. 23, 1929, 2,500 shares Chase National Bank stock loaned to Chase Security Corporation.....	600, 000. 00
Aug. 27, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 066, 666. 67
Sept. 5, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 066, 666. 67
Sept. 19, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 150, 000. 00
Sept. 19, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 175, 000. 00
Sept. 23, 1929, 5,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	1, 225, 000. 00
Sept. 23, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	120, 000. 00
Oct. 7, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	122, 500. 00
Oct. 8, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	122, 500. 00
Oct. 15, 1929, 2,500 shares Chase National Bank stock loaned to Chase Security Corporation.....	612, 500. 00
Oct. 21, 1929, 500 shares Chase National Bank stock loaned to Chase Security Corporation.....	122, 500. 00
Oct. 23, 1929, 1,000 shares Chase National Bank stock loaned to Chase Security Corporation.....	245, 000. 00
July 1, 1930, 1,500 shares New York, New Haven & Hartford R.R. loaned to Gude, Winmill & Co.....	150, 000. 00
July 2, 1930, 600 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	108, 000. 00
July 11, 1930, 1,000 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	189, 000. 00
July 12, 1930, 700 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	132, 300. 00
July 15, 1930, 800 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	150, 400. 00
July 16, 1930, 300 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	56, 400. 00
Sept. 2, 1930, 600 shares Chase National Bank stock loaned to Chase Security Corporation.....	90, 000. 00
Sept. 10, 1930, 100 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	5, 100. 00
Sept. 11, 1930, 300 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	15, 300. 00
Sept. 30, 1930, 100 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.....	4, 400. 00

*Shermar stock loan*—Continued

Oct. 1, 1930, 100 shares of New York, New Haven & Hartford R.R. loaned to Gude, Winmill & Co.-----	\$9, 700. 00
Oct. 3, 1930, 300 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.-----	13, 800. 00
Oct. 10, 1930, 300 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.-----	12, 900. 00
Oct. 14, 1930, 100 shares New York, New Haven & Hartford R.R. loaned to Gude, Winmill & Co.-----	9, 300. 00
Oct. 15, 1930, 1,100 shares New York, New Haven & Hartford R.R. loaned to Gude, Winmill & Co.-----	103, 400. 00
Jan. 12, 1931, 400 shares Crucible Steel loaned to Gude, Winmill & Co.-----	23, 200. 00
Jan. 12, 1931, 900 shares Hudson Manhattan R.R. loaned to Gude, Winmill & Co.-----	34, 200. 00
Jan. 13, 1931, 1,000 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.-----	41, 000. 00
Jan. 13, 1931, 100 shares Crucible Steel loaned to Gude, Winmill & Co.-----	5, 700. 00
Jan. 22, 1931, 100 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.-----	4, 200. 00
Jan. 23, 1931, 100 shares American Smelting & Refining second preferred loaned to Gude, Winmill & Co.-----	9, 700. 00
Jan. 28, 1931, 100 shares Chesapeake & Ohio Ry. loaned to Gude, Winmill & Co.-----	4, 500. 00
Jan. 28, 1931, 100 shares American Smelting & Refining second preferred loaned to Gude, Winmill & Co.-----	10, 000. 00
Feb. 16, 1931, 800 shares Southern Ry. Co. loaned to Gude, Winmill & Co.-----	49, 600. 00
Feb. 26, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.-----	6, 100. 00
Mar. 3, 1931, 100 shares, Southern Ry. Co. loaned to Gude, Winmill & Co.-----	5, 400. 00
Mar. 5, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.-----	5, 300. 00
Mar. 9, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.-----	5, 300. 00
Mar. 13, 1931, 400 shares, Southern Ry. Co. loaned to Gude, Winmill & Co.-----	20, 800. 00
Mar. 17, 1931, 100 shares, Southern Ry. Co. loaned to Gude, Winmill & Co.-----	5, 200. 00
Mar. 26, 1931, 400 shares Southern Ry. Co. loaned to Gude, Winmill & Co.-----	21, 200. 00
Mar. 26, 1931, 100 shares Crucible Steel loaned to Gude, Winmill & Co.-----	5, 000. 00
Apr. 22, 1931, 1,300 shares Western Union Telegraph loaned to Gude, Winmill & Co.-----	152, 100. 00
Apr. 23, 1931, 100 shares Western Union Telegraph loaned to Gude, Winmill & Co.-----	11, 600. 00
Apr. 23, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.-----	5, 500. 00
Apr. 27, 1931, 900 shares Southern Pacific Ry. loaned to Gude, Winmill & Co.-----	75, 600. 00
Apr. 27, 1931, 100 shares Western Union Telegraph loaned to Gude, Winmill & Co.-----	11, 400. 00
Apr. 28, 1931, 100 shares Western Union Telegraph loaned to Gude, Winmill & Co.-----	11, 500. 00
Apr. 28, 1931, 100 shares Southern Ry. Co. loaned to Gude, Winmill & Co.-----	8, 300. 00
Feb. 1, 1932, 2,000 shares Western Union Telegraph loaned to Gude, Winmill & Co.-----	76, 000. 00
Feb. 8, 1932, 200 shares Western Union Telegraph loaned to Gude, Winmill & Co.-----	7, 600. 00

## COMMITTEE EXHIBIT No. 105, Nov. 2, 1933

Balance sheets of the Chase Securities Corporation and its subsidiary companies as of Dec. 31, 1932

	Subsidiary companies							
	Pine Realty Co.	Kobdo Securities Corporation	The Board-ermare Corporation	Chase National Executors & Trustees Corporation, Ltd.	Chase Harris Forbes Cos.	Chase Harris Forbes subsidiaries		
						Chase Harris Forbes Corporation—New York	Chase Harris Forbes Corporation—Boston	Public Utility Associates, Inc. <sup>2</sup>
<b>ASSETS</b>								
Cash	\$2,095.06	\$40,456.95		\$330,079.20		\$1,829,132.33	\$368,119.95	
Bills and accounts receivable	3,504,062.50	31,081.49		19,112.71	\$207,114.97	7,933,791.64	727,665.11	\$513.15
Securities			No assets.			6,496,755.31	4,990,766.06	9,346,429.86
Investments in subsidiaries <sup>1</sup>			No assets.		18,353,667.27	515,561.56		
Land and buildings		4,943,265.21						
Leasehold		42,349.20						
Other assets		2,525.68				14,892.84	23,782.28	898.06
<b>Total</b>	<b>3,506,187.56</b>	<b>5,059,678.53</b>		<b>349,191.91</b>	<b>18,560,782.24</b>	<b>16,790,133.68</b>	<b>6,110,333.40</b>	<b>9,347,841.07</b>
<b>LIABILITIES</b>								
Bills and accounts payable		5,521,914.75		19,119.04			2,282,629.91	
Secured	3,388,000.00					6,400,000.00		
Unsecured	3,969.17					5,969,599.07		
Taxes and other reserves	423.86				11,108,258.45	1,191,794.80	162,796.88	8,638,996.82
Capital	100,000.00	150.00		330,000.00	6,125,600.00	3,000,000.00	1,500,000.00	150,000.00
Surplus and profits	13,764.53	<del>462,336.22</del>		72.87	1,326,923.79	228,779.81	2,164,906.61	558,844.25
<b>Total</b>	<b>3,506,187.56</b>	<b>5,059,678.53</b>		<b>349,191.91</b>	<b>18,560,782.24</b>	<b>16,790,133.68</b>	<b>6,110,333.40</b>	<b>9,347,841.07</b>
Capital and surplus of subsidiaries	113,764.53	<del>462,336.22</del>		330,072.87	7,452,523.79	3,228,779.81	3,664,906.61	708,844.25
Book value of investments in respective subsidiaries	100,000.00	150.00	1.00	330,000.00	24,094,742.62			

	Chase Securities Corporation	Subsidiary companies					
		American Express Co.	Equitable Trust Co. (new)	Garfield National Corporation	Harris-Forbes Building, Inc.	Metpotan Securities Corporation	49 Exchange Place Corporation
<b>ASSETS</b>							
Cash.....	\$307,067.14	\$3,471,645.00	\$633,760.75	\$24,326.55	\$546.13	\$17,877.50	\$57,648.86
Bills and accounts receivable.....	4,282,442.82	21,923,197.00	449,354.64			3,426,356.24	23,845.01
Securities.....	23,304,474.19	20,624,730.00	3,689,261.11	13,767,730.64		1,541,374.07	
Investments in subsidiaries <sup>1</sup> .....	68,036,522.37	10,516,500.00					
Land and buildings.....		6,057,129.00			1,448,880.66		3,894,149.20
Leasehold.....							279,873.00
Other assets.....		268,063.00	10,210.94		877.87		7,440.46
<b>Total.....</b>	<b>95,930,506.52</b>	<b>62,861,264.00</b>	<b>4,782,687.44</b>	<b>13,792,057.19</b>	<b>1,450,304.66</b>	<b>4,985,607.81</b>	<b>4,262,957.53</b>
<b>LIABILITIES</b>							
Bills and accounts payable.....		26,298,266.00	1,384,221.38		750,071.25	3,854,403.68	4,968,176.23
Secured.....	17,916,810.67						
Unsecured.....	2,330,292.38						
Due subsidiaries and Chase Securities Corporation.....	16,600,000.00	11,670,891.00		13,050,000.00			
Suspense.....	208,513.06					4,356.67	
Taxes and other reserves.....	3,874,890.41	1,010,088.00	68,070.26	63,617.94	12,500.00	1,101,847.46	1,336.92
Other liabilities.....		77,241.00	6,656.99				89.22
Capital.....	37,000,000.00	18,000,000.00	2,000,000.00	50,000.00	418,700.00	25,000.00	150.00
Surplus and profits.....	18,000,000.00	5,804,778.00	1,323,639.81	628,439.25	269,033.41		706,794.84
<b>Total.....</b>	<b>95,930,506.52</b>	<b>62,861,264.00</b>	<b>4,782,687.44</b>	<b>13,792,057.19</b>	<b>1,450,304.66</b>	<b>4,985,607.81</b>	<b>4,262,957.53</b>
Capital and surplus of subsidiaries.....		23,804,778.00	3,323,639.81	678,439.25	687,733.41	25,000.00	706,644.84
Book value of investments in respective subsidiaries.....	68,036,522.37	40,031,677.85	2,976,000.00	1.00	478,800.00	25,000.00	150.00

<sup>1</sup> American Express Co. stock pledged as security for loans.

<sup>2</sup>  $\frac{1}{4}$  interest in this company owned by Chase Harris Forbes companies.



# STOCK EXCHANGE PRACTICES

THURSDAY, NOVEMBER 9, 1933

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

The subcommittee met, pursuant to adjournment on Thursday, November 2, 1933, in the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Gore (substitute for Barkley), Couzens, Townsend, and Goldsborough (substitute for Norbeck).

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver, David Saperstein, and David Schenker, associate counsel to the committee; Eldon Bisbee, Alfred E. Mudge, Joseph B. Lynch, and C. Horace Tuttle, of Rushmore, Bisbee & Stern; and also William Dean Embree and A. Donald MacKinnon, of Milbank, Tweed, Hope & Webb, counsel representing The Chase National Bank and The Chase Corporation; Martin Conboy, counsel for Albert H. Wiggin; Millard F. Tompkins, counsel for Arthur W. Cutten.

The CHAIRMAN. The subcommittee will come to order. A few days ago there was filed and marked for identification a statement proposing to show some so-called "loans" in connection with some stock, and that statement has not been offered in evidence, but somehow or other it has got into the press, and there has been some comment made about it. Mr. Raskob immediately came down and desires to be heard by the subcommittee on that subject, as to going out of this publicity or some statement made regarding the exhibit which had been marked for identification. Mr. Raskob is now here and the subcommittee will be very glad to hear from him now. Mr. Raskob, will you stand, hold up your right hand, and be sworn: You solemnly swear that the testimony you will give in the matters now under investigation by the subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God.

Mr. RASKOB. I do.

The CHAIRMAN. Mr. Raskob, just have a seat there at the committee table. Mr. Pecora, you have the document in question, and you may proceed to interrogate Mr. Raskob on it.

## TESTIMONY OF JOHN J. RASKOB, NEW YORK CITY, N.Y.

Mr. PECORA. I think before I question Mr. Raskob I will offer in evidence the exhibit to which you have just referred, and which heretofore has been marked "Committee Exhibit No. 81 for Identifi-

cation, October 31, 1933." I ask now that it be received in evidence and spread on the record of the subcommittee's proceedings.

The CHAIRMAN. Let it be admitted, and the committee reporter will make it a part of the record.

(Thereupon a statement heretofore identified, by being marked "Committee Exhibit No. 81 for Identification, Oct. 31, 1933", was received in evidence, and was marked "Committee Exhibit No. 81, Nov. 9, 1933", and will be found at the end of the day's proceedings.)

Mr. PECORA. Mr. Raskob, among the items listed in the statement which has just been marked in evidence as "Committee's Exhibit No. 81" of this date, and which purports to be a statement of loans made by the Chase National Bank to various so-called "syndicates", there appears at page 22 of the exhibit a reference to a loan for the sum of \$336,908 made to a syndicate of which William H. English and yourself were designated as syndicate managers. Are you familiar with that transaction, Mr. Raskob?

Mr. RASKOB. Yes, sir.

Mr. PECORA. I understand that you have expressed a desire, because of certain newspaper publications made yesterday concerning this loan, to testify before this subcommittee with respect thereto.

Mr. RASKOB. Yes, sir.

Mr. PECORA. Now, will you proceed and tell the subcommittee what you want to say in connection with this loan?

Mr. RASKOB. Well, gentlemen of the subcommittee, in last night's New York Sun, and it was in all other New York papers, too, appeared an article headed:

SMITH AND RASKOB GOT CHASE LOAN—MEMBERS WITH KENNY OF STOCK SYNDICATE

\* \* \* \* \*  
Evidence that the Chase National Bank advanced \$336,908 to Alfred E. Smith, John J. Raskob, and others to finance a syndicate securities account as the stock market slumped in November 1929 has been submitted by the bank to Senate stock market investigators. One of the Smith group was Arthur Lehman, brother of the Governor of New York State.

\* \* \* \* \*  
All those named except Smith have figured previously in the Senate stock market investigation. William H. English and Raskob were managers of a syndicate organized in November 1929. Smith by then had become chairman of the board of the County Trust Co.

That, by the way, is not true.

Raskob was a director of that bank, as was William F. Kenny, another syndicate participant. They posted County Trust stock as security for their Chase loan.

There was a second loan to the same group, but possibly for a different securities syndicate December 4, 1929, this time for \$57,150. A loan or renewal December 11, 1929, was for \$385,000. There have been numerous renewals since that time. So far as the record shows the account still is open and the syndicate participants still owe the bank approximately \$670,000.

That is not true, either. Both of those syndicates have been closed and the loans paid.

The security in which the group dealt has not been identified.

The same article, as I said before, appeared in the other New York newspapers, the World Telegram having a double column headline:

Smith named participant in advance by Chase Bank for stock pool account. Joined with Raskob, Kenny, and Arthur Lehman in syndicate in unidentified security, Senate inquiry evidence indicates.

Governor Smith called my attention to this article, and I immediately called up Mr. Pecora and told him I thought it was quite important that the record be straight, and asked whether I might have an opportunity of submitting a statement to this committee covering the facts, and he very kindly stated that he would be glad to have me come before the committee if I cared to do so.

I, of course, welcomed the opportunity. The facts are these: Mr. James J. Riordan was president of the County Trust Co. in November of 1929. He met an unfortunate death on Friday evening, November 10, 1929. On account of his being president of the County Trust Co., and on account of the country being in a bad financial panic, we with the help of Governor Smith were able to keep the news of his unfortunate death from the newspapers until noon on Saturday, at which time the bank closed.

We immediately had a meeting, with our counsel, and members of the executive committee of the County Trust Co., and with some of our banking friends down town, with a view to taking every step possible to avoid a run on the bank, which we feared might precipitate runs on other banks in New York.

Among other things we called in certified public accountants, and they worked all that night, all the next day, and all the next night making an examination of the bank, which we knew was all right, but in order that we might have a statement of the bank's condition to publish in the newspapers on Monday morning, certified to by those outside public accountants.

They asked me whether I wouldn't act as president of the bank, feeling that, perhaps, for some reason, my name might add to a sense of security. I told them "No", I was not a banker and felt that that would be a rather wrong thing to do. But after some discussion I stated that I would be willing to take the position of chairman of the board if they would create such a position, provided Mr. English, who was an experienced banker and one of the directors of the County Trust Co., would agree to take the position of acting president. And that was done.

I think it was I, then, that pointed out the possibility that when the stock market opened on Monday morning, if there were any nervous stockholders who started to dump their County Trust Co. stock on the market, and if there was no support there, it might result in the market for the stock dropping 100 or 150 points, which would in turn scare the depositors and start a run on the bank, the very thing we were trying to avoid.

I stated that I, for one, would be willing to agree to purchase some stock, because I had great confidence in the stability of the bank and in the stock as an investment. And several others of the directors agreed to do likewise. So we formed a little group, which agreed to purchase up to 3,800 shares of the stock.

I have here a statement which I will file for your record, showing the amount of stock actually purchased.

I should like to say, too, in order to avoid confusion, that the shares I am speaking of are the shares as they existed at that time. Since that time there has been a split-up of 4 shares to 1, so that the 3,800 old shares are equivalent to 15,200 shares of present stock.

That syndicate, as I say, appointed Mr. English and me as managers, and we started acquiring stock that Monday morning. We did not have to acquire very much stock. The syndicate ran for a period of 2 years. And we never sold any stock except 230 shares. I was not able to find out why we sold that small block of stock, but that amount of stock was sold.

In the statement which I file with you it is shown that—

Senator COUZENS (interposing). To whom was the stock sold?

Mr. RASKOB. I do not know. I had to leave rather early, and did not have much time to get the data together. But out of all the stock bought that was all that was sold. The syndicate expired and was wound up in November of 1932.

Senator TOWNSEND. What was the total amount of stock purchased?

Mr. RASKOB. Perhaps if I file this statement now—and I have several copies of it so that the members of the subcommittee each might have one—it would be of assistance to you. This statement shows that there was a total of 3,794 shares purchased. A thousand shares on that statement you will notice are marked "For president's account."

That has to do with syndicate no. 2, about which I will speak when I finish with syndicate no. 1. And on the second page you will see that there were 230 shares sold for \$280 a share, leaving our net purchases 2,564 shares, costing \$649,013.03. That is equal to \$253 a share, or equal to \$64 a share for the present stock, which is today selling on the market at around \$33 to \$35 a share.

The CHAIRMAN. And when the syndicate was wound up the stock was distributed pro rata, was it?

Mr. RASKOB. When the syndicate was wound up in November, and I think it was November 15, 1932, a year ago, a call was made on the various syndicate members for the balance due, which was paid, and the money was used to pay the Chase Bank loan, and then the stock was distributed to the various syndicate members.

I will file with the subcommittee a copy of the syndicate agreement, which shows the participants to be as follows:

	<i>Shares</i>
William H. English.....	500
John J. Raskob.....	500
Michael J. Meehan.....	500
Alfred E. Smith.....	100
John J. Pulley.....	100
William J. Fitzpatrick.....	100
P. D. Saylor.....	100
Peter J. Carey.....	100
Arthur Lehman.....	500
Edward J. Kelly.....	100
Daniel J. Mooney.....	50
Ralph W. Long.....	25
G. Le Boutillior.....	25
William F. Kenny.....	500
Vincent Astor.....	500
John J. Cavanagh.....	100

That makes up the 3,800 shares. Now, out of that 3,800 shares of purchasing power, as I said, the syndicate only had to use, or only bought net 2,564 shares.

Mr. PECORA. Might I interrupt you?

Mr. RASKOB. Certainly.

Mr. PECORA. Have you a copy of the syndicate agreement, Mr. Raskob?

Mr. RASKOB. This is it.

Mr. PECORA. Please let me have it.

Mr. RASKOB. All right.

Mr. PECORA. Mr. Chairman, I now wish to offer it in evidence, and ask that it be spread on the record of the subcommittee's proceedings.

The CHAIRMAN. Let it be received, and the committee reporter will make it a part of the proceedings of the subcommittee.

(The paper entitled "Supplemental Agreement to Syndicate Agreement", dated Nov. 11, 1929, was marked "Committee Exhibit No. 106, Nov. 9, 1933", and is made a part of the record as follows:)

COMMITTEE EXHIBIT No. 106, NOVEMBER 9, 1933

SUPPLEMENTAL AGREEMENT TO SYNDICATE AGREEMENT, DATED NOVEMBER 11, 1929

Supplemental agreement dated as of the 31st day of January 1931 between William H. English and John J. Raskob (hereinafter called the "managers") parties of the first part, and the subscribers hereto severally, parties of the second part;

Whereas, the parties entered into an agreement, dated the 11th day of November 1929, which is still in full force and effect, whereby they formed a syndicate to purchase, sell, and generally deal in the shares of stock of County Trust Co. of New York; and

Whereas, under date of May 1, 1930, the parties hereto entered into a supplemental agreement providing that the syndicate should expire at the close of business November 15, 1930, but might be extended by the managers without notice to any of the subscribers for a period or periods not exceeding in the aggregate 3 additional months; and

Whereas, the managers did on or about November 15, 1930, extend the period of the existence of said syndicate for 3 additional months so that the same will expire on February 15, 1931; and

Whereas, it is deemed for the best interests of all the parties that the syndicate should be continued for a longer period,

Now, therefore, witnesseth:

1. The parties hereto agree that the syndicate will expire at the close of business August 15, 1931, unless sooner terminated by the managers, but may be extended by the managers without notice to any of the subscribers for a period or periods not exceeding in the aggregate 3 additional months.

2. In all other respects said agreement of November 11, 1929, is continued in full force and effect.

In witness whereof the managers have signed an original hereof and the several subscribers have subscribed said original or counterpart thereof.

WILLIAM H. ENGLISH,  
JOHN J. RASKOB,  
*Syndicate Managers.*

Subscribers:	Share
William H. English.....	500
John J. Raskob, Wilmington, Del.....	500
Michael J. Meehan.....	500
Alfred E. Smith.....	100
John J. Pulleyn.....	100
William J. Fitzpatrick.....	100
P. D. Saylor.....	100
Peter J. Carey.....	100
Arthur Lehman.....	500
Daniel J. Mooney.....	50
Edward J. Kelly.....	100
Ralph W. Long.....	25

## Subscribers—Continued.

	<i>Shares</i>
G. Le Boutillier.....	25
W. F. Kenny.....	500
Vincent Astor, C. Every Chadwick, attorney in fact.....	500
John J. Cavanagh.....	100

The CHAIRMAN. Do you want the other statement?

Mr. PECORA. Mr. Raskob, have you also produced a statement with respect to purchases and sales made for the account of this syndicate, a copy of which I now show you?

Mr. RASKOB. Yes, sir.

Mr. PECORA. Mr. Chairman, I now wish to offer this statement in evidence, and ask that it may be spread on the record of the subcommittee's proceedings.

The CHAIRMAN. Let it be admitted, and the committee reporter will make it a part of the record.

(A paper headed "Statement of County Trust Co., Syndicate No. 1, by William H. English and John J. Raskob, Managers"; was marked "Committee Exhibit No. 107, Nov. 9, 1933", and is as follows:)

## COMMITTEE EXHIBIT No. 107, NOVEMBER 9, 1933

## STATEMENT OF COUNTY TRUST COMPANY SYNDICATE NO. 1

(By William H. English and John J. Raskob, managers)

*Stock purchases (from inception Nov. 11, 1929, to Oct. 27, 1930—no stock has been bought since)*

	<i>Cost</i>
151 shares at \$300.....	\$45,300.00
49 shares at \$298.....	14,604.00
180 shares at \$295.....	53,100.00
12 shares at \$292.....	3,504.00
208 shares at \$290.....	60,320.00
200 shares at \$285.....	57,000.00
199 shares at \$280.....	55,720.00
201 shares at \$260.....	52,260.00
200 shares at \$255.....	51,000.00
200 shares at \$250.....	50,000.00
200 shares at \$245.....	49,000.00
200 shares at \$240.....	48,000.00
200 shares at \$230.....	46,000.00
10 shares at \$201.....	2,010.00
10 shares at \$201.....	2,010.00
30 shares at \$191.....	5,730.00
8 shares at \$188.....	1,504.00
5 shares at \$192.....	960.00
9 shares at \$200.....	1,800.00
20 shares at \$195.....	3,900.00
28 shares at \$191.....	5,348.00
10 shares at \$190.....	1,900.00
20 shares at \$192.....	3,840.00
9 shares at \$202.....	1,818.00
45 shares at \$235.....	10,615.00
35 shares at \$236.....	8,275.00
30 shares at \$237.....	7,120.00
4 shares at \$231.....	924.00
72 shares at \$232.....	16,726.00
20 shares at \$226.....	4,530.00
10 shares at \$221.....	2,210.00
10 shares at \$216.....	2,160.00
10 shares at \$217.....	2,170.00
26 shares at \$218.....	5,688.00

*Stock purchases (from inception Nov. 11, 1929, to Oct. 27, 1930—no stock has been bought since)*—Continued

	<i>Cost</i>
32 shares at \$211.....	\$6,767.00
34 shares at \$211.....	7,192.00
10 shares at \$211.....	2,110.00
30 shares at \$194.....	5,830.00
1,000 shares for president's account.....	201,522.56
Interest paid by Bankers Co. before Bankers Trust Co took over account, less \$1.48 transfer-tax adjustment.....	282.00
<hr/>	
3,794 shares.....	916,609.56

*Stock sold*

230 shares at \$280.....	64,400.00
1,000 shares to president's account (including interest adjustment).....	203,196.53
<hr/>	
1,230 shares.....	267,596.53
Balance of 2,644 shares equal.....Net purchasing cost.....	649,013.03

Mr. RASKOB. We went along from November of 1929 until, I think it was, about July or August of 1930, with this make-shift organization, that is, I occupying the position of chairman and Mr. English that of acting president of the County Trust Co. In July we succeeded in getting a gentleman named Oroy Kelly to take the presidency of the County Trust Co., and Governor Smith took the chairmanship of the board. I am not quite sure that Governor Smith became chairman of the board, but that let Mr. English and me out.

Now, in order to get Mr. Kelly interested to take the position of president of the County Trust Co. he desired a 3-year option on 1,000 shares of County Trust Co. stock. The County Trust Co., of course, had no stock that they could give an option on. I do not know that there was any legal way they could have done it even if they had had the stock. So the directors agreed to purchase the stock, 1,000 shares, to be held under option that gave him the right to purchase at any time within 3 years. That was on or about August 1—no, on the 29th day of July 1930, I see it was. We formed what we called County Trust Co. Stock Syndicate No. 2 to acquire that stock, each one of the directors taking his pro rata share, which was 59 shares apiece, with two or three taking 58 shares. The directors that subscribed for the stock were:

Vincent Astor, J. J. Cavanagh, James P. Geagan, G. LeBoutillier, Edward J. Kelly, M. J. Meehan, Peter J. Carey, John J. Raskob, Ralph W. Long, Alfred E. Smith, Daniel J. Mooney, William J. Fitzgerald, W. F. Kenny, William H. English, John J. Pulleyn, P. D. Saylor.

I have a copy of that syndicate agreement here.

Mr. PECORA. Will you produce it?

Mr. RASKOB. Certainly.

Mr. PECORA. Mr. Chairman, I now wish to offer it in evidence, and ask that it may be spread on the record of the subcommittee's proceedings.

The CHAIRMAN. Let it be received, and the committee reporter will make it a part of the record.

(The paper headed "County Trust Co. of New York Stock Syndicate No. 2" was marked "Committee Exhibit No. 108, Nov. 9, 1933", and is as follows:)

COMMITTEE EXHIBIT No. 108, NOVEMBER 9, 1933

COUNTY TRUST CO. OF NEW YORK, STOCK SYNDICATE NO. 2

Agreement made this 29th day of July 1930 between William H. English and John J. Raskob (herein called the managers) and the subscribers hereto, severally (herein called the subscribers).

Witnesseth:

First. The parties hereto hereby form a syndicate to purchase and sell 1,000 shares of the capital stock of County Trust Co. of New York, a New York banking corporation (herein called the corporation).

Second. The subscribers hereby constitute and appoint the managers the managers of the syndicate hereunder.

Third. The managers are hereby specifically authorized and empowered to purchase and sell not to exceed 1,000 shares of the capital stock of the corporation (herein called shares) at such price or prices and upon such terms as the managers shall in their absolute discretion determine: *Provided, however*, That no shares shall be purchased by the managers at a price in excess of \$225 per share. The managers shall have sole direction and management of the syndicate, with full power to appoint and employ agents and brokers to do any and all such acts and to execute any and all such agreements and other instruments as the managers may in their absolute discretion deem desirable or expedient in order to promote the purchase of shares provided for in this agreement and the purposes expressed herein. The managers are specifically authorized to take over and purchase from themselves as managers of the syndicate, or otherwise, said 1,000 shares at the price at which said shares were purchased, plus interest upon such purchase price from the date of such purchase or purchases, and without in any way limiting the foregoing powers of the managers they are specifically authorized to sell the shares purchased by them, but not to exceed 1,000 shares to Orkie Kelly under the terms of an option agreement dated this day.

The managers shall have the right to borrow money, either from themselves or others, for the account of the syndicate and as security for any loan or loans made to assign and pledge any shares held for the syndicate account or any of the obligations of subscribers hereunder, upon such terms and conditions as the managers shall in their absolute discretion deem for the best interests of the syndicate.

The managers shall not be liable for anything done or omitted to be done hereunder, except for want of good faith. The managers shall make no charge for their services as managers.

Fourth. The liability of each subscriber hereunder and the interest of each subscriber in the syndicate shall be in the proportion that the number of shares subscribed for by him hereunder bears to the total number of shares subscribed for hereunder. Subscribers shall pay for their respective participations when called upon by the managers, whether at or before or after the termination of the syndicate, and without reference to the receipt of possession by the managers and/or by the subscribers of any of such shares.

Fifth. Nothing herein contained shall constitute the subscribers partners with the managers nor with one another, nor render them liable to contribute more than their ratable amount, nor render the managers liable for the subscription of any subscriber. Any loss suffered by the syndicate through the failure of any subscriber to carry out his obligations hereunder shall be charged as a loss to the entire syndicate. The managers may be subscribers in this syndicate and participate in the profits or losses thereof to the same extent as other subscribers.

Apportionment and distribution by the managers of profits or losses after charging off expenses shall be conclusive upon the syndicate.

Sixth. In case of death, resignation, or inability to act of either of the managers, the surviving manager shall act as sole manager of the syndicate until a successor shall be chosen by a majority in interest of the subscribers.

Seventh. The syndicate will expire at the close of business August 5, 1933, unless sooner terminated by the managers, but may be extended by the managers, without notice to any of the subscribers, for a period or periods not exceeding in the aggregate 2 additional months.

Eighth. Any notices hereunder to the subscribers shall be deemed to have been duly given if mailed or telegraphed to the subscribers, directed to the respective addresses furnished by them.

In witness whereof the managers have signed an original hereof, and the several subscribers have subscribed said original or counterparts thereof, setting opposite their respective signatures their respective addresses and the amounts of their several subscriptions, expressed in number of shares of capital stock of County Trust Co. of New York.

WILLIAM H. ENGLISH,  
JOHN J. RASKOB,  
*Syndicate Managers.*

	<i>Number of shares subscribed for</i>
Vincent Astor, 23 West 26th Street, New York City.....	59
J. J. Cavanagh.....	59
James P. Geagan, 30 Church Street, city.....	58
G. LeBoutillier, 911 Park Avenue.....	59
Howard S. Cullman, 161 Front Street.....	59
Edward J. Kelly, 413 West 14th Street.....	59
M. J. Meehan, 61 Broadway.....	59
Peter J. Carey, 97 Horatio Street.....	59
John J. Raskob, 230 Park Avenue, New York City.....	59
Ralph W. Long.....	58
Alfred E. Smith.....	59
Daniel J. Mooney, 25 Broadway, New York City.....	58
Wm. J. Fitzgerald, 2619 Grand Central Terminal.....	59
W. F. Kenny.....	59
William H. English.....	59
John J. Pulleyn, 51 Chambers Street.....	59
P. D. Saylor.....	59

Mr. PECORA. Mr. Raskob, let me interrupt you for a moment, please.

Mr. RASKOB. Certainly.

Mr. PECORA. A certain agreement that was offered in evidence a few minutes ago and marked "Committee Exhibit No. 106, November 9, 1933", purports to be an agreement supplemental to the original syndicate agreement, dated November 11, 1929. Have you that original agreement, the one of November 11, 1929?

Mr. RASKOB. Here it is. I meant to offer it.

Mr. PECORA. Mr. Chairman, I now offer it in evidence, and ask that it may be spread on the record of the subcommittee's proceedings.

The CHAIRMAN. Let it be admitted, and the committee reporter will make it a part of the record.

(The paper dated November 18, 1929, and signed by William H. English and John J. Raskob, syndicate managers, was marked "Committee Exhibit No. 109, November 9, 1933", and is as follows:)

COMMITTEE EXHIBIT No. 109, NOVEMBER 9, 1933

Know all men by these presents that the undersigned, John J. Raskob and William H. English, syndicate managers under the annexed agreement relating to the purchase of shares of capital stock of the County Trust Co., dated November 11, 1929, have assigned, and by these presents do assign, transfer, and set over all of the obligations of the syndicate subscribers, to the Bankers Trust Co., 16 Wall Street, New York City, as collateral security for the advances made by the said trust company to the undersigned, as syndicate managers, and it is intended hereby to vest in the said Bankers Trust Co.

all rights of the undersigned with respect to enforcing the obligations of said syndicate subscribers, and the undersigned agree to do any and all things and execute such instruments as may be requested by said Bankers Trust Co. in connection with the said obligations.

Dated November 18, 1929.

WILLIAM H. ENGLISH,  
JOHN J. RASKOB,  
*Syndicate Managers.*

Witness:

E. H. KELLY.

Agreement dated the 11th day of November 1929 between William H. English and John J. Raskob (hereinafter called the "managers") parties of the first part, and the subscribers hereto severally parties of the second part,

Witnesseth, first. The parties hereto hereby form a syndicate to purchase, sell, and generally deal in the shares of County Trust Co. of New York, a corporation organized under the banking laws of the State of New York.

Second. The parties hereto hereby constitute and appoint said William H. English and John J. Raskob the syndicate managers hereunder.

Third. The managers are hereby specifically authorized and empowered to purchase, sell, repurchase, resell, and generally deal in the shares of capital stock of said County Trust Co. of New York at such price and upon such terms as the managers shall determine; *Provided, however,* That no shares of such capital stock shall be purchased by the managers at a price in excess of three hundred fifty dollars (\$350) per share. The managers shall have sole direction and management of the syndicate, with full power to appoint and employ agents and brokers and to do any and all acts and to execute any and all agreements and other instruments which the managers may deem advisable or expedient in order to promote the purchase of shares provided for in this agreement and the purposes expressed herein.

The managers shall have the right to borrow money, either from themselves or others, for the account of the syndicate and as security for any loan or loans so made to assign and pledge any shares of said County Trust Co. of New York held for the syndicate account or any of the obligations of subscribers hereunder upon such terms and conditions as the managers shall deem for the best interests of the syndicate.

The managers shall not be liable for anything done or omitted to be done hereunder except for want of good faith. The managers will make no charge for their services as managers.

Fourth. The liabilities of each subscriber hereunder and the interest of each subscriber in the syndicate shall be in the proportion that the number of shares of stock of said County Trust Co. of New York subscribed for by him hereunder bears to the total number of shares subscribed hereunder. Subscribers shall pay for their respective participations when called upon by the managers, whether at or before or after the termination of the syndicate and without reference to the receipt or possession by the managers or by the subscribers of any of such shares.

Fifth. Nothing herein contained shall constitute the subscribers' partners with the managers or with one another or render them liable to contribute more than their ratable amount, nor render the managers liable for the subscription of any subscriber. Any loss suffered by the syndicate through the failure or any subscriber to carry out his obligations hereunder shall be charged as a loss to the entire syndicate. The managers may be subscribers in this syndicate and participate in the profits or losses thereof to the same extent as other subscribers.

Apportionment and distribution by the managers of profits or losses after charging off expenses shall be conclusive upon the syndicate.

Sixth. In case of the death, resignation, or inability to act of either of the managers, the surviving manager shall act as sole syndicate manager until a successor shall be chosen by a majority in interest of the subscribers.

Seventh. The syndicate will expire at the close of business March 15, 1930, unless sooner terminated by the managers, but may be extended by the managers without notice to any of the subscribers for a period or periods not exceeding in the aggregate 2 additional months.

Eighth. Any notices hereunder to subscribers shall be deemed to have been duly given if mailed or telegraphed to the subscribers directed to the respective addresses furnished by them.

In witness whereof the managers have signed an original hereof and the several subscribers have subscribed to said original or counterpart thereof, setting opposite their respective signatures their respective addresses and the amounts of their several subscriptions expressed in number of shares of stock of County Trust Co. of New York.

WM. H. ENGLISH,  
JOHN J. RASKOB,  
*Syndicate Managers.*

	<i>Number shares subscribed for</i>
John J. Raskob, Wilmington, Del.-----	500
Wm. H. English, New York City-----	500
Michael J. Meehan, 61 Broadway, New York-----	500
Wm. F. Kenny, 44 E. 23rd Street, New York-----	500
Arthur Schman, 1 William Street, New York-----	500
Vincent Astor, 23 W. 26th Street, New York-----	500
Alfred E. Smith, 200 Madison, New York-----	100
John J. Cavanagh, 258 W. 23rd, New York-----	100
John J. Pulleyn, 51 Chambers, New York-----	100
Peter J. Carey, 97 Horatio, New York-----	100
Ralph W. Long, 90 8th Ave., New York-----	25
P. D. Saylor, 122 E. 42nd Street, New York-----	100
Geo. LeBoutillier, Pennsylvania Station, New York-----	25
W. J. Fitzgerald, Grand Central Terminal, New York-----	100
Edward J. Kelley, 413 W. 14th Street, New York-----	100
Daniel J. Mooney, 25 Broadway, New York-----	50

The CHAIRMAN. I understand that there was never any purpose to offer this stock to the public, or to trade and deal in that stock with the public, but that it was purchased in an effort as you thought to save the bank.

Mr. RASKOB. That is it. May I continue for just a couple of minutes longer, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. RASKOB. The 1,000 shares of stock which syndicate no. 2 carried for Mr. Kelly over this 3-year period were acquired by syndicate no. 1, which accounts for the statement of syndicate no. 1, which is filed with the committee, showing 1,000 shares "for president's account."

Now, that stock under that agreement was bought for Mr. Kelly, and we paid \$201,522.56 for it, and gave him an option for 3 years under which he could purchase the stock at cost. The 3-year period expired in August of 1933, and it was extended for 2 months, but inasmuch as County Trust Co. stock was at that time selling at around \$35 per share, and this stock cost about \$50 per share, naturally Mr. Kelly did not take up his option, whereupon Mr. English and I, as managers of syndicate no. 2, called upon the members to pay the balance owing by them, and upon receipt of their checks the money was used to pay the loan at the Chase bank.

I think that loan at that time was about \$50,000, as a balance, so that the syndicate no. 2 account, which was merely for the purpose of interesting the man to become president of the company, was not successful, and the directors took the stock themselves, and as far as I know still have it. Governor Smith told me before I left New York that he still has his, and I have mine, and I think all the others have theirs.

The reason, gentlemen, that I asked for an opportunity of appearing before you was because I thought it was very unfair, particu-

larly to Governor Smith, to have newspaper articles written in the way they were, and headlined in the way they were, that would give the public the impression that he might have been interested in some syndicate that was speculating in the stock market, because such is not the case, and I might say that I think he knows very little, if anything, about such matters. I felt in justice to the members of this committee, too, that it was incumbent upon me to come down here and clear the matter up.

Senator GOLDSBOROUGH. If I clearly understand you, Mr. Raskob, there was no measure of speculation whatever in this matter. The stock was simply purchased by the directors and held by them, and you closed the syndicate and called upon the members to pay what they owed, and then you paid the loan at the Chase Bank.

Mr. RASKOB. That is right. It was all done for the purpose of trying to avoid anything like a run on the bank that could easily have happened when the public was so nervous in that financial panic. And that might not have stopped with a run on the County Trust Co., which was amply strong to withstand a run at the time.

Mr. PECORA. Mr. Raskob, how were the purchasing operations of these syndicates financed?

Mr. RASKOB. The loan we made was really with the Bankers' Trust Co. I am a director of the Bankers' Trust Co., and the County Trust Co. before it was a member of the Federal Reserve System always cleared its business through the Bankers' Trust Co., so we naturally went to them for the loan. And I do not know just how they handled the loan, but the Bankers' Trust Co. transferred the loan to the Chase National Bank, and they did it because they already had other loans in the Bankers' Trust Co. carrying County Trust Co. stock as collateral, and I presume did not want too much of the same kind of collateral on their loans.

The method of financing the purchases was: As we purchased stock we would get money from the Bankers' Trust Co., and always had a sufficient margin with them to cover the loan made. The margin was supplied by making calls on the syndicate members from time to time as money was needed to supply the margin.

I have another statement here, which is not of very great interest, but which shows that in Syndicate Account No. 1, which was the big syndicate, the amount paid on account of subscriptions was \$514,500.16; and that we received \$39,500.20 in dividends; interest on bank deposits was \$955.07. That made total receipts of the syndicate \$554,955.39. Now, the disbursements were the amounts we paid to the Bankers Trust Co. on account of the loan; that is, this Chase loan referred to of \$511,549.15. We paid 6 percent interest on that loan, which gave the bank \$43,404.61 income. And there was stamp tax of \$1.62. That is just a résumé.

Mr. PECORA. Mr. Chairman, I now offer that paper in evidence.

The CHAIRMAN. Let it be received, and the committee reporter will make it a part of the record.

(A paper marked "Statement of County Trust Co. stock syndicate no. 1 account by William H. English and John J. Raskob, managers", was marked "Committee Exhibit No. 110, Nov. 9, 1933", and is as follows:)

COMMITTEE EXHIBIT No. 110. NOVEMBER 9, 1933

## STATEMENT OF COUNTY TRUST CO. STOCK SYNDICATE NO. 1 ACCOUNT

(By William H. English and John J. Raskob, managers. Dated Nov. 20, 1932)

## Receipts:

Amount paid in on account of subscriptions.....	\$514, 500. 18
Dividends received.....	39, 500. 20
Bank interest on deposits.....	955. 03

Total receipts.....	<u>554, 955. 39</u>
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## Disbursements:

Paid Bankers Trust Co. on account of loan.....	511, 549. 15
Paid Bankers Trust Co. interest on loan.....	43, 404. 62
Stamp taxes.....	1. 62

Total disbursements.....	<u>554, 955. 39</u>
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The CHAIRMAN. Does any member of the subcommittee desire to ask Mr. Raskob any questions?

Mr. PECORA. These loans you say have been fully paid?

Mr. RASKOB. Yes. The big syndicate was wound up a year ago, and the smaller syndicate was wound up in October, last month.

The CHAIRMAN. Is there anything further that you wish to present, Mr. Raskob?

Mr. RASKOB. I do not think of anything further.

The CHAIRMAN. Do any of the members of the subcommittee desire to ask any question? (A pause, without response.) If not, that concludes the matter, Mr. Raskob.

Mr. RASKOB. I should like to express my appreciation of the courtesies in allowing me to appear here.

The CHAIRMAN. We are very glad to have had you to come down.

The CHAIRMAN. You may proceed, Mr. Pecora.

Mr. PECORA. I ask that Mr. Arthur W. Cutten be called and sworn.

The CHAIRMAN. Mr. Cutten, will you please stand, hold your right hand, and be sworn: You solemnly swear that the evidence you will give in the proceedings now being investigated by this committee will be the truth, the whole truth, and nothing but the truth. So help you God.

Mr. CUTTEN. I do.

The CHAIRMAN. Just take a seat there at the table.

### TESTIMONY OF ARTHUR W. CUTTEN, 209 LAKE SHORE DRIVE, CHICAGO, ILL.

Mr. PECORA. Mr. Cutten, will you give your full name and address to the committee reporter for the record?

Mr. CUTTEN. Arthur W. Cutten, 209 Lake Shore Drive, Chicago.

Mr. PECORA. What is your business, Mr. Cutten?

Mr. CUTTEN. I have been a broker and grain trader, and have traded in stocks during the last several years.

Mr. PECORA. Mr. Cutten, according to evidence introduced before this committee last week, under date of October 24, 1928, an agreement was entered into by and between the Sinclair Consolidated

Oil Corporation, a New York corporation, and yourself, providing for the sale to you by the corporation of 1,130,000 shares of the capital common stock of that corporation, for a consideration of \$30 per share. Do you recall that transaction?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Will you tell the committee under what circumstances you entered into that agreement?

Mr. CUTTEN. About, I think, early in August of 1929 Mr. Sinclair sent for me—

Mr. PECORA (interposing). I do not hear you.

Mr. CUTTEN. Mr. Sinclair—

Mr. PECORA (interposing). Talk a little louder. I do not hear you.

Mr. CUTTEN. In August of 1929—

Mr. PECORA. Did you say 1929?

Mr. CUTTEN. 1928, it was. Mr. Sinclair and other people called upon me at a hotel in New York City, the Biltmore Hotel in that city, and asked if I would head a group to buy or purchase 1,130,000 shares of the Sinclair Consolidated Oil Co., which Mr. Sinclair—

Mr. PECORA (interposing). Who called on you at that time?

Mr. CUTTEN. Mr. Harry F. Sinclair.

Mr. PECORA. Was he connected with the Sinclair Consolidated Oil Corporation in any capacity then?

Mr. CUTTEN. At that time; yes, sir.

Mr. PECORA. In what capacity?

Mr. CUTTEN. Well, I think as president, but I am not sure about that.

Mr. PECORA. If I heard you correctly, you said that Mr. Sinclair and others called upon you in August of 1928. Who was that other party?

Mr. CUTTEN. Mr. Fred Bartlett, I think it was.

Mr. PECORA. Was he connected with the oil corporation also?

Mr. CUTTEN. He was a director.

Mr. PECORA. He was a director of it?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. All right. Did anyone else call on you with those two gentlemen then?

Mr. CUTTEN. My cousin, Ruloff Cutten.

Mr. PECORA. Was he connected with the oil company?

Mr. CUTTEN. Not at that time.

Mr. PECORA. Well, they called on you and proposed to sell to you this stock?

Mr. CUTTEN. Yes.

Mr. PECORA. Well, now, give the committee the substance of the conversation you had with those gentlemen at that time.

Mr. CUTTEN. Well, we talked the matter over, and thought it would be a good thing for me to head a group, and although—

Mr. PECORA (interposing). To head what?

Mr. CUTTEN. To head a group.

Mr. PECORA. Speak up louder.

Mr. CUTTEN. To head a group—

Mr. PECORA (interposing). Well, what group are you referring to now?

Mr. CUTTEN. Well, I do not think there was anything said about the group at that time, but just a group. I did not know who it was. The people then just talked generally.

Mr. PECORA. When these three gentlemen called on you in August 1928 they discussed a proposition with you involving the sale to you by their company of a block of shares of the common stock.

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Who took the initiative in that conversation, you or one of them?

Mr. CUTTEN. Mr. Sinclair.

Mr. PECORA. What did he say to you?

Mr. CUTTEN. He made a proposition.

Mr. PECORA. What was the proposition that he made?

Mr. CUTTEN. To sell me that stock at \$30 a share. At that time the stock was selling around \$28 a share.

Mr. PECORA. Was the stock listed on any public exchange then?

Mr. CUTTEN. The New York Stock Exchange; yes.

Mr. PECORA. Were you then a stockholder of the company, at the time of this conversation?

Mr. CUTTEN. Yes.

Mr. PECORA. Were you an officer or director of the company?

Mr. CUTTEN. No.

Mr. PECORA. Had you been an officer or director at any time prior to this conversation?

Mr. CUTTEN. No.

Mr. PECORA. What did Mr. Sinclair say to you was the reason that he and the others were making this proposition to you?

Mr. CUTTEN. Well, I do not know whether they said anything about it.

Mr. PECORA. Had you previously indicated to them that you were in the market to purchase a large block of the shares of the stock?

Mr. CUTTEN. No.

Mr. PECORA. Now, go ahead and give the substance of what Mr. Sinclair and these other gentlemen said to you when they initially submitted this proposition to you.

Mr. CUTTEN. Well, they simply wanted to sell me the stock at \$30 a share, and I said that was too high. It was selling at \$28 a share. I thought a big block of stock like that ought to be bought for less.

The CHAIRMAN. What stock was this? Was it treasury stock?

Mr. CUTTEN. Treasury stock.

The CHAIRMAN. It had never been sold?

Mr. CUTTEN. No.

Mr. PECORA. Go ahead now, Mr. Cutten, and give the substance of the entire conversation. You have just told us that they proposed to sell you 1,130,000 shares at \$30 a share.

Mr. CUTTEN. Yes.

Mr. PECORA. And that the stock was then selling in the market for \$28 a share or thereabouts, and you indicated that \$30 a share was too high a price.

Mr. CUTTEN. Too high a price.

Mr. PECORA. From that point on, narrate the conversation that took place.

Senator COUZENS. Before you start that, the Chairman asked Mr. CUTTEN if this was treasury stock.

Mr. CUTTEN. I think it was.

Senator COUZENS. I understand him to answer in the affirmative. Is that correct?

Mr. CUTTEN. I think so.

Mr. PECORA. I understand the fact is that the most of this block of stock had previously been issued.

Mr. CUTTEN. I really could not say. I do not think we went into that part of it.

Senator COUZENS. Do you know now whether it was treasury stock at the time, or whether it was somebody else's stock?

Mr. CUTTEN. I really could not say.

Senator COUZENS. You do not even know now, up to this date; is that right?

Mr. CUTTEN. That is true.

Mr. PECORA. Go ahead and resume the conversation that you had, from the point where you told these gentlemen that you thought the price of \$30 a share was too high, in view of the fact that the stock was selling for about \$28 on the market.

Mr. CUTTEN. Yes. I think they said that they could get a group together to buy this stock.

Mr. PECORA. Who said that?

Mr. CUTTEN. Mr. Sinclair.

Mr. PECORA. What did they say—

Mr. CUTTEN. General talk, you know.

Mr. PECORA. I want to get the conversation as comprehensively as I can. When you said you thought the price of \$30 a share was too high, what reply did any of those gentlemen make to that?

Mr. CUTTEN. Mr. Sinclair said they would not sell it for any less than \$30 a share.

Senator TOWNSEND. Did you finally agree upon \$30?

Mr. CUTTEN. Yes.

Senator TOWNSEND. \$30 was the price agreed upon?

Mr. CUTTEN. Yes.

Mr. PECORA. Did he say, in substance, that the stock was, in his opinion, worth more than \$30 a share?

Mr. CUTTEN. He said he thought it was much more.

Mr. PECORA. Did he say how much more?

Mr. CUTTEN. No, he did not say how much more, but he said he would not sell it for less than \$30 a share.

Mr. PECORA. At that time had you made any survey or study of the company with a view of determining for yourself the value of the stock?

Mr. CUTTEN. Not at that time.

Mr. PECORA. All right. Go ahead and continue the conversation that you had with him.

Mr. CUTTEN. Well, I don't think there is anything—

Mr. PECORA. You have told us that Mr. Sinclair said that he would form a group.

Mr. CUTTEN. Yes.

Mr. PECORA. What did he say fully about that?

Mr. CUTTEN. I do not think he went into the particulars.

Mr. PECORA. Did he say about how large a group he would form?

Mr. CUTTEN. No; he did not, not that I recollect. This happened 4 or 5 years ago. I cannot remember the details.

Mr. PECORA. Do you know how it was or why it was that Mr. Sinclair and his associates came to you with this proposition?

Mr. CUTTEN. I suppose he thought I could handle the stock.

Mr. PECORA. You mean he thought you were in a position to purchase 1,130,000 shares?

Mr. CUTTEN. He was out to market the stock, I presume, to sell the stock.

Mr. PECORA. Did you indicate to him at that time that you could not undertake to buy for yourself that large block of 1,130,000 shares?

Mr. CUTTEN. Yes; I did

Mr. PECORA. What did Mr. Sinclair then say?

Mr. CUTTEN. He said he would get a group together.

Mr. PECORA. Did he ask you to become a member of the group?

Mr. CUTTEN. To participate.

Mr. PECORA. How long did that conversation last at which it was first proposed to you to sell you this block of stock?

Mr. CUTTEN. How long did it last?

Mr. PECORA. Yes.

Mr. CUTTEN. Well, I suppose he was probably in my room about an hour and a half talking things over, back and forth.

Mr. PECORA. During that hour and a half, what was said concerning the reason for his wanting to sell 1,130,000 shares at that time?

Mr. CUTTEN. I cannot remember. I do not think he said what he wanted to use the money for at that time.

Mr. PECORA. Did he say that the matter had been discussed by him with the directors of his company?

Mr. CUTTEN. No; he did not say that.

Mr. PECORA. Did anyone tell you at that time that the proposal was one that had been discussed among the members of the board of directors?

Mr. CUTTEN. I think not at that time.

The CHAIRMAN. How much of this stock was he to take?

Mr. CUTTEN. How much was he to take? He was to participate to the extent of three twelfths, I think. That is the way it was split up. [After conferring with an associate.] One quarter.

The CHAIRMAN. You will have to talk a little louder. I cannot hear. I do not know what you said.

Mr. PECORA. Talk a little louder.

Mr. CUTTEN. One quarter.

The CHAIRMAN. He was to take one quarter.

Mr. CUTTEN. That is right.

The CHAIRMAN. Did he name any others, or the proportion they would take?

Mr. CUTTEN. He did not name any others.

Mr. PECORA. How large a group did he say he would undertake to form to buy this stock?

Mr. CUTTEN. I don't think he went into that.

Mr. PECORA. Did he ask you how much of the stock you would take, or what interest you would take in this group?

Mr. CUTTEN. Yes.

Mr. PECORA. What did you say?

Mr. CUTTEN. I told him I would participate.

Mr. PECORA. To what extent?

Mr. CUTTEN. To the extent of one quarter.

Mr. PECORA. Did you, before the conclusion of that conversation, agree to buy any of this stock at \$30 a share?

Mr. CUTTEN. I agreed to take some, yes.

Mr. PECORA. At \$30 a share?

Mr. CUTTEN. At \$30 a share.

Mr. PECORA. You agreed to take one fourth of this amount that he was offering?

Mr. CUTTEN. That is right.

Mr. PECORA. At \$30 a share?

Mr. CUTTEN. Yes.

Mr. PECORA. And the stock then was selling for about \$28 a share.

Mr. CUTTEN. At that time it was \$28, but I think we had 2 or 3 meetings.

Mr. PECORA. That is why I asked you a moment ago if, before the—

Mr. CUTTEN. This thing was not all done at this one meeting.

Mr. PECORA. That is why I asked you a moment ago if, before the end of that conversation, you agreed to buy any portion of this large block of stock at \$30 a share. I am referring now to this first conversation when the subject was introduced to you.

Mr. CUTTEN. Yes. It was not thoroughly settled at this one meeting. We had subsequent meetings.

Mr. PECORA. Was there anything settled at the first meeting?

Mr. CUTTEN. No; nothing definitely settled at the first meeting.

Mr. PECORA. When, after that, did you have another meeting with Mr. Sinclair and his associates for the purpose of discussing this same proposition?

Mr. CUTTEN. I just cannot remember.

Mr. PECORA. About how long after the first one did a second meeting or conversation take place?

Mr. CUTTEN. I do not think I attended the second meeting. I think that my brokers in Chicago negotiated, or my brokers in New York.

Mr. PECORA. Who were your brokers in New York?

Mr. CUTTEN. Hutton & Co.

Mr. PECORA. Is that E. F. Hutton & Co.?

Mr. CUTTEN. E. F. Hutton & Co.

Mr. PECORA. After your first conversation with Sinclair and Bartlett, did you discuss the matter with your brokers, Hutton & Co.?

Mr. CUTTEN. Yes.

Mr. PECORA. Did you ask them to act for you in any future negotiations on that subject?

Mr. CUTTEN. I gave my cousin a power of attorney to act for me.

Mr. PECORA. Was your cousin then a member of the firm of E. F. Hutton & Co.?

Mr. CUTTEN. Yes.

Mr. PECORA. How many conversations, all together, did you personally have with Mr. Sinclair and any of his associates, with relation to this proposition?

Mr. CUTTEN. I can only remember that one personally.

Mr. PECORA. What conversations did you have with any other persons between this first one of August 1928 and October 24, 1928, which was when you made this agreement with the Sinclair Consolidated Oil Corporation to buy the 1,130,000 shares?

Mr. CUTTEN. It is my opinion—my best recollection is that it was done over the telephone, back and forth.

Mr. PECORA. With whom did you speak?

Mr. CUTTEN. Ruloff Cutten.

Mr. PECORA. Ruloff Cutten is your nephew?

Mr. CUTTEN. Cousin.

Mr. PECORA. Give the substance of whatever conversations you had, from the time you had this first talk up to and including October 24, 1928, when you entered into this agreement to buy the 1,130,000 shares.

Mr. CUTTEN. As time went on, of course, the stock went up to \$30 and \$32, I think, when the deal was signed. The stock jumped up, and we agreed over the telephone—he made a proposition to me and I accepted it. The proposition was that I should buy that stock at \$30 a share, and they would form a group to participate.

Mr. PECORA. At any time during the conversations that you had, between the first conversation in August, and October 24, 1928, did you discuss with any individuals a price for the stock other than \$30 a share?

Mr. CUTTEN. No.

Mr. PECORA. When, for the first time, did you indicate that you would go into any group or syndicate to buy the stock at \$30 a share? How long before October 24, 1928?

Mr. CUTTEN. Probably a week or 10 days before. I can not just remember the time, it is so long ago now, but probably 3 or 4 days, or 5 days.

Mr. PECORA. Did you have any correspondence with anybody on this subject prior to October 24, 1928?

Mr. CUTTEN. No written correspondence.

Mr. PECORA. Then all the negotiations were carried on orally, were they?

Mr. CUTTEN. Well, as I say, I had given a power of attorney to Ruloff Cutten. He carried on the negotiations from then on.

Mr. PECORA. Under that power of attorney, did you give him the right to decide for you—

Mr. CUTTEN. No; I decided.

Mr. PECORA (continuing). What price you would pay for the stock and how much of it you would buy?

Mr. CUTTEN. I told him what we would do, and he carried on the negotiations from then on.

Mr. PECORA. Did he keep in touch with you, so as to keep you currently posted as to the course of the negotiations?

Mr. CUTTEN. Absolutely.

Mr. PECORA. Give the committee, then, the history of the negotiations. Give it in narrative form up to the time that you actually agreed on October 24, 1928, to buy the stock.

Mr. TOMPKINS. May he read a statement?

Mr. CUTTEN. May counsel read this?

Mr. TOMPKINS. Mr. Cutten is very deaf, and this happened 4½ years ago. He has a connected story of it.

Mr. PECORA. Who prepared the statement that you now suggest he be permitted to read?

Mr. TOMPKINS. I prepared it after conferring with him and going over the documents, Mr. Pecora.

Mr. PECORA. Have you an extra copy of that statement?

Mr. TOMPKINS. I will have an extra copy; yes, sir.

Mr. PECORA. Will you give your name to the reporter for the purposes of the record, so that we will know who is being referred to?

Mr. TOMPKINS. Millard F. Tompkins.

Mr. PECORA. What is your business or profession?

Mr. TOMPKINS. I am a lawyer, practicing law in New York. My firm is Tompkins, Boal & Tompkins, with offices at 116 Johns Street, New York City.

Mr. PECORA. In 1928, at the time of these negotiations, Mr. Tompkins, were you acting as attorney or legal adviser for the witness?

Mr. TOMPKINS. I was during part of the time; yes, sir. I was also counsel for E. F. Hutton & Co.

Mr. PECORA. Do you want Mr. Cutten to read that statement into the record that has been prepared, you say, by you with his assistance?

Mr. TOMPKINS. I would like him to; yes.

Mr. PECORA. Will you let me see it, please?

Mr. TOMPKINS. That is a complete history of the transaction [handing paper to Mr. Pecora].

Mr. PECORA [after examining paper]. Mr. Cutten, your counsel, Mr. Tompkins, has just given me a typewritten statement, which he says is a complete statement of the negotiations involving this transaction. Have you seen that statement?

Mr. CUTTEN. Yes, I have read it.

Mr. PECORA. You have read it?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Is it true and correct in all details?

Mr. CUTTEN. It is true and correct; yes, sir.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted.

(The document referred to, prepared statement of Arthur V. Cutten, was marked "Committee's Exhibit No. 111", received in evidence, and the same was subsequently read into the record by Mr. Pecora.)

Mr. PECORA. The statement is as follows:

The CHAIRMAN. Mr. Tompkins, do you represent Mr. Cutten, or Hutton & Co.?

Mr. TOMPKINS. I represent Mr. Cutten at this hearing, and I represented Mr. Cutten in some of these negotiations. There were two syndicates in this matter. I drew the second syndicate, the so-called trading syndicate, for Mr. Cutten.

Mr. PECORA. Mr. Tompkins, may I ask, are you also attorney or legal adviser for the firm of E. F. Hutton & Co.?

Mr. TOMPKINS. I am, and have been for over 15 years.

The CHAIRMAN. And you were in 1928, during the course of the negotiations relating to this transaction?

Mr. TOMPKINS. Yes, sir.

Mr. PECORA. The statement offered in evidence is as follows [reading]:

Arthur W. Cutten says: "I am a member of the Chicago Board of Trade, and am and have been for a number of years engaged in business as a trader in commodities and stocks.

"In the late summer or early fall of 1928, one of the officers or directors of the Sinclair Consolidated Oil Corporation with whom I was acquainted, informed me that the Sinclair Co. was contemplating making a large additional issue of stock, and asked me if I would be interested in heading a group to purchase the stock from the company at a flat price. At that time I was bullish on the market as a whole, and I believed that the oil stocks had not participated to the extent that they should in the rise in securities which had taken place during the preceding couple of years.

"I evidenced an interest in the proposition at this interview, and following it I came to New York by request as I recall it now, in the early part of October 1928, and had an interview with Mr. Harry F. Sinclair, and my nephew, Ruloff E. Cutten, who represented me in business matters in New York was present at this interview."

Mr. TOMPKINS. That should be his cousin, Mr. Pecora. I had the relationship mixed.

Senator COUZENS. While you are reading that, who was the official of the Sinclair Co. that first drew this to your attention, referred to in what Mr. Pecora just read?

Mr. CUTTEN. Fred Bartlett. Mr. Sinclair, Mr. Bartlett, and Ruloff Cutten were the three.

Mr. PECORA [continuing reading].

I evidenced an interest in the proposition at this interview, and following it I came to New York by request as I recall it now, in the early part of October 1928 and had an interview with Mr. Harry F. Sinclair, and my nephew (cousin), Ruloff E. Cutten, who represented me in business matters in New York, was present at this interview. Mr. Sinclair informed me in substance that his company contemplated issuing 1,130,000 shares of additional stock, to net the company \$30 per share; that the funds to be raised through the sale of this stock were to be used to give the company additional working capital for the purpose of carrying on an aggressive campaign of expansion and development which they had in mind. The stock at that time was selling in the neighborhood of 28, and as I recall it I demurred at the contemplated sale price being above the then market. Mr. Sinclair in substance informed me that \$30 a share was the only price which they would consider. We had a general discussion concerning the company and its prospects, and Mr. Sinclair informed me that in his opinion the prospects for substantial earning power were such that if the company could raise the necessary capital for its expansion program through the sale of its stock instead of having to dip heavily into earnings for this purpose, it would be only a short time before the stock would go on a dividend paying basis.

This preliminary interview was followed by a number of later interviews with Mr. Sinclair and others interested in the proposition. At these interviews I stated frankly that I would not care to take a commitment of that size alone and it was explained to me that Mr. Sinclair would take off my hands 130,000 shares at the cost price to me, and Blair & Co., who had been the bankers for the company in the past, and the Chase Securities Corporation, and the Shermer Corporation would also take a substantial participation.

The fact that Mr. Sinclair himself, as well as the company's bankers, were to join with me in the purchase, naturally made the deal in my eyes seem all the more desirable. I felt that they were familiar with the company and

its prospects, and would not commit themselves unless they were bullish on its prospects.

Accordingly, on October 24, 1928, an agreement was entered into between Blair & Co., the Chase Securities Corporation, the Shermar Corporation, Harry F. Sinclair, and myself under which the other parties to this agreement agreed to participate and take an interest in my contemplated contract to purchase. They agreed to share in the profits, expenses, and losses in the following proportions:

Blair & Co., three twelfths; Harry F. Sinclair, three twelfths; myself, three twelfths; Chase Securities Corporation, two twelfths; Shermar Corporation, one twelfth.

After this agreement was signed, I entered into the contract to purchase covering the entire 1,130,000 shares, with the Sinclair Consolidated Oil Corporation. This contract bears date October 24, 1928, and I agreed to purchase from the corporation 1,130,000 shares at \$30 per share. Payment for these shares was to be made upon delivery, which was to be made at any time, or from time to time, designated by me, within a period of 12 months from October 24, 1928, subject to the right of the corporation at any time or from time to time after 30 days from October 24, 1928, and upon 30 days' written notice to me, signed by the president or treasurer, to require me to take and pay for the shares in whole or in part. The contract provided that if I did not take up and pay for or procure purchasers who should pay for the shares within 30 days from the date thereof, I would pay to the corporation if and when requested by it up to but not exceeding 20 percent of the purchase price and would pay interest at not exceeding 6 percent on the balance of the purchase price until paid, with appropriate adjustment for dividends if any should be declared during such period.

Upon the execution of this contract, Mr. Sinclair agreed in writing to purchase from me 130,000 of the shares upon the same terms and conditions that I was making the purchase of 1,130,000 shares from the company. It was contemplated from the outset that after the purchase had been consummated and the preliminary agreement entered into a syndicate agreement should be drawn up under which I should act as manager and complete the purchase for and on behalf of the syndicate. This agreement was prepared, dated as of October 25, 1928, in the form of the copy submitted, and I made the purchase from the company for the syndicate account.

The syndicate formed under this agreement of October 25, 1928, was widened so as to include other participants than those mentioned in the agreement of October 24, 1928, which latter agreement always contemplated that the parties to it should admit others to be agreed upon. As finally made up, the participants and the share of the profits which they received from the syndicate were as indicated on a separate sheet annexed hereto. None of these participants, with the exception of the participation granted to Hutton & Co., Ltd., were obtained by me. The syndicate was made up here in New York by the other parties in interest. As I recall it, the sale to me and the purchase price paid were not kept from the public. Due announcement was made in the public press, and an application was made by the company to list the additional share on the New York Stock Exchange. At the time the purchase was made we deemed it advisable to form a trading account in the stock. Under the original syndicate agreement A, the purchasing power of the syndicate was limited to 1,130,000 shares, the amount which it had contracted to purchase from the Sinclair Co., and I realized that if the market did not advance, and we were not able immediately to dispose of some of the shares purchased, it would be necessary, if we hoped to have the purchase carried out satisfactorily without loss to the parties in interest, to have buying power by means of a trading account which could make purchases of the stock independently of the original syndicate.

Accordingly, a second syndicate, known as "Syndicate Agreement B", was formed. It was decided to widen the scope of this trading account by allowing it to have a net commitment of 1,000,000 shares instead of the 500,000 originally contemplated. There were 32 participants in this second account, of which I was manager. Annexed is a list giving the names of these participants, the amount which they deposited as collateral, their participation, and the distribution of the profits. I received 10 percent of the profits of this trading-account syndicate for my services.

Syndicate account A was opened on October 28, 1928, and closed on April 16, 1929. I have, of course, no recollection of the actual details of the trading. It purchased from the Sinclair Co. 1,130,000 shares of stock at 30, taking

delivery of 500,000 on December 27 in the same year and 630,000 shares on December 31, paying the company therefor the sum of \$33,900,000. It sold to Mr. H. F. Sinclair 130,000 shares at \$30 a share, delivering the stock to him on December 31, 1928, and receiving in payment for it \$3,900,000.

In addition to the stock purchased from the Sinclair Oil Co. it purchased in the course of its operations 702,760 shares at varying prices and sold 1,702,760 shares. Its profit was \$12,200,109.41. I, of course, at this late time have no recollection of the various purchases and sales. I was in Chicago the greater part of the time, but was in daily touch with New York over the telephone. The transactions on the floor were handled by my nephew (cousin) and representative in New York, Mr. Ruloff E. Cutten, who reported to me several times a day what had been done. I gave orders to buy and sell, and also gave him a certain amount of discretion in purchasing and selling.

Now, Mr. Cutten, when was this statement prepared?

Mr. CUTTEN. That statement?

Mr. PECORA. Yes, sir.

Mr. CUTTEN. About three or four days ago.

Mr. PECORA. Was it prepared by you and Mr. Tompkins?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Did Mr. Tompkins have any part in the negotiations that led to the formation of these syndicates in 1928?

Mr. CUTTEN. I think, as a representative of Hutton—

Mr. TOMPKINS. No, I did not, Mr. Pecora; not in the original negotiations with Mr. Sinclair. I heard of them as they were reported to me from time to time, but I had no part in the negotiations myself.

Mr. PECORA. Mr. Cutten, who is responsible for the statements of fact set forth in this prepared statement, you or Mr. Tompkins, or anyone else?

Mr. CUTTEN. I am.

Mr. PECORA. You are?

Mr. CUTTEN. Yes.

Mr. PECORA. And all the facts set forth here are within your personal knowledge, are they?

Mr. CUTTEN. As far as I can remember, yes.

Mr. PECORA. Let us go over this statement a little more in detail. In this statement you say that [reading]:

In the late summer or early fall of 1928 one of the officers or directors of the Sinclair Consolidated Oil Corporation with whom I was acquainted informed me that the Sinclair Co. was contemplating making a large additional issue of stock, and asked me if I would be interested in heading a group to purchase the stock from the company at a flat price.

Who was that officer or director?

Mr. CUTTEN. Mr. Sinclair, to the best of my knowledge at this time.

Mr. PECORA. Was it in August of 1928 that Mr. Sinclair first came to you with the proposition?

Mr. CUTTEN. I think it was. As near as I can remember. I cannot remember the details.

Mr. PECORA. At that time, when he first came to you, did he specify what the flat price was?

Mr. CUTTEN. I think he did—\$30.

Mr. PECORA. And what was it, \$30 a share?

Mr. CUTTEN. \$30 a share. He would not sell it for any less, he said.

Mr. PECORA. The stock then was selling in the open market for about \$28 a share?

Mr. CUTTEN. Quotations were around 28. We had some discussion over the price.

Mr. PECORA. I understand from this prepared statement of yours that you demurred to that price of \$30 a share.

Mr. CUTTEN. At that time. I thought it was too high.

Mr. PECORA. Thought it was too high. When did you first become convinced that the price of \$30 a share represented a fair and reasonable value of the stock?

Mr. CUTTEN. The stock was going up a little bit, knowing that negotiations were going on, I presume, because there was pretty heavy trading in the stock. I think one day there was three or four hundred thousand shares of stock sold. That is before this agreement was signed.

Mr. PECORA. All right, but you mean by this agreement the agreement of October 24, 1928?

Mr. CUTTEN. Yes.

Mr. PECORA. That was the agreement under which you agreed to buy the stock at \$30 a share. When for the first time did you personally conclude that \$30 a share was a fair and reasonable price or value for the stock?

Mr. CUTTEN. When did I?

Mr. PECORA. Yes.

Mr. CUTTEN. What date?

Mr. PECORA. About when; yes.

Mr. CUTTEN. I cannot remember.

Mr. PECORA. Well, about how long prior to October 24, 1928, did you first reach the conclusion that you would buy the stock for \$30 a share because you thought that was fair and reasonable?

Mr. CUTTEN. Three or four days probably before. That is the best of my knowledge at this time. When you go back for four or five years it is pretty hard to remember those details.

Mr. PECORA. Well, you have had a chance to refresh your recollection, have you not, by access to correspondence or other writings?

Mr. CUTTEN. I have not read very many of them. I did not go over them.

Mr. PECORA. Now, you say in this prepared statement that at that time, namely, in the late summer or early fall of 1928, which time you now fix as having been some time in August, you were bullish in the market as a whole.

Mr. CUTTEN. Yes.

Mr. PECORA. And you believed that the oil stocks had not participated to the extent that they should in the rise in securities, which had taken place during the preceding couple of years; is that right?

Mr. CUTTEN. That is right.

Mr. PECORA. Were you merely bullish or were you of the opinion, based upon any knowledge you possessed or had acquired, that the Sinclair Consolidated Oil Co. stock was worth \$30?

Mr. CUTTEN. I thought it was. I had no knowledge of it.

Mr. PECORA. You had no knowledge of its value at all?

Mr. CUTTEN. That was my thought, that with other stocks going up as they were I thought it would be a pretty good buy.

Mr. PECORA. Now, you say in this statement: "I evidenced an interest in the proposition at this interview." That relates to the first interview you had, which was with Mr. Sinclair some time in August 1928, does it not?

Mr. CUTTEN. He did not show me any figures; no.

Mr. PECORA. No; but in this statement—

Mr. CUTTEN (interposing). I was always willing to take a chance.

Mr. PECORA. I don't hear you very well.

Mr. CUTTEN. I say, I am always willing to take a chance.

Mr. PECORA. You were willing to take a chance in a 30-odd-million-dollar deal without knowing what the value of the stock then was?

Mr. CUTTEN. As a participant. I thought the market looked pretty strong there, and it so did, it proved it.

Mr. PECORA. You say in this prepared statement:

I evidenced an interest in the proposition at this interview, and following it I came to New York by request, as I recall it now, in the early part of October 1928 and had an interview with Mr. Sinclair and my cousin.

Mr. CUTTEN. Yes, sir.

Mr. PECORA. When did you "evidence an interest in the proposition", the first time that Sinclair spoke to you about it in August or when you came on to New York in the early part of October 1928?

Mr. CUTTEN. The first time and the second time.

Mr. PECORA. After the first time you were conscious of the fact that you knew nothing about the actual value of the stock, did you then make any investigation for the purpose of informing yourself of the value of the stock?

Mr. CUTTEN. I might have asked about it. I don't remember. I probably did.

Mr. PECORA. What is that?

Mr. CUTTEN. I probably did, I say. I cannot remember the details about that.

Mr. PECORA. You say you probably did?

Mr. CUTTEN. Yes. I must have.

Mr. PECORA. Well, would you go into a deal of this magnitude and commit yourself to the purchase of millions of dollars worth of stock of a corporation without attempting to find out something definitely concerning its value?

Mr. CUTTEN. I cannot remember just what did happen about that.

Mr. PECORA. Do you remember what investigation if any you made as to the value of the stock?

Mr. CUTTEN. No; I don't remember.

Mr. PECORA. Do you remember any persons from whom you sought any information on the value of the stock?

Mr. CUTTEN. I can't remember.

Mr. PECORA. Do you remember any books or financial statements that were brought to your attention to inform you as to the value of the stock?

Mr. CUTTEN. Just general knowledge.

Mr. PECORA. What is that?

Mr. CUTTEN. General knowledge that I pick up here and there.

Mr. PECORA. What was the nature of that knowledge that you picked up here and there?

Mr. CUTTEN. Just as we would pick up, you know, being interested in the stock market.

Mr. PECORA. Did you ask for a balance sheet, for instance, of the company at any time?

Mr. CUTTEN. No, I did not; but I may have heard how they were doing. Mr. Sinclair said that the company was doing very well.

Mr. PECORA. Between the time that he first spoke to you in August—

Mr. CUTTEN (interposing). And he thought as time went on he would pay a dividend.

Mr. PECORA. Well, he thought that he would pay a dividend if they got this additional capital of \$33,000,000 to expand the company's business; isn't that what he thought?

Mr. CUTTEN. Well, I don't know what he thought.

Mr. PECORA. Isn't that exactly what you have said in this prepared statement that you say you prepared with the help of counsel within the last three or four days?

Mr. CUTTEN. That might be true.

Mr. PECORA. What is that?

Mr. CUTTEN. It might be true.

Mr. PECORA. What is that?

Mr. CUTTEN. I say, it might be true.

Mr. PECORA. Well, is it true?

Mr. CUTTEN. I think so; yes.

Mr. PECORA. When did you first indicate to Mr. Sinclair or to any other person or persons that you would buy the stock or any portion of this stock of 1,130,000 shares for \$30 a share?

Mr. CUTTEN. When did I?

Mr. PECORA. Yes.

Mr. CUTTEN. I think 3 or 4 days before the agreement was signed, to the best of my knowledge at this time.

Mr. PECORA. And that agreement is the one of October 24, 1928?

Mr. CUTTEN. Yes.

Mr. PECORA. That was the first time, was it, that you agreed?

Mr. CUTTEN. Yes.

Mr. PECORA. Up to that time you had made no commitment of any kind?

Mr. CUTTEN. No commitment.

Mr. PECORA. And as a matter of fact you did not make any firm commitment until the 24th of October 1928, did you?

Mr. CUTTEN. Those negotiations were handled by my cousin in New York.

Mr. PECORA. I know, but you personally made no commitment to buy any of this stock at \$30 a share until the 24th of October 1928. What was the market value of the stock at that time, Mr. Cutten?

Mr. TOMPKINS. We are trying to get it for you.

Mr. PECORA. Perhaps I can help you.

Mr. TOMPKINS. What date do you want, Mr. Pecora?

Mr. PECORA. October 24, 1928.

Mr. TOMPKINS. According to our records the low was 32, the high was  $35\frac{7}{8}$ .

Mr. CUTTEN. You say October 24, 1928?

Mr. PECORA. Yes; October 24, 1928. What was the closing price on that day?

Mr. CUTTEN.  $35\frac{5}{8}$ .

Mr. PECORA. And you did not make a firm commitment to buy these shares at \$30 a share until October 24, when the range was from 32 to  $35\frac{7}{8}$ , with a closing price of  $35\frac{5}{8}$ ; is that correct?

Mr. CUTTEN. That must be correct; yes. That is right.

Mr. PECORA. Although you had been considering the matter since the preceding August?

Mr. CUTTEN. I think so, to the best of my knowledge; yes, sir.

Mr. PECORA. Do you know how many shares were traded in on that day, October 24, 1928?

Mr. CUTTEN. I have it here, 500,000.

Mr. PECORA. Five hundred thousand seven hundred shares?

Mr. CUTTEN. Five hundred thousand seven hundred shares; yes, sir.

Mr. PECORA. Is that right?

Mr. CUTTEN. Yes, sir; according to this.

Mr. PECORA. And in the face of that heavy volume the price went up?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Do you know when for the first time prior to October 24, 1928, the market quotations for this stock reached 30?

Mr. CUTTEN. Prior to that? On the 16th.

Mr. PECORA. On the 16th of October?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. And the range on that day was from a low of 28 to a high of  $31\frac{1}{2}$ , with the market closing at  $31\frac{1}{2}$ ?

Mr. CUTTEN. That is right, according to this.

Mr. PECORA. And the volume traded in on that day was 128,500 shares?

Mr. CUTTEN. That is right.

Mr. PECORA. Were you following the trend of the market quotations in this stock between August and October 1928?

Mr. CUTTEN. I cannot say as to that, but I presume I was, but I cannot swear to it.

Mr. PECORA. Who was the person to whom you first told the fact that you would buy any of these shares out of this large block at \$30 a share? Whom did you first notify to that effect?

Mr. CUTTEN. I cannot say.

Mr. PECORA. Well now, prior to making this agreement of October 24, 1928, had you had any conversation with any person or persons respecting the formation of a purchasing syndicate or group to buy the entire block of 1,130,000 shares that Sinclair first discussed with you in August of 1928?

Mr. CUTTEN. I don't think I personally negotiated with anybody. It was my cousin, Ruloff Cutten, I think, who negotiated all this for me.

Mr. PECORA. You said before he kept you currently posted as to the course of negotiations.

Mr. CUTTEN. He did; the negotiations.

Mr. PECORA. When for the first time did you learn that a purchasing group or syndicate was to be formed or had been formed?

- Mr. CUTTEN. To the best of my knowledge probably a week before.
- Mr. PECORA. A week before October 24, 1928?
- Mr. CUTTEN. To the best of my knowledge; yes.
- Mr. PECORA. And did you have any conversation with anybody about the formation of the group or syndicate?
- Mr. CUTTEN. I don't think so. That was handled in New York.
- Mr. PECORA. Who undertook to form this purchasing group or syndicate?
- Mr. CUTTEN. I presume the Blair interests and Mr. Sinclair.
- Mr. PECORA. Mr. Sinclair formed it?
- Mr. CUTTEN. The Blair banking company; Blair & Co.
- Mr. PECORA. Blair & Co.?
- Mr. CUTTEN. Yes.
- Mr. PECORA. Who was the head of Blair & Co. then?
- Mr. CUTTEN. I think [conferring with Mr. Tompkins]——
- Mr. TOMPKINS. Elisha Walker.
- Mr. CUTTEN. Oh, Elisha Walker, yes; I am pretty sure.
- Mr. PECORA. When for the first time did you learn who the participants would be in the purchasing group or syndicate?
- Mr. CUTTEN. When the contract was sent to me to be signed.
- Mr. PECORA. Which contract are you referring to, the contract of October 24, 1928, under which you agreed in your own behalf to buy the entire stock of 1,130,000 shares from the Sinclair Co., or the contract of October 25, 1928, by which the syndicate was to be formed?
- Mr. CUTTEN. The first syndicate, to buy the stock.
- Mr. PECORA. The purchasing syndicate?
- Mr. CUTTEN. The purchasing syndicate.
- Mr. PECORA. When for the first time did you learn the identity of the persons——
- Mr. CUTTEN (interposing). That was sent in to me to be signed.
- Mr. PECORA. Wait a minute. When for the first time did you learn the identity of the participants in the purchasing syndicate?
- Mr. CUTTEN. When it was sent in to me to be signed.
- Mr. PECORA. Who sent it on to you?
- Mr. CUTTEN. Ruloff Cutten, acting for me.
- Senator TOWNSEND. That is your cousin?
- Mr. CUTTEN. Cousin; yes.
- Mr. PECORA. Had you asked anybody to become a participant in that purchasing group?
- Mr. CUTTEN. No.
- Mr. PECORA. Then you did not form the purchasing group, did you?
- Mr. CUTTEN. No; I did not form the purchasing group.
- Mr. PECORA. Who did form it?
- Mr. CUTTEN. Mr. Sinclair and the Chase Bank, to the best of my knowledge.
- Mr. PECORA. When you first learned of the identity of the participants in the syndicate, who did you learn they were?
- Mr. CUTTEN (consulting Mr. Tompkins). I want to give you the facts as they are. Blair, Chase Securities, Shermar, and H. F. Sinclair.
- Mr. PECORA. When, for the first time, did you learn that the Shermar Corporation was to be a participant in this purchasing group?
- Mr. CUTTEN. When I saw it on the contract.

Mr. PECORA. What is that?

Mr. CUTTEN. To the best of my knowledge, when I signed the contract.

Mr. PECORA. When you signed the contract?

Mr. CUTTEN. Yes.

Mr. PECORA. To which the Shermar Corporation was a party?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Was that the very first time you had heard of the Shermar Corporation?

Mr. CUTTEN. First time I ever heard of it.

Mr. PECORA. Now, were you told at any time prior to the time you received the syndicate contract, which indicated the identity of the participants, that the Chase Securities Corporation was to be a participant?

Mr. CUTTEN. I think I heard that; yes.

Mr. PECORA. And from whom did you hear it?

Mr. CUTTEN. I think Ruloff Cutten.

Mr. PECORA. From your cousin Ruloff?

Mr. CUTTEN. Yes.

Mr. PECORA. Did he also at the same time tell you that Blair & Co. was to be a participant?

Mr. CUTTEN. I don't know as to that. I think so.

Mr. PECORA. Now, Mr. Cutten, under this agreement of October 24—

Mr. CUTTEN (interposing). It is so long ago I cannot remember the details. I want to give you the facts as they are and I have got to refer to my records.

Mr. PECORA. I want you to refer to anything at all that you can that you have with you that will enable you to give us all the details.

Mr. CUTTEN. Yes.

Mr. PECORA. Now, under this agreement of October 24, 1928, you realize, don't you, that you individually obligated yourself by firm contract to purchase from the Sinclair Consolidated Oil Corporation 1,130,000 shares of its common stock at \$30 per share?

Mr. CUTTEN. That is correct; yes, sir.

Mr. PECORA. At the time you signed that agreement it was not your purpose or intention, as I understand your testimony this morning, to actually make this purchase for your own benefit completely?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. You knew then that there was going to be formed or had been formed a purchasing group?

Mr. CUTTEN. Yes.

Mr. PECORA. To assist you in this purchase?

Mr. CUTTEN. Yes.

Mr. PECORA. Now, I will ask you again, who organized that group? Did you have anything to do with it?

Mr. CUTTEN. No.

Mr. PECORA. Who did?

Mr. CUTTEN. I don't know.

Mr. PECORA. Well, why did you undertake to make a firm commitment to buy 1,130,000 shares of stock at \$30 a share—

(At this point Mr. Cutten turned to speak to Mr. Tompkins.)

Mr. PECORA. Mr. Cutten, you better pay attention to me until I complete the question. What was the first part of that question, now, Mr. Reporter?

(The uncompleted question was read by the shorthand reporter.)

Mr. PECORA (continuing the question). When you knew it was not your purpose to make that firm commitment for yourself but to make it for the benefit of others as well as yourself, if you did not already know who those others were?

Mr. CUTTEN. Well, I possibly did know.

Mr. TOMPKINS. Mr. Pecora, may I state the facts for the record? I do not want to testify for the record.

Mr. PECORA. Mr. Tompkins, I do not think you are in a position to give us the facts from personal knowledge; are you?

Mr. TOMPKINS. Well, no.

Mr. PECORA. Mr. Cutten apparently was a very important figure in this transaction, the firm commitment to buy the entire block of 1,130,000 shares being made by him, and I assume that Mr. Cutten is a man that knows his business.

Mr. TOMPKINS. Yes, sir.

Mr. PECORA. And hence ought to be able to tell this committee the details and his reasons for going into this transaction.

Mr. TOMPKINS. I want him to tell the committee. It is 4½ years ago, and before he made the contract in his own name he was protected by a preliminary agreement from four others, which I think in all fairness to him should be introduced in evidence.

Mr. PECORA. Well, I am trying to get all the details possible from Mr. Cutten based upon his personal knowledge.

Mr. TOMPKINS. All right, sir.

Mr. PECORA. I assume that he has some knowledge of this transaction.

Mr. CUTTEN. It is so long ago.

Mr. PECORA. I know it is so long ago, but it was not an insignificant deal, was it? It was not a trifling thing for you to make a firm commitment to buy over \$33,000,000 of the stock, was it?

Mr. CUTTEN. I think it probably was arranged by the Blair interests and the Sinclair interests.

Mr. PECORA. Did you delegate to them the task of organizing the purchasing group before you agreed in your own name to buy the entire 1,130,000 shares?

Mr. CUTTEN. I left that up to them. I left that to them to work out.

Senator TOWNSEND. Was your cousin a member of the stock exchange?

Mr. CUTTEN. Yes.

The CHAIRMAN. When did you first receive this stock and pay for the first allotment of it, and how many shares?

Mr. TOMPKINS. The first delivery was made on December 27, 1928, of 500,000 shares. The second and last delivery was made on December 31, 1928, of 630,000 shares.

The CHAIRMAN. And you sold the stock before it was delivered to you?

Mr. CUTTEN. Yes, we sold the stock before it was delivered.

Mr. TOMPKINS. Not all of it?

Mr. CUTTEN. Oh, not all, no.

The CHAIRMAN. You really did not put up any money yourself except what money had come to you from the sale of the stock?

Mr. CUTTEN. Yes, that is right.

Mr. PECORA. Now, in this prepared statement of yours marked "Exhibit No. 111" is embodied this statement:

This preliminary interview was followed by a number of later interviews with Mr. Sinclair and others interested in the proposition. At these interviews I stated the fact that I would not care to take a commitment of that size alone and it was explained to me that Mr. Sinclair would take off my hands 130,000 shares at the cost price to me, and Blair & Co., who had been the bankers for the company in the past, and the Chase Securities Corporation and the Shermar Corporation, would also take a substantial participation.

Now, you note from this statement that that was told you in interviews. A few minutes ago you said that the first time you learned who the participants of the purchasing group were going to be was when you received in Chicago apparently by mail a copy of the syndicate agreement. Now which is the fact, Mr. Cutten?

Mr. CUTTEN. I don't know. It seems to me that the fact is when I signed the agreement I was sure of it then. I knew who the participants were.

Mr. PECORA. Well, but in this prepared statement that was prepared by you and your counsel a few days ago for submission to this committee you said that at interviews you learned that Blair & Co., Chase Securities Corporation, and the Shermar Corporation, in addition to Mr. Sinclair, would take substantial participations in the purchase.

Mr. CUTTEN. Well, I understood—yes, I understood that they were, but I was sure of it when I got the contract.

Mr. PECORA. Who told you for the first time who the participants were going to be?

Mr. CUTTEN. I could not say.

Mr. PECORA. Well, with whom did you have the interviews at which you were told who the participants would be?

Mr. CUTTEN. All the interviews I had were with Rudolph Cutten. He carried on the negotiations for me.

Mr. PECORA. Now, Mr. Cutten, I merely am going to ask you this for the purpose of possibly refreshing your recollection. You remember that coming down on the train yesterday from New York to Washington, I had a talk with you in the presence of Mr. Tompkins. Do you recall that?

Mr. CUTTEN. Yes.

Mr. PECORA. And did you then tell me that you had never heard of the Shermar Corporation as a participant until the agreements were signed under which the syndicate was formed? Do you remember telling me that yesterday on the train?

Mr. CUTTEN. I think that is true; yes.

Mr. PECORA. That is true, isn't it?

Mr. CUTTEN. I think so, because I never knew anything about it.

Mr. PECORA. Did you even know when you got the copy of the syndicate agreement for your signature who the Shermar Corporation was or what it was?

Mr. CUTTEN. No; I did not.

Mr. PECORA. Were you told anything about the Shermar Corporation at the time you entered into the syndicate agreement to which it was a party?

Mr. CUTTEN. I do not believe I inquired.

Mr. PECORA. Whether you inquired or not, did anybody volunteer the information to you?

Mr. CUTTEN. No.

Mr. PECORA. Did you accept or enter into an agreement with a corporation that you had never heard of before?

Mr. CUTTEN. Yes, I did. I must have.

Mr. PECORA. Without knowing anything about the financial responsibility of that corporation?

Mr. CUTTEN. I must have.

Mr. PECORA. We know that you did enter into the agreement.

Mr. CUTTEN. Yes.

Mr. PECORA. But didn't you make any inquiry to learn what the Shermar Corporation was?

Mr. CUTTEN. No.

Mr. PECORA. Or what its responsibility was?

Mr. CUTTEN. I never did; no, sir.

Mr. PECORA. Weren't you desirous of finding out of the persons who were to relieve you of a large part of this commitment that you had entered into—who they were and whether they would be able to fulfill their agreement with you?

Mr. CUTTEN. I don't think I was anxious about it; no, sir; at that time.

Mr. PECORA. You might have been stuck with the stock, mightn't you, if the party was not responsible?

Mr. CUTTEN. I might have; yes.

Mr. PECORA. And you never heard of the Shermar Corporation before?

Mr. CUTTEN. Never had.

Mr. PECORA. Is it not a fact, Mr. Cutten, that in the course of the interviews referred to in your prepared statement you were told that the participants with you in the purchasing group would be Mr. Sinclair, Blair & Co., and the Chase Securities Corporation, each taking a one-fourth interest with you?

Mr. CUTTEN. Well, I was perfectly satisfied to go along with the Blair people and Mr. Sinclair. I don't think I inquired very much about who the other participants were.

Mr. PECORA. No; but weren't you actually told in the course of these interviews that the participants with you in the purchasing group would be the Chase Securities, Blair & Co., and Mr. Sinclair himself, and none others?

Mr. CUTTEN. I think that is what I understood. I cannot tell whether I was told it or not. I understood they would be reliable people anyway. I always had that in mind.

Mr. PECORA. You know Blair & Co., of course?

Mr. CUTTEN. I knew Mr. Walker; yes.

Mr. PECORA. You knew Mr. Walker, the head of it. You believed that that was a reliable banking firm?

Mr. CUTTEN. I had no reason to doubt it; no, sir.

Mr. PECORA. You knew the Chase Securities Corporation, too, didn't you?

Mr. CUTTEN. Yes.

Mr. PECORA. And you knew that was a reliable company?

Mr. CUTTEN. Yes.

Mr. PECORA. And you knew Mr. Sinclair?

Mr. CUTTEN. Yes.

Mr. PECORA. And you knew he was responsible?

Mr. CUTTEN. Yes.

Mr. PECORA. Did Mr. Sinclair tell you that this block of 1,130,000 shares was an additional issue of stock?

Mr. CUTTEN. I don't think he mentioned it. I didn't know where he got the stock.

Mr. PECORA. That is what you say in your prepared statement, is it not?

Mr. TOMPKINS. I would like to correct that statement. There is mention made that application was made to list this stock on the New York Stock Exchange. Since that statement was dictated I checked up on that and found that the stock was a part of an issue already listed; and counsel is here to explain that.

Mr. PECORA. You have learned that from Mr. Sanford, who, I notice, is present?

Mr. TOMPKINS. I learned it yesterday—

Mr. PECORA. I wish you had corrected this statement, if you learned it yesterday.

Mr. TOMPKINS. I will. I did not anticipate that Mr.—it was very late yesterday, and I did not anticipate that Mr. Cutten was going to offer the statement.

The CHAIRMAN. I think Mr. Tompkins had better be sworn, if we are going to have statements from him.

Mr. PECORA. I think it would be a good idea, Mr. Chairman.

The CHAIRMAN. Mr. Tompkins, do you swear that the testimony you give in this hearing will be the truth, the whole truth, and nothing but the truth?

Mr. TOMPKINS. I do, sir.

Mr. PECORA. Now that the oath has been administered, and for the purpose of making it retroactive, let me ask you if all the statements you have made here in the record were the truth, the whole truth, and nothing but the truth?

Mr. TOMPKINS. I never make any statements that are not true.

Mr. PECORA. That includes the statements you have made heretofore before this committee?

Mr. TOMPKINS. Yes.

Mr. PECORA. You had better add to that, with the corrections that have already been noted?

Mr. TOMPKINS. Yes.

Mr. PECORA. Now, who prepared the purchase agreement that you entered into with the Sinclair Consolidated Oil Corporation under date of October 26, 1928, a copy of which has heretofore been offered in evidence

Mr. CUTTEN. Who prepared it?

Mr. PECORA. Yes.

Mr. CUTTEN. I could not say.

Mr. PECORA. It was in the form of a letter addressed to you by the Sinclair Consolidated Oil Corporation, was it not?

Mr. CUTTEN. I could not say.

Mr. PECORA. It was in the form of a letter addressed to you by the Sinclair Consolidated Oil Corporation, was it not?

Mr. CUTTEN. Yes.

Mr. PECORA. Did you ever discuss, prior to the time that you agreed to the terms and conditions embodied in this letter to you of October 24, 1928—did you ever ask Mr. Sinclair or anybody else why these 1,130,000 shares were not offered by subscription to the then existing shareholders of record of the corporation?

Mr. CUTTEN. No; I did not.

Mr. PECORA. In pages 4 and 5 of your prepared statement, which is marked "Committee's Exhibit No. 111" in evidence, you say as follows:

None of these participants, with the exception of the participation granted to Cutten & Co., Ltd., were obtained by me. The syndicate was made up here in New York by the other parties in interest.

Who was Cutten & Co., Ltd.?

Mr. CUTTEN. Cutten & Co. was a Canadian corporation.

Mr. PECORA. Are you a stockholder?

Mr. CUTTEN. No, sir; I was originally a stockholder. It was formed for the benefit of my brothers and sisters, a family affair, and I have some stock in my name. It was formed about 1926 or 1927; but I endorsed the stock over to a trust. It is held in trust; all the stock is. I am not a stockholder.

Mr. PECORA. Cutten & Co., Ltd., obtained a subparticipation in which group—the purchasing groups, or the trading groups?

Mr. CUTTEN. The purchasing groups.

Mr. PECORA. From whom did it obtain that subparticipation?

Mr. CUTTEN. From me.

Mr. PECORA. What was the extent of it?

Mr. CUTTEN. I just turned it over to them.

Mr. PECORA. You turned over your entire interest of three twelfths, did you, to Cutten & Co., Ltd.?

Mr. CUTTEN. Yes.

Mr. PECORA. What was the consideration for that transfer?

Mr. CUTTEN. Verbal. There was not any consideration. I just turned it over to them, providing they would finance it.

Mr. PECORA. Did they finance it?

Mr. CUTTEN. Yes; they were willing to finance it.

Senator COUZENS. Where is that company located?

Mr. CUTTEN. In Toronto.

Mr. PECORA. It was a family corporation, was it not?

Mr. CUTTEN. Yes, sir; a family corporation.

Mr. PECORA. Who owned it? Who owned its stock?

Mr. CUTTEN. My brothers and sisters.

Mr. PECORA. How about yourself?

Mr. CUTTEN. I was one of the originators; but I endorsed the stock over to them at the time, and I am not a participant.

Mr. PECORA. What beneficial interest—

Mr. CUTTEN. It has never paid any dividends.

Mr. PECORA. What beneficial interest, if any, did you have in that stock?

Mr. CUTTEN. None; absolutely none.

Mr. PECORA. You say, further, in this prepared statement—and I am reading from page 5 thereof—

As I recall it, the sale to me and the purchase price paid were not kept from the public. Due announcement was made in the public press and an application was made by the company to list the additional shares on the New York Stock Exchange.

Is that correct, Mr. Cutten?

Mr. TOMPKINS. May I answer that?

Mr. PECORA. I think it is a matter that Mr. Cutten ought to know about. If you knew about it, it is obviously because Mr. Cutten told you about it when you assisted him in the preparation of this statement in the last 3 or 4 days. Now, let Mr. Cutten tell us himself.

Mr. TOMPKINS. There is a part of that statement which I said on the record should be corrected. No application was made to the New York Stock Exchange to list this stock. That is all I wanted to say.

Mr. PECORA. All right. How do you know, Mr. Cutten, that the sale of these 1,130,000 shares to you at \$30 a share was not kept from the public at the time it was made?

Mr. CUTTEN. How do I know? I cannot say, but I am pretty sure it got publication.

Mr. PECORA. When did it get publication?

Mr. CUTTEN. By anybody reading the newspapers, and from general knowledge.

Mr. PECORA. When?

Mr. CUTTEN. About that time.

Mr. PECORA. After the sale or before?

Mr. CUTTEN. It was rumored—I heard it around—that the sale was going to be made.

Mr. PECORA. You say in your statement:

As I recall it, the sale to me and the purchase price paid were not kept from the public.

Mr. CUTTEN. I believe that to be true.

Mr. PECORA. What knowledge have you now that this sale and the purchase price were not kept from the public?

Mr. CUTTEN. I think the newspapers carried it.

Mr. PECORA. Did the newspapers carry it before or after the sale was consummated?

Mr. CUTTEN. I could not say; probably after the sale.

Mr. PECORA. At that time the public could not do anything about it, could it?

Mr. CUTTEN. No, sir.

Mr. PECORA. What is that?

Mr. CUTTEN. No; I presume not.

Mr. PECORA. Do you know the form in which the public was given the information about the sale and the purchase price that was paid?

Mr. CUTTEN. No.

Mr. PECORA. Do you know who caused it to be given to the public?

Mr. CUTTEN. No; I do not.

Mr. PECORA. Do you know through what medium the public got any information about it?

Mr. CUTTEN. I can't remember at this time. That all happened four or five years ago.

Mr. PECORA. Can you refer me to any publications of any kind that contained this information for the benefit of the public?

Mr. CUTTEN. No, sir.

Mr. PECORA. Did you ever see any newspaper or other publication containing such information?

Mr. CUTTEN. I think I did. I think I read about it at that time. It seemed to be general knowledge.

Mr. PECORA. When you prepared this statement with the aid of your counsel in the last few days, and included that statement in it, why didn't you check it up?

Mr. CUTTEN. I did not check it up; no sir.

Mr. PECORA. We know you did not check it up, but I am asking you why you did not. Do you now recall that any publication in any form whatsoever was made at any time up to the consummation of this transaction between you and the Sinclair Consolidated Oil Corporation?

Mr. CUTTEN. I do not know of any publication.

Mr. PECORA. That any publication was made for the public benefit?

Mr. CUTTEN. I could not say; but it was general knowledge.

Mr. PECORA. What do you mean by "general knowledge"?

Mr. CUTTEN. General talk. Everybody was talking about it.

Mr. PECORA. You did not proclaim from the housetops on or before October 24, 1928, when the stock was selling on the public exchange from a low of 32 to a high of 35 $\frac{7}{8}$ , that you had just made a contract or were going to make a contract with the oil corporation to buy over a million of its shares at \$30, did you?

Mr. CUTTEN. No, sir.

Mr. PECORA. You would not think that making such an announcement would be of benefit to you, would you?

Mr. CUTTEN. No; I would not.

Mr. PECORA. Or to the company?

Mr. CUTTEN. No, sir.

Mr. PECORA. You would think it might have a bad effect on the transaction, would you not?

Mr. CUTTEN. I do not know whether it would or not.

Mr. PECORA. You say, again, in this prepared statement—I am reading from page 5 and I am referring to committee's exhibit no. 111—

At the time the purchase was made we deemed it advisable to form a trading account in the stock.

What do you mean by that?

Mr. CUTTEN. We formed that company to get new purchasing power in case the stock was to go down.

Mr. PECORA. I am a little bit green about that, Mr. Cutten. What do you mean by the statement that you deemed it advisable at the time this purchase was made to form a trading account in the stock? You already had the commitments of responsible persons, incorporations like the Chase Securities Corporation, Blair & Co., and Mr.

Sinclair to participate in this purchase with you at \$30 a share, did you not?

Mr. CUTTEN. Yes.

Mr. PECORA. Why did you deem it advisable to form a trading account in this stock?

Mr. CUTTEN. To support the stock when people were selling the stock.

Mr. PECORA. You bought it from the company?

Mr. CUTTEN. Yes.

Mr. PECORA. Why did you think it was necessary or advisable to form a trading account at the time you made this purchase?

Mr. CUTTEN. I told you.

Mr. PECORA. I have forgotten the answer. Will you tell me again, please, sir?

Mr. CUTTEN. To buy and sell the stock.

Mr. PECORA. You were already committed to buy it. Why did you deem it advisable to form a trading account in the stock?

Mr. CUTTEN. To buy and sell the stock.

Mr. PECORA. For what purpose or to what end?

Mr. CUTTEN. To make some money.

Mr. PECORA. Then, was this trading account in the nature of a pool to sell the stock at a price higher than that which you paid for it?

Mr. CUTTEN. To sell the stock higher than we paid for it; yes. That is the object of going into these things.

Mr. PECORA. What is that?

Mr. CUTTEN. That is 'the object.

Mr. PECORA. At the time you bought this stock at \$30 a share it was selling on the market for as high as \$35 and a fraction?

Mr. CUTTEN. Are you talking about the other trading account?

Mr. PECORA. No; the trading account that you have referred to in this prepared statement, where you say that at the time the purchase was made "we deemed it advisable to form a trading account in this stock."

Mr. CUTTEN. The object was that if the market was slowed up, to pick up the stock.

Mr. PECORA. If you cannot talk a little louder, I will have to ask you to repeat your answers; and I do not want to impose that drain on your strength.

Mr. CUTTEN. To support the market.

The CHAIRMAN. Was it not a device for manipulating the market?

Mr. CUTTEN. No. We did not manipulate it. We did not have to manipulate the market at that time, because the market was going right up. I will show you a chart here, Senator.

Mr. PECORA. When did you find it necessary, if at all, to manipulate the market?

Mr. CUTTEN. When the market would take a million shares of stock and then climb up, it didn't need very much support.

Senator GORE. Then why did you organize this trading concern. if it was going up perpendicularly with no hazards?

Mr. CUTTEN. I cannot answer that question. I didn't know it was going up, I guess.

Senator TOWNSEND. Were there days in which one of these syndicates purchased from the other?

Mr. CUTTEN. The market does not go up all the time; it fluctuates.

Senator TOWNSEND. Were there days in which one syndicate purchased from the other syndicate?

Mr. CUTTEN. No, sir.

Senator TOWNSEND. They never bought or sold from each other?

Mr. CUTTEN. No, sir. It was to wind up the original.

Mr. PECORA. How was it designed, Mr. Cutten, to enable this purchasing group to sell the stock at a profit through the organization of a trading account?

Mr. CUTTEN. I did not get that question.

Mr. PECORA. I will ask the reporter to read it.

(The question referred to was read by the reporter as above recorded.)

Mr. PECORA. In other words, tell us how the trading account was to operate in order to enable the members of this purchasing group to sell to the public at a profit the 1,130,000 shares which it bought at \$30.

Mr. CUTTEN. I do not get that question.

Mr. TOMPKINS. I think I can answer it.

Mr. PECORA. No; I will make it clear to him. We will go back to A, B, C.

You have said that the syndicate that bought this stock at \$30 a share from the oil corporation had in mind reselling it to the public at a profit?

Mr. CUTTEN. That is right.

Mr. PECORA. For the purpose of enabling this syndicate, this purchasing syndicate, to sell its stock to the public at a profit, it was deemed advisable by the members of the syndicate to form a trading account?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. That is correct, is it not?

Mr. CUTTEN. Yes.

Mr. PECORA. How was it intended that the trading account should act? What business had it intended that the trading account should do in order to enable it to sell the stock of the purchasing group to the public at a profit?

Mr. CUTTEN. Well, to keep a market, that we would buy and sell the stock.

Mr. PECORA. What do you mean by "keeping the market"? Was there not an open public market?

Mr. CUTTEN. Yes.

Mr. PECORA. Where anybody could go in and buy or sell some stock?

Mr. CUTTEN. Yes; but when the stock was a little weak, on the weak days when the public was selling, we would buy it.

Mr. PECORA. In order to give support to the market and keep the price up?

Mr. CUTTEN. To support the market at times.

Mr. PECORA. Is that how it was intended to work?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. When the buying on the part of the general public was light or weak?

Mr. CUTTEN. When the market was weak we would support it.

Mr. PECORA. How would you support it—by buying?

Mr. CUTTEN. Yes.

Mr. PECORA. By buying what the public had to sell; is that right?

Mr. CUTTEN. Yes.

Mr. PECORA. And that enabled the price to be maintained?

Mr. CUTTEN. Yes.

Mr. PECORA. Or even to go up a bit?

Mr. CUTTEN. It might; yes.

Mr. PECORA. And if it went up a bit, what was the trading account to do in behalf of the syndicate?

Mr. CUTTEN. Sell the stock.

Mr. PECORA. You would sell a part of these 1,130,000 shares?

Mr. CUTTEN. Yes.

Mr. PECORA. As well as the stock you had bought in the open market, to keep the price up, would you?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. So that this trading account was to both buy and sell as the market conditions required?

Mr. CUTTEN. Yes.

Mr. PECORA. Is that right?

Mr. CUTTEN. That is right.

Mr. PECORA. The ultimate purpose all the time being to enable your syndicate, your purchasing syndicate, not only to dispose of those shares if bought in the open market to keep up the price but also to sell at a profit the 1,130,000 shares that it had acquired at \$30 a share? Is that right?

Mr. CUTTEN. That is right; yes, sir.

Mr. PECORA. That is a species of manipulation, is it not, Mr. Cutten?

Mr. CUTTEN. I would not call it that; no.

Mr. PECORA. What would you call it? How would you describe that kind of business?

Mr. CUTTEN. That is keeping the market.

Mr. PECORA. Does that kind of an operation give an artificial stimulation to a market?

Mr. CUTTEN. At this time the market did not need any stimulation.

Mr. PECORA. But I say, does that?

Mr. CUTTEN. It probably would today, but it did not at that time.

Mr. PECORA. You probably would not go into a syndicate of that kind today, would you?

Mr. CUTTEN. No, sir.

Senator GORE. You say it did not need any stimulation at that time. This was a sort of an apothecary shop, was it, so that you would have stimulants at hand if you did need them?

Mr. CUTTEN. I do not get that. I am a little deaf, Senator.

Senator GORE. Oh. I beg your pardon. You said the group did not need any stimulation at that time?

Mr. CUTTEN. No.

Senator GORE. I asked if this trading account was a sort of an apothecary shop or drug store where you could get stimulants in case you did need them?

Mr. CUTTEN. That is right.

Mr. PECORA. In other words, to give it some artificial stimulation; is that right?

Mr. CUTTEN. To take the stock when it was offered; yes.

Mr. PECORA. A shot in the arm.

Mr. CUTTEN. We were willing to buy the stock when the public wanted to sell it, or whoever the sellers were.

Mr. PECORA. Mr. Tompkins has kindly furnished me with two statements, two separate typewritten statements, each referring to a Sinclair trading account. I show you the first one of those statements, consisting of two typewritten sheets, and the first date upon it appears to be October 26, 1928. Will you look at it and tell us if that is a record of the buying and selling that was done by the first trading account?

Mr. TOMPKINS. That is the syndicate account?

Mr. PECORA. Yes. Is not that the trading account?

Mr. TOMPKINS. No; the trading account was the B account.

Mr. PECORA. I show you this other statement which you gave me, Mr. Tompkins. Will you tell us what it purports to represent?

Mr. TOMPKINS. That is the trading account, the last one.

Mr. PECORA. I offer in evidence the typewritten statement that Mr. Tompkins has just identified as the statement of the operations of the trading account, and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and spread on the record.

(The statement referred to and identified by Mr. Tompkins, headed "Sinclair Trading Account", the first date shown thereon being Nov. 5, 1928, was received in evidence, marked "Committee Exhibit No. 112, Nov. 9, 1933.")

Mr. PECORA. Mr. Tompkins, will you look at the other typewritten statement that I handed to you and tell us what that represents?

Mr. TOMPKINS. That represents the number of shares bought and the number of shares sold by the syndicate account.

Mr. PECORA. By the syndicate account do you mean the original purchasing syndicate?

Mr. TOMPKINS. The original purchasing syndicate; yes, sir.

Mr. PECORA. I offer that statement in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and printed in the record.

(The statement last above referred to, headed "Sinclair Syndicate Account", the first date thereon appearing Oct. 26, 1928, was received in evidence, marked "Committee Exhibit No. 113, Nov. 9, 1933.")

Mr. PECORA. In your prepared statement marked in evidence as exhibit no. 111 you also say as follows—I am reading again from page 5—

Under the original syndicate agreement A the purchasing power of the syndicate was limited to 1,130,000 shares, the amount which it had contracted to purchase from the Sinclair Co. I realized that if the market did not advance and we were not able immediately to dispose of some of the shares purchased, it would be necessary, if we hoped to have the purchase

carried out satisfactorily without loss to the public in interest, to have buying power by means of a trading account which could make purchases of the stock independently of the original syndicate.

What do you mean by that?

Mr. CUTTEN. That is what I was talking about before. I thought you referred to that account. That is the reason I said it was a buying-and-selling account.

Mr. PECORA. The purchasing syndicate had arranged to buy and sell the 1,130,000 shares, the subject of the agreement?

Mr. CUTTEN. Yes.

Mr. PECORA. At the same time or at about the same time another syndicate was formed by the participants in the original purchasing group to trade in the stock of the Sinclair Consolidated Oil Corporation so as to enable the purchasing group to sell to the public at a profit the 1,130,000 shares; is that right?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Who managed that trading account?

Mr. CUTTEN. I managed it through Ruloff.

Mr. PECORA. That is, Ruloff Cutten?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. He was then a member of the firm of Hutton & Co?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Who directed the buying and selling operations of that trading account?

Mr. CUTTEN. I gave him discretion.

Mr. PECORA. Were all the transactions that were had by that trading account made in the exercise of your cousin Ruloff's discretion?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Did you not at times give him orders to buy or sell, as the case might be?

Mr. CUTTEN. As the case might be. Every night he would telephone me how they stood.

Mr. PECORA. And then you advised him what to do the following day?

Mr. CUTTEN. That is right.

Mr. PECORA. So that his discretion was a discretion that was more or less bounded by what you told him the night before?

Mr. CUTTEN. Not altogether. I gave him discretion.

Mr. PECORA. But you were in contact with him daily?

Mr. CUTTEN. Yes. Anything he did was all right with me.

Mr. PECORA. Because you knew that he would do anything you wanted him to do, that he would endeavor to carry out your wishes?

Mr. CUTTEN. Yes.

Mr. PECORA. The buying and selling was actually done under your direction, was it not?

Mr. CUTTEN. Yes.

Mr. PECORA. The mechanics of it were attended to by the brokerage firm?

Mr. CUTTEN. That is right.

Mr. PECORA. Of which your cousin was a partner?

Mr. CUTTEN. That is right.

Senator GORE. Do you mean that his cousin was a partner in the brokerage firm?

Mr. PECORA. Of Hutton & Co. The witness was managing the trading account. His cousin, Ruloff Cutten, was a partner of E. F. Hutton & Co., stock brokers.

Now, I notice that under date of November 5, 1928, the purchasing syndicate, according to exhibit no. 113, bought 11,600 shares of this oil stock in the open market, and on the same day sold 100,600 shares. And I also notice from exhibit no. 112 that on that date the trading syndicate or the trading account bought 50,900 shares. Was that purchase of 50,900 shares on behalf of the trading account, plus the purchase of 11,600 shares by the purchasing group, made for the purpose of stimulating the market so as to enable the purchasing group to sell 100,600 shares on the same day?

Mr. CUTTEN. I cannot answer that question. I do not remember the deal at all.

Mr. PECORA. Well, now, you have before you copies or these exhibits, haven't you?

Mr. TOMPKINS. No; he has not.

Mr. PECORA. Mr. Tompkins, haven't you copies of these exhibits for Mr. Cutten's benefit?

Mr. TOMPKINS. They were rushed down to me, and we did not have much time.

Mr. PECORA. Well, these that you gave to me appear to be carbon copies. I thought you, perhaps, had other copies in your custody there.

Mr. TOMPKINS. Mr. Cutten wouldn't recall individual trades made 4½ years ago.

Mr. PECORA. Well, he might recall the reason for making them, Mr. Tompkins, and that is the reason I am asking him these questions.

Mr. TOMPKINS. All right.

Mr. CUTTEN. I don't know anything about it.

Mr. PECORA. Well, Mr. Cutten, you are a market operator on a pretty large scale, aren't you?

Mr. CUTTEN. Well, I have operated on a pretty large scale for me; yes.

Mr. PECORA. And you are familiar with market operations, of course?

Mr. CUTTEN. Yes; but I cannot remember transactions four and a half years ago.

Mr. PECORA. I do not expect you to remember specific transactions, and I am not questioning you particularly about specific transactions, I want to find out the reason for certain transactions.

Mr. CUTTEN. I do not know the reason. I cannot recall the transactions.

Mr. PECORA. Will you explain to this subcommittee why it was that on November 5, 1928, according to committee exhibits 112 and 113 now in evidence, the trading account bought 50,900 shares of this Sinclair Oil stock, and the syndicate purchasing group bought 11,600 shares, and on the same day the syndicate purchasing account sold 100,600 shares?

Mr. CUTTEN. I do not recall the transactions and I cannot answer.

Mr. PECORA. Well, without recalling the transaction itself it appears from these exhibits that have been furnished to me by your

counsel, and which I presume therefore are correct, that these transactions were had on that day. Now, give us the reason for such transactions.

Mr. CUTTEN. I cannot give you the reason because I don't know.

Senator GORE. Mr. Pecora, have you the fluctuations in the stock for that day?

Mr. PECORA. Yes, sir. On November 5, 1928, and that is the date in question, Senator Gore, the range was from a low of 42 to a high of 43 $\frac{1}{4}$ , with a closing price of 42 $\frac{3}{4}$ , and a total volume of transactions was 210,700 shares.

Senator GORE. Thank you.

Mr. CUTTEN. I cannot answer that question, Mr. Pecora.

The CHAIRMAN. Mr. Cutten, can you give us an idea what that would indicate to you?

Mr. CUTTEN. I really don't know, Senator Fletcher.

Mr. PECORA. Mr. Cutten, are you so uninformed about these market operations that you could not give this subcommittee a reason for this buying and selling on the same day?

Mr. CUTTEN. No; I could not.

Mr. PECORA. These buying and selling transactions on the same day by your two groups.

Mr. CUTTEN. No, sir.

Mr. PECORA. Do you really mean that, Mr. Cutten?

Mr. CUTTEN. I cannot off-hand tell you; no. I would have to know the details first.

Mr. PECORA. Well, would you have to stop and take some time and deliberate before you could answer that question?

Mr. CUTTEN. It would be impossible for me to answer because I do not know anything about that transaction.

Mr. PECORA. Well, you do know that these transactions occurred, don't you?

Mr. CUTTEN. I know that they are on the record there, but I cannot recall them, and do not know just what happened.

Mr. PECORA. Can you conceive of the reason, or any reason, why the trading syndicate would buy 50,900 shares and the purchasing syndicate would buy on the same day 11,600 shares, and at the same time the purchasing syndicate would sell 100,600 shares?

Mr. CUTTEN. I suppose—

Senator GORE (interposing). Could that have been done in order to give some evidence of activity in the stock in the market?

Mr. CUTTEN. I suppose the market could have gone down, and then the market might have gone up and they sold the stock. But I cannot tell you about that just now.

Mr. PECORA. Was it done, then, to enable the purchasing syndicate to stimulate the market so that it could sell the 100,600 shares at a profit?

Mr. CUTTEN. Well, the range that day was only 1 $\frac{1}{4}$  points.

Senator GORE. Was it to give the stock an appearance of activity in order to stimulate future trading in it? Could that have been the reason back of it, or the motive back of that matter?

Mr. CUTTEN. The range was not so great that day, you know.

Senator GORE. That is the point. The range is so small that it could not have been done to protect the stock. But it could have been

done at the same time you were entering on a selling campaign in order to stimulate the stock. It might have been a selling from yourself to yourself in order to give an appearance of activity in the stock and tempt other people to sit in or stay in.

Mr. CUTTEN. It is often done—the buying and selling of stock.

Mr. PECORA. What is often done?

Mr. CUTTEN. The buying and selling of stock at the same time.

Mr. PECORA. For what purpose?

Mr. CUTTEN. I don't know. [Laughter.]

Mr. PECORA. Then, how do you know that it is often done?

Mr. CUTTEN. Well, it might have been to stimulate it, but—

Mr. PECORA (interposing). How do you know it is often done?

Mr. CUTTEN. How do I know?

Mr. PECORA. Yes.

Mr. CUTTEN. I don't know. I have never traded in stock except for myself individually.

Mr. PECORA. How do you know it is often done? You made the statement in a rather positive fashion that it is often done. How do you know that?

Mr. CUTTEN. I have often bought stocks and had to sell them right out again.

Mr. PECORA. Do you mean that you bought and sold the same day?

Mr. CUTTEN. Yes. There is nothing unusual in that.

Mr. PECORA. Did you ever hear the term "wash sale" used before today?

Mr. CUTTEN. I have heard the term used; yes. But it was not done here.

Mr. PECORA. What does it mean to you?

Mr. CUTTEN. I don't know. [Laughter.]

Mr. PECORA. When you hear the term "wash sale" used you don't know what it refers to?

Mr. CUTTEN. I have an idea; yes. [Laughter.]

Mr. PECORA. What was your idea when you heard the term "wash sale" used?

Mr. CUTTEN. To try to make a market.

Mr. PECORA. And that is an operation of buying and selling, back and forth, isn't it?

Mr. CUTTEN. But I am pretty sure it was not done here.

Mr. PECORA. A man buying from himself and selling to himself is what is meant, isn't it?

Mr. CUTTEN. There was nothing of that kind here, I am pretty sure.

Mr. PECORA. How do you know there was nothing of that kind here, on November 5, 1928, in view of the fact that the transactions of your two syndicates consumed about 80 percent of the entire day's trading in that stock? Doesn't that look as if one syndicate was buying from the other syndicate?

Mr. CUTTEN. No. That did not occur.

Mr. PECORA. How was that?

Mr. CUTTEN. One syndicate only bought from the other in order to wind up the original syndicate.

Mr. PECORA. But I am asking you now about the situation on November 5, 1928. I am talking about the deals or trades on November 5, 1928?

Mr. CUTTEN. I am pretty sure that did not occur in that way.

Mr. PECORA. You say nothing of that sort was done here, you feel sure?

Mr. CUTTEN. Not with my knowledge.

Mr. PECORA. Let us analyze it—Well, you say not with your knowledge. Then it might have been done without your knowledge, is that it?

Mr. CUTTEN. Yes; it might have been done.

Mr. PECORA. It might have been done, I fancy, without your knowledge, then?

Mr. CUTTEN. It could have been done.

Mr. PECORA. Which of the managers or agents of the syndicate would likely go ahead and do those things without your knowledge? Do you think your cousin might have done it?

Mr. CUTTEN. No; I don't think so.

Mr. PECORA. He would not betray you, would he?

Mr. CUTTEN. No, sir.

Mr. TOMPKINS. Our records are open to you.

Mr. PECORA. How was that?

Mr. TOMPKINS. On November 5, 1928, there was no transaction of one syndicate buying and selling to the other syndicate. No such transactions occurred.

Senator GORE. Can you give the prices at which they bought and sold the stock?

Mr. TOMPKINS. I can get them for you. I was not asked for the prices, but to give a list of the number of shares sold and bought by each syndicate without prices or dollar additions.

Senator GORE. But you can answer that question?

Mr. TOMPKINS. Yes, sir.

Senator GORE. That would not have been necessary, to give an idea on the part of the public that one concern sold to and bought from the other. They could have a matched sale, simultaneous orders to buy and sell to any purchaser. It would have had the same effect, wouldn't it? There was no necessity for an agreement between them to buy and sell to each other, because if they had matched their sales and their purchases, one selling 50,000 shares and the other simultaneously buying 50,000 shares it might not have been out of the 50,000 but it would have had the same effect of indicating to the public the stock was very active, wouldn't it?

Mr. TOMPKINS. That is so, but that is not the case here.

Senator GORE. Isn't it the idea of matched sales or wash sales to bring about in the mind of the public that a stock is very active, and that there is the liability of having a run-up and that people better get in?

Mr. TOMPKINS. A wash sale, as I understand it, is a sale where there is no change in ownership, but where the same party appears on the buy-and-sell sides. As a matter of fact, in connection with these two syndicates the syndicates were made up along different lines. There were different participants in the trading syndicate than in the original purchase syndicate. But in every case so far as we have been able to check out in our examination there were no instances where one syndicate sold to the other syndicate. And our records are open to you.

Mr. PECORA. Mr. Tompkins, have you examined the records for the purpose of ascertaining if that is a fact?

Mr. TOMPKINS. No, sir.

Mr. PECORA. Then why make that statement when you have no personal knowledge of these transactions?

Mr. TOMPKINS. Well, I make that statement on the record, and invite any one of your examiners down to the office of E. F. Hutton & Co., where the records of these accounts are kept, to check through them and see if they can find any such thing. I only know what I have been told about it and what you have got there. I make that statement in justice to my clients, because there has been a suggestion here that there have been some wash sales in connection with the handling of these syndicates, and I am informed by my clients that that is not a fact.

Mr. PECORA. Have your clients informed you what steps were taken to see to it that there were no wash sales?

Mr. TOMPKINS. No, sir.

Senator COUZENS. Well, looking over the exhibits I see there are a number of sales, of purchases and sales that match each other. Mr. Attorney, you cannot convince this subcommittee, or at least so far as I am concerned, with the kind of testimony you are giving, that there were no wash sales or matched sales made in an effort to boost the market. No matter what you may say, Mr. Attorney, the subcommittee does not believe that to be a fact.

Mr. TOMPKINS. Well, I should like to supplement my statement by saying that we have submitted to the subcommittee a statement of facts, in the form of the exhibits that Mr. Pecora has. I was asked on yesterday afternoon if I would get up a statement of each syndicate showing the number of shares bought and sold, without prices or dollar additions. But I can get for you the record for any particular day, and if you would like it, showing the names of purchasers and sellers for I believe such records are available.

Mr. PECORA. Do you know how many different brokers were used in carrying out orders for these two syndicates, the purchasing syndicate and the trading syndicate?

Mr. TOMPKINS. I haven't the slightest idea.

Mr. PECORA. Mr. Cutten, do you know that?

Mr. CUTTEN. I am not in a position to give that. I do not know that anybody can tell what brokers are used. They might give it out to this broker or to that broker. You know how the business is done on the exchange.

Mr. PECORA. No; I have never been in it.

Mr. CUTTEN. I haven't either. [Laughter.]

Mr. PECORA. I thought you said you were a market operator.

Mr. CUTTEN. But you say on the exchange.

Mr. PECORA. Well, you have never been a member of the exchange—

Mr. CUTTEN (interposing). No.

Mr. PECORA (continuing). But you are an operator who gives orders to members of the exchange?

Mr. CUTTEN. I give orders to brokers.

Mr. PECORA. You have an advantage over me in that respect.

Mr. CUTTEN. Well [laughter] Ruloff told me that there wasn't any trading between these two accounts except in the final wind-up of one syndicate, when the other syndicate took over its holdings in order to wind up that syndicate. That was the only time.

The CHAIRMAN. There came a time when you were not interested in keeping a market.

Mr. CUTTEN. Not after syndicate was closed.

The CHAIRMAN. There came a time when you were not interested in keeping a market. Was that when you closed up?

Mr. CUTTEN. Yes, sir; at the final. We wound up one syndicate, you see. They took over the other syndicate.

The CHAIRMAN. And you were no longer interested in keeping a market?

Mr. CUTTEN. No.

The CHAIRMAN. What did you close out at?

Mr. CUTTEN. What figure did we close out at?

The CHAIRMAN. Yes.

Mr. TOMPKINS. I will give you the figure.

Mr. PECORA. Now, tell me—

Senator COUZENS (interposing). Just a minute. He is going to give an answer.

Senator GORE. Was there any reason why—

Senator COUZENS (interposing). He is trying to get data to give an answer to the question pending, Senator Gore.

Senator GORE. All right.

Mr. TOMPKINS. The syndicate account was closed out on April 16. I will have to supply the prices, but the balance of the stock was turned over to the trading account and it was not a transaction on the exchange, as I understand it.

The CHAIRMAN. April 16 of what year?

Mr. TOMPKINS. April 16, 1929.

The CHAIRMAN. At that time all the stock had been sold except some shares you had on hand, isn't that it?

Mr. TOMPKINS. That is right.

The CHAIRMAN. Then you distributed the stock to the members of the syndicate?

Mr. TOMPKINS. No. The original purchasing syndicate turned over the balance of the stock to the trading syndicate. They just took it over.

The CHAIRMAN. What was the balance of it?

Mr. TOMPKINS. I will try to get that for you. [After looking over some papers] I cannot give you that information offhand, but can supply it for the purpose of the record.

The CHAIRMAN. The subcommittee will be glad to have you do that. Then what became of it, after it was turned over to the trading syndicate?

Mr. TOMPKINS. They eventually sold it out.

The CHAIRMAN. When did they sell it out?

Mr. TOMPKINS. May 17, 1929.

The CHAIRMAN. At what figure did they close it out?

Mr. TOMPKINS. I cannot give you that. It had been sold in the interval. I can supply a complete transcript of that account if you wish it.

The CHAIRMAN. At that time you ceased to be interested in keeping a market for the stock. Mr. Cutten, do you remember the market price of the stock at the time you closed it out?

Mr. CUTTEN. I do not.

Mr. TOMPKINS. I can give you the high and the low. On May 17, when the trading account was closed out, according to my records, the high price of Sinclair was  $38\frac{1}{2}$ , and the low was 38, and the close was 38.

The CHAIRMAN. Then what has been the course of the stock since then? Did it continue downward?

Mr. TOMPKINS. Well, I only have it down to June of 1929.

The CHAIRMAN. What was it then?

Mr. TOMPKINS. It was  $38\frac{5}{8}$ , 38, 38, and  $38\frac{1}{8}$ .

The CHAIRMAN. You have not followed it down since then?

Mr. TOMPKINS. No, sir. I have not been asked to give that information, but will be very glad to supply the prices if you want them.

The CHAIRMAN. We would be glad to have them. What is the price today, Mr. Cutten?

Mr. CUTTEN. It is about  $11\frac{3}{4}$ .

Mr. TOMPKINS. It is 11 or 12, I think. But this stock has not declined so much. It has not declined, although declining, anything like the same as some other securities have declined.

The CHAIRMAN. Well, we can argue that later.

Senator COUZENS. Has it paid dividends?

Mr. TOMPKINS. Yes, sir. It went on a dividend-paying basis in 1929, I think, and continued for some little period, and then when the general depression struck the country, struck the oil industry, it passed the dividend. Counsel for the company is here, and I think he can give you the dividend record.

Senator GOLDSBOROUGH. Mr. Cutten, the matter does not seem to be stated very clearly. Is my understanding correct that you made the contract individually for the purchase of 1,130,000 shares of Sinclair Consolidated Oil stock at 30?

Mr. CUTTEN. Yes, sir.

Senator GOLDSBOROUGH. And subsequently there was an additional contract made whereby you set up a syndicate that agreed to take the 1,130,000 shares.

Mr. CUTTEN. Yes, sir.

Mr. PECORA. That was done simultaneously, Senator Goldsborough.

Senator GOLDSBOROUGH. And when the stock was delivered to you by the Sinclair company, was cash paid for the stock?

Mr. CUTTEN. We marketed some of the stock. There was no real money put in then.

Senator GOLDSBOROUGH. Do you mean to say that you paid no money at all when you got the stock, except when you sold it on the market?

Mr. CUTTEN. Yes.

Mr. TOMPKINS. No, Senator; that is not so.

Senator GOLDSBOROUGH. Well, I want to find out if that is correct.

Mr. Cutten, is that correct?

Mr. CUTTEN. Yes, sir; that is correct.

Mr. PECORA. As a matter of fact, when for the first time did any purchasing group pay any money for any part of the 1,130,000 shares that you agreed to buy on October 24, 1928?

Mr. CUTTEN. I don't think we paid any.

Mr. PECORA. You don't think they paid any money at all?

Mr. CUTTEN. No.

Mr. PECORA. What were the total profits that accrued to this purchasing group from all these transactions?

Mr. CUTTEN. Have you the figures?

Mr. PECORA. Yes; I have the figures, \$12,200,000.

Mr. TOMPKINS. I have here \$12,000,209.41.

Mr. CUTTEN. There was a \$11 or \$12 advance in price.

Mr. PECORA. Something like \$11 or \$12 a share advance?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. And this profit was made without putting up any money?

Mr. CUTTEN. Yes.

Mr. PECORA. And Mr. Sinclair shared individually in the profit, did he?

Mr. CUTTEN. Yes.

Mr. PECORA. What other officers or directors of the Sinclair Consolidated Oil Corporation shared in the profits?

Mr. CUTTEN. Mr. Bartlett.

Mr. PECORA. Who else?

Mr. CUTTEN. Well, I would have to see the list, although I think none.

Mr. TOMPKINS. I will give you the list. I do not think there were any others of the Sinclair Co. Here is a complete statement. And, I should like for the purpose of the record, if I may be permitted, to state, in response to the Senator's question, that I do not think Mr. Cutten quite comprehended his inquiry; that on this stock which was bought from the Sinclair Consolidated Oil Corporation—

Senator GOLDSBOROUGH (interposing). Well, that question was repeated by Mr. Pecora and Mr. Cutten answered him in the same manner that he did me. Still, there is no objection to any statement you may wish to make so far as I am concerned.

Mr. TOMPKINS. I should like to have this made clear on the record: That this stock which was purchased by the syndicate from the Sinclair Consolidated Oil Corporation was delivered for syndicate account to E. F. Hutton & Co. in the following amounts: On December 27, 1928, delivery was made by Sinclair of 500,000 shares of the Sinclair Co. stock, and the Sinclair Co. was paid \$15,000,000. On December 31, 1928, 630,000 shares were delivered by the Sinclair Consolidated Oil Co., and they were paid \$18,900,000.

Senator TOWNSEND. Hadn't they previously sold it?

Mr. TOMPKINS. Not all of it. That is why I say Mr. Cutten was in error in answering Senator Goldsborough's question. What happened was this: No participant in this trading syndicate was required, although they were obligated, to put up the necessary money to carry the stock. And they were not required to put it up because between the interval of the purchase price of \$30 a share and the delivery price on December 27 the stock had gone up and was selling in the neighborhood of \$40 a share, so when they took delivery at \$30 a share there was ample collateral, approximately 25 percent additional, and it was handled and financed by the brokers.

Mr. PECORA. What banks financed the brokers?

Mr. TOMPKINS. The brokers borrowed on December 31 from the Chase National Bank on a part of this stock as collateral the sum of \$12,000,000, and it has been paid.

Mr. PECORA. How much did they pay all told to Sinclair Consolidated Oil Co. in December?

Mr. TOMPKINS. The first payment was \$15,000,000, and the last payment was \$18,900,000.

Mr. PECORA. And out of the \$15,000,000 payment \$12,000,000 were advanced by Chase National Bank?

Mr. TOMPKINS. I think it was out of the December 31 payment.

Mr. PECORA. Meanwhile the purchasing syndicate had already derived millions of dollars in profits, between October and December, from the sale of the stock and because of the appreciation in the price of the stock in the market?

Mr. TOMPKINS. I would not say millions of dollars of profits were derived, because it could not be told at that time, not until it was closed out, whether there would be a profit or a loss.

Senator GORE. There is one point that I do not understand in regard to the organization of this trading syndicate. Mr. Cutten, you say, organized the syndicate in order to support the market, to buy and sell the stock. I can see a point in that if both concerns were to operate at one and the same time, one buying and the other selling. But as I understand, you say that was not the purpose.

Mr. CUTTEN. That was not the purpose, and it was not done.

Senator GORE. Now, just what could this trading syndicate do that the purchasing syndicate could not have done? If it was merely to buy and sell there was no addition to the purchases of stock, but it could have bought the stock back, and could have operated, and done exactly what the trading syndicate did. Now, I do not see any point in the organization of the trading syndicate unless there was some other purpose than that.

Mr. TOMPKINS. Senator, Mr. Cutten explained that.

Senator GORE. Well, I do not understand it.

Mr. TOMPKINS. May I answer that? I am not a witness, but I think I can explain it to you. I assume you want the facts.

Senator GORE. I do not see the point, and do not understand it.

Mr. TOMPKINS. In the original purchase syndicate the commitment was limited to 1,130,000 shares. So the minute that that syndicate bought from the Sinclair Co. 1,130,000 shares, unless they were able to dispose or to sell some of it they could not buy any more stock. That was the limit of their commitment. So it was deemed advisable to organize a trading syndicate in the event that the market might go down—and you know markets do not always go up—so as to have a buying power in addition to the buying power furnished by the original syndicate, to give the market support.

Senator GORE. And there was some limit to it?

Mr. TOMPKINS. Yes, sir; the 1,130,000 shares they were already committed to buy, that amount of stock.

Senator GORE. Well, could not the people who made that commitment have made a new one? I was not here when this matter was originally brought up, and I do not know what it was. But do not see any reason why that concern could not have prevailed or somebody to sell them more stock. They could have bought in the open market if they wanted to.

Mr. TOMPKINS. Yes. But in all these syndicate agreements people want to know the risk that they take, so there is a limit to the commitment which they make. So Mr. Cutten as manager of the syndicate could not make a commitment in excess of 1,130,000 shares, and that commitment had been made when he contracted to buy the stock from Sinclair. Now, assuming that he had bought and paid for that stock and the market had gone down there would have been no purchasing power unless he sold some stock at a loss. Therefore in having a purchasing syndicate he had buying power to protect it.

Senator GORE. And that could not have emanated from the original purchases of stock?

Mr. TOMPKINS. It could, but—

Senator GORE (continuing).—So that they could have operated that function as well as the other.

Mr. TOMPKINS. Yes, sir; but it was deemed advisable to spread the risk around. He did not want to take the entire risk. As a matter of fact, the risk in the trading syndicate was spread around over approximately 32 participants. Mr. Pecora, wouldn't you like this for your record? This is a list of the participants in the trading syndicate, with the amounts they got.

Mr. PECORA. Yes, sir. Mr. Chairman, I offer in evidence the statement produced by Mr. Tompkins, entitled "List of participants in Sinclair purchasing syndicate as finally constituted, with percentages and share of profits received." And I ask that that may be spread on the record.

The CHAIRMAN. Let it be received, and the committee reporter will make it a part of the record.

(The statement referred to was marked "Committee Exhibit No. 114, Nov. 9, 1933", and is as follows:)

COMMITTEE EXHIBIT No. 114, NOVEMBER 9, 1933

List of participants in Sinclair purchasing syndicate as finally constituted, with percentages and share of profits received:

	<i>Share of profits</i>
Blair & Co., 22½ percent.....	\$2, 632, 962. 75
Chase Securities Corporation, 15 percent.....	1, 755, 308. 50
Shermar Corporation, 7½ percent.....	877, 654. 25
The Cutten Co., Ltd., 22½ percent.....	2, 632, 962. 75
H. F. Sinclair, 22½ percent.....	2, 632, 962. 75
Continental National Co., 4 percent.....	468, 082. 27
Arthur Reynolds, 1 percent.....	117, 020. 57
A. M. Andrews, 1 percent.....	117, 020. 57
The Famothe Corporation, 1¾ percent.....	204, 785. 99
The Traywin Corporation, 1¾ percent.....	204, 785. 99
L. W. Hill and C. O. Kalman, ½ percent.....	58, 510. 29
Total.....	11, 702, 056. 68

The total net profit was \$12,002,109.41, out of which William S. Fitzpatrick was paid 2½ percent, a total of \$300,052.73, and the remaining \$11,702,056.68 was divided among the participants in the amounts above given.

Cutten Co., Ltd., granted subparticipations to Mr. Lawrence Fisher and Mr. George Breen, and upon the termination of the syndicate they received the following share of profits based upon these subparticipations:

Lawrence Fisher.....	\$585, 102. 83
George Breen.....	292, 551. 41

(Written in pencil: Fred Bartlett \$526,592.55.)

Mr. PECORA. And, Mr. Chairman, I now offer in evidence another typewritten statement produced by Mr. Tompkins entitled "List of participants in the Sinclair Consolidated B Syndicate as finally constituted, showing interest which they had in syndicate and profits derived therefrom", and ask that it may be made a part of the record. And I assume, Mr. Tompkins, that relates to the trading syndicate?

Mr. TOMPKINS. The trading syndicate; yes, sir. That was widened. It was about 32 individuals in the one I have offered.

The CHAIRMAN. Let it be received, and the committee reporter will make it a part of the record.

(The paper referred to was marked "Committee Exhibit No. 115, Nov. 9, 1933", and is as follows:)

COMMITTEE EXHIBIT No. 115, NOVEMBER 9, 1933

List of participants in the Sinclair Consolidated B Syndicate as finally constituted, showing interest which they had in syndicate and profits derived therefrom:

Name	Interest	Share of profits
	<i>Shares</i>	
A. W. Cutten.....	90,000	\$37,654.52
H. E. Merselles.....	10,000	4,183.83
Lawrence P. Fisher.....	100,000	41,838.35
Blair & Co., Inc.....	100,000	41,838.35
W. H. Eshbaugh.....	35,000	14,643.42
Joseph Toplitsky.....	25,000	10,459.59
Cont. National Co.....	25,000	10,459.59
Fred Bartlett.....	25,000	10,459.59
Matthew C. Brush.....	25,000	10,459.59
P. H. O'Neil.....	25,000	10,459.59
Trust Co of Ga.....	25,000	10,459.59
George Breen.....	25,000	10,459.59
Edwin Weisl & Co.....	15,000	6,275.73
James C. Wilson & Co.....	10,000	4,183.84
Loew & Co.....	10,000	4,183.84
Guardian Detroit Co.....	5,000	2,091.92
Chase Securities Corporation.....	66,666 <sup>2</sup> / <sub>3</sub>	27,892.23
Shermar Corporation.....	33,333 <sup>1</sup> / <sub>3</sub>	13,946.12
E. F. Hutton & Co.....	50,000	20,919.18
Kissell, Kinnicutt & Co.....	20,000	8,367.66
J. & W. Selgman & Co.....	10,000	4,183.83
Janney & Co.....	6,000	2,510.30
Spencer, Trask & Co.....	6,000	2,510.30
Harry F. Sinclair.....	50,000	20,919.18
Do.....	25,000	10,459.59
H. F. Whitney.....	50,000	20,919.18
John H. Markham, Jr.....	50,000	20,919.18
Benjamin Lissberger.....	10,000	4,183.83
The Farnoth Corporation.....	8,750	3,660.86
The Traywin Corporation.....	8,750	3,660.86
L. W. Hill & C. O. Kalman.....	5,000	2,091.92
Jos E. Cutten.....	50,000	21,128.37
Total.....	1,000,000	418,383.54

The gross profit was \$464,870.60, from which was deducted 10 percent compensation to the Syndicate Manager, or \$46,487.06, leaving a net profit of \$418,383.54 which was divided among the participants in the amounts above stated.

Mr. PECORA. Now, Mr. Cutten, I notice in exhibit no. 114, which is a list of participants in the Sinclair purchasing syndicate as finally constituted, the following statement:

The total net profit was \$12,002,109.41, out of which William S. Fitzpatrick was paid 2½ percent, a total of \$300,052.73, and the remaining \$11,702,056.68 was divided among the participants in the amounts above given.

Now, let me ask you, why was William S. Fitzpatrick paid 2½ percent out of the total net profits of over 12 million dollars?

Mr. CUTTEN. I don't know.

Mr. PECORA. Who is William S. Fitzpatrick?

Mr. CUTTEN. He was president of the Prairie Oil Co. I think.

Mr. PECORA. Was that a competitor of the Sinclair Consolidated Oil Corporation at that time?

Mr. CUTTEN. I believe it was.

Mr. PECORA. Upon whose suggestion was Fitzpatrick paid 2½ percent of the total profits?

Mr. CUTTEN. I could not say.

Mr. PECORA. Well, you were the manager of the purchasing syndicate, weren't you?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Who asked you to pay Fitzpatrick 2½ percent of the profits?

Mr. CUTTEN. Nobody asked me.

Mr. PECORA. Then why was it paid to him?

Mr. CUTTEN. It must have been arranged among the participants.

Mr. PECORA. Well, you were one of the participants.

Mr. CUTTEN. Well, I was not consulted.

Mr. PECORA. You were the manager of the purchasing syndicate.

Mr. CUTTEN. Yes. Ruloff might have done it. He represented me, and he might have been consulted.

Mr. PECORA. But you were the manager of the purchasing syndicate.

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Who told you to pay Fitzpatrick 2½ percent of the profits?

Mr. CUTTEN. Nobody.

Mr. PECORA. Do you say nobody told you?

Mr. CUTTEN. No.

Mr. PECORA. When was it paid to him?

Mr. CUTTEN. When was it paid?

Mr. PECORA. Yes.

Mr. CUTTEN. I haven't got the record. I could not tell you.

Mr. PECORA. The record I have is committee exhibit no. 114, which Mr. Tompkins gave me.

Mr. TOMPKINS. I can tell you, Mr. Pecora.

Mr. PECORA. All right.

Mr. CUTTEN. I do not know the answer to that question.

Mr. TOMPKINS. It was paid to him on the dissolution of the syndicate sometime in April of 1929, and it was—if I may supplement it, as Mr. Cutten's memory is very poor about many of these things, and I know you want the facts—it was paid to him, as I understand the thing, on instructions—let me see—Blair & Co., or I think under instructions from Mr. Sinclair.

Mr. PECORA. What did the instructions direct the syndicate manager to do?

Mr. TOMPKINS. To pay 2½ percent of the profits they had agreed to give.

Mr. PECORA. Who had agreed to give it?

Mr. TOMPKINS. The participants.

Mr. PECORA. Well, Mr. Cutten was the manager of the purchase syndicate.

Mr. TOMPKINS. Yes.

Mr. PECORA. Did you allow Mr. Sinclair or anybody else to give away your money without consulting you, Mr. Cutten?

Mr. CUTTEN. Ruloff might have been consulted.

Mr. PECORA. But Ruloff was not a participant?

Mr. CUTTEN. No. He represented me.

Mr. PECORA. Did you allow Mr. Sinclair or anybody else to give away any of your money?

Mr. CUTTEN. In a case such as this it would have been all right.

Mr. PECORA. This payment, according to Mr. Tompkins, was made sometime in April of 1929. You do not know of any reason for such a payment to Fitzpatrick, do you?

Mr. CUTTEN. No; I do not really know anything about that transaction.

Mr. PECORA. Well, we know it was not made around Christmas time, so it could not have been a Christmas gift, could it?

Mr. CUTTEN. I do not know about it. [Laughter.]

Mr. PECORA. Do you know when Mr. Fitzpatrick's birthday is?

Mr. CUTTEN. No; I do not. [Laughter.]

Senator TOWNSEND. Was Ruloff Cutten, your cousin, present here?

Mr. CUTTEN. No, sir. I cannot remember 4 or 5 years back, so I cannot say. So much has happened in the last 4 or 5 years.

Mr. PECORA. Did you personally know Mr. Fitzpatrick?

Mr. CUTTEN. I never saw him.

Mr. PECORA. When were you first told that Mr. Fitzpatrick was to receive 2½ percent of the total profit of over 12 million dollars?

Mr. CUTTEN. I could not say.

Mr. PECORA. Was it at the time of the dissolution of the purchasing syndicate?

Mr. CUTTEN. I think it was.

Mr. PECORA. Who made out the checks?

Mr. CUTTEN. E. F. Hutton & Co.

Mr. PECORA. Did you ever protest to Sinclair or anybody else against this payment to Fitzpatrick?

Mr. CUTTEN. No.

Mr. PECORA. You knew no reason for the making of the payment. You had never heard of him as a participant in the syndicate. Did you ever hear of any interest of any kind whatsoever that he had in the syndicate?

Mr. CUTTEN. No.

Mr. PECORA. Can you at this moment conceive of any possible reason why Fitzpatrick should have received, out of the profits of the purchasing syndicate, the total sum of \$300,052.73?

Mr. CUTTEN. One of the participants might have wanted to give it to him without consulting me. That is the only answer I can give to that.

Mr. PECORA. You contributed to that \$300,000, did you not?

Mr. CUTTEN. Yes.

Mr. PECORA. You had a 25 percent interest in those profits?

Mr. CUTTEN. Yes.

Mr. PECORA. So that your contribution to Mr. Fitzpatrick was 25 percent of \$300,000.

Mr. CUTTEN. That is right.

Mr. PECORA. Or \$75,000.

Mr. CUTTEN. There must have been some reason for it that I have forgotten.

Mr. PECORA. Were you ever told the reason for it?

Mr. CUTTEN. Not that I remember.

Mr. PECORA. Have you, in any of your market operations, ever paid over sums like \$75,000 to anybody merely because somebody asked you to do it?

Mr. CUTTEN. I have never done it, but I have given more than that.

Mr. PECORA. You have given it as a matter of your own judgment?

Mr. CUTTEN. Yes.

Mr. PECORA. Not at the direction or request of somebody else. This is the first time you have been an involuntary Santa Claus?

Mr. CUTTEN. Yes.

Mr. PECORA. Just one question before we adjourn. Have you learned that the New York Stock Exchange is now investigating the transactions of these two syndicates?

Mr. CUTTEN. I think so; yes.

Mr. PECORA. When did the stock exchange first commence this investigation of this pool—I beg your pardon—of this syndicate?

Mr. CUTTEN. I could not say.

Mr. PECORA. When did you first hear of it?

Mr. CUTTEN. Through the newspapers.

Mr. PECORA. When did you first hear of it?

Mr. CUTTEN. From the newspapers.

Mr. PECORA. When?

Mr. CUTTEN. I could not say.

Mr. PECORA. How long ago—recently?

Mr. CUTTEN. Recently, yes; probably a month or two ago. I cannot remember.

Mr. PECORA. Do you know anything about that, Mr. Tompkins?

Mr. TOMPKINS. All I know about it is that I heard the other day that the exchange had sent over for some information to Hutton's office in reference to these syndicates, which we are furnishing them.

Mr. PECORA. When did the stock exchange make that request?

Mr. TOMPKINS. I think it was only the other day.

Mr. PECORA. Only the other day?

Mr. TOMPKINS. I think so.

Mr. PECORA. It was since I first brought out at the sessions of this committee last week, certain facts with regard to this syndicate, was it not?

Mr. TOMPKINS. I can only testify from hearsay. I think it was, Mr. Pecora.

The CHAIRMAN. The committee will take a recess now until 2 o'clock.

(Whereupon, at 1 p.m., Thursday, Nov. 9, 1933, a recess was taken until 2 p.m. of the same day.)

#### AFTERNOON SESSION

Upon the expiration of the noon recess the hearing was resumed at 2 p.m.

## TESTIMONY OF ARTHUR W. CUTTEN—Resumed

Mr. PECORA. It has already been testified to here by other witnesses that the purchasing syndicate account was closed out on April 16, 1929, with a profit of \$12,002,109.41. Who sent you your share of the profits as a participant in that purchasing syndicate?

Mr. CUTTEN. I did not get it.

Mr. PECORA. Who did get it?

Mr. CUTTEN. The Cutten Co.

Mr. PECORA. The Cutten Co., Ltd.?

Mr. CUTTEN. Yes.

Mr. PECORA. Do you know whether the Cutten Co., Ltd., paid any income tax to the United States Government on the profit derived out of its participation in that syndicate?

Mr. CUTTEN. I telephoned to find out a few days ago, and they said they had not turned in any income tax.

Mr. PECORA. They had not filed a return?

Mr. CUTTEN. No; that they had not made any money that year; they lost money.

Mr. PECORA. When did you so telephone?

Mr. CUTTEN. When did I?

Mr. PECORA. Yes.

Mr. CUTTEN. About 2 or 3 days ago from New York.

Mr. PECORA. And what prompted you to do it?

Mr. CUTTEN. I wanted to find out, satisfy myself.

Mr. PECORA. I mean what prompted you to do it at this particular time?

Mr. CUTTEN. I wanted to be able to answer any question.

Mr. PECORA. You mean you wanted to find out the fact in anticipation of being examined before this committee about it?

Mr. CUTTEN. That is right. I wanted to post myself.

Mr. PECORA. Was that the first time you knew that no return had been filed by Cutten & Co., Ltd., for the year 1929?

Mr. CUTTEN. Yes, sir. They told me that they lost \$169,000.

Mr. PECORA. How much?

Mr. CUTTEN. \$169,000.

Mr. PECORA. That they lost—net?

Mr. CUTTEN. Yes.

Mr. PECORA. Are you familiar with the transactions by which they lost that sum net?

Mr. CUTTEN. No.

Mr. PECORA. Were there any other participations in any syndicate that you originally had which you turned over to Cutten & Co., Ltd.?

Mr. CUTTEN. Not that I know of.

Mr. PECORA. Was this the only one?

Mr. CUTTEN. To the best of my knowledge.

Mr. PECORA. Then why did you turn your participation in this particular Sinclair syndicate over to Cutten & Co., Ltd.?

Mr. CUTTEN. I thought they could finance it and I could not.

The CHAIRMAN. Where were they incorporated?

Mr. CUTTEN. In Canada, a Canadian corporation.

Mr. TOMPKINS. Mr. Pecora, in justice to Mr. Cutten here, I think you ought to place on the record that Mr. Cutten was born in Canada and his brothers and sisters I understand live there now.

Mr. PECORA. How long after you were born was Cutten & Co., Ltd. organized?

Mr. CUTTEN. It was organized in 1927 or 28.

Mr. PECORA. You did not organize it because you were born in Canada, did you?

Mr. CUTTEN. No.

Mr. PECORA. What is the sense of making that observation, then, Mr. Tompkins?

Mr. TOMPKINS. The sense of it is this—

Mr. PECORA (interposing). Mr. Wiggin was not born in Canada, and he had three companies organized there. I do not see any relationship between the two facts, birth and organization of the Canadian company.

Mr. TOMPKINS. The parties who were interested there were in Canada.

Mr. PECORA. Who caused Cutten & Co., Ltd., to be organized?

Mr. CUTTEN. My brothers, as bankers.

Mr. PECORA. What business were they in?

Mr. CUTTEN. Well, they were one in the banking business, one in the automobile accessory business.

Mr. PECORA. When did you turn over to Cutten & Co., Ltd., your participation in this syndicate?

Mr. CUTTEN. Right away.

Mr. PECORA. Right away—that is, on October 24, 1928?

Mr. CUTTEN. Yes.

Mr. PECORA. And you did it because you could not finance the transaction?

Mr. CUTTEN. Yes.

Mr. PECORA. Why did you undertake it, then? Why did you undertake it, then, if you could not finance it?

Mr. CUTTEN. Well, I knew they could.

Mr. PECORA. Why did you undertake it if you knew you could not finance it?

Mr. CUTTEN. I could on a pinch, I guess, but I turned it over to them.

Mr. PECORA. You did not do it on a pinch, did you? You had been thinking this proposition over since August 1928, had you not? It was not a pinch, was it?

Mr. CUTTEN. I turned it over to them. I turned it over to them because they had the money to finance it.

Mr. PECORA. And you didn't?

Mr. CUTTEN. Well, I was using my money in operations.

Mr. PECORA. But I say, you did not have the money to finance it at that time?

Mr. CUTTEN. Yes; I could have done it.

Mr. PECORA. What is that?

Mr. CUTTEN. I could have done it, but I turned it over to them.

Mr. PECORA. Well, you have given us as the reason why you turned it over to them that they could finance it, which leads to the inference that you could not. Now, what is the fact about that?

Mr. CUTTEN. The fact is I turned it over to them.

Mr. PECORA. We know that. But now, why did you turn it over to them?

Mr. CUTTEN. I wanted them to make some money, possibly.

Mr. PECORA. Didn't you want to make some money?

Mr. CUTTEN. I was trading and I had other stocks bought.

Mr. PECORA. Then, why did you go into this thing at all, if you did not have the money available to finance it?

Mr. CUTTEN. Simply—I don't know. I just turned it over to them. They had the money. That is what I did.

Mr. PECORA. You told us that several times. I am asking you now why that was done. I have not asked you if it was done. We know that it was done. Now, why was it done?

Mr. CUTTEN. Why was it done?

Mr. PECORA. Yes, sir.

Mr. CUTTEN. I cannot tell you why.

Mr. PECORA. You don't know why?

Mr. CUTTEN. No; it was done.

Mr. PECORA. What is that?

Mr. CUTTEN. I say it was done because they had the money, and I was using my money on other things.

Mr. PECORA. Then why did you undertake any commitment whatsoever in your own name for 1,130,000 shares at that time, if you were not able even to finance a quarter interest in it?

Mr. CUTTEN. I knew the Cutten company could anyway, if I could not.

Senator TOWNSEND. How much money did the Cutten Co. put up in the transaction, do you know?

Mr. CUTTEN. They did not put up any.

Senator TOWNSEND. They did not put up any?

Mr. CUTTEN. No; the money was there.

Mr. PECORA. What interest did you have in Cutten & Co., Ltd., in the year 1928?

Mr. CUTTEN. I did not have any.

Mr. PECORA. None at all?

Mr. CUTTEN. No.

Mr. PECORA. No legal or equitable interest of any kind?

Mr. CUTTEN. I had some stock in the company originally and endorsed it over to a trust for the benefit of my brothers and sisters.

Mr. PECORA. Your brothers, you said, were bankers and could finance it. Did you establish this trust for their benefit?

Mr. CUTTEN. Not altogether. We all did it, all the brothers.

Mr. PECORA. Did you have some interest in it in 1928, then?

Mr. CUTTEN. I had at one time; not in 1928; no.

Mr. PECORA. When?

Mr. CUTTEN. When it was first organized.

Mr. PECORA. Did you cause it to be organized?

Mr. CUTTEN. Well, I was one of the parties; yes.

Mr. PECORA. Were you one of the beneficiaries of the trust?

Mr. CUTTEN. No. This company never paid any dividends, never paid any dividends.

Mr. PECORA. Did it always do business at a loss?

Mr. CUTTEN. Well, they have in the last 3 or 4 years, I know.

Mr. PECORA. You said it was organized in 1927 or 28?

Mr. CUTTEN. Yes.

Mr. PECORA. Did it always do business at a loss?

Mr. CUTTEN. I think so.

Mr. PECORA. How?

Mr. CUTTEN. To the best of my knowledge.

Mr. PECORA. So this trust you helped to organize for the benefit of your brothers and sisters has not been at any time profitable?

Mr. CUTTEN. No.

The CHAIRMAN. They got some profits out of this oil stock, did they not?

Mr. CUTTEN. Yes; but they lost that profit in the same year.

Senator TOWNSEND. Do you know in what they lost it?

Mr. CUTTEN. No, I do not; different stock.

Mr. PECORA. Have you any correspondence that passed between you and Cutten & Co., Ltd., in connection with this transfer by you to that company of your participation in this purchasing syndicate?

Mr. CUTTEN. No.

Mr. PECORA. Then you turned it over without previously communicating with them?

Mr. CUTTEN. I communicated with them.

Mr. PECORA. What is that?

Mr. CUTTEN. I communicated with them.

Mr. PECORA. How?

Mr. CUTTEN. Verbally.

Mr. PECORA. Verbally?

Mr. CUTTEN. Yes. And they accepted it; they accepted the transaction.

Mr. PECORA. You thought this was going to make money, didn't you?

Mr. CUTTEN. Yes.

Mr. PECORA. Why did you pass it up, then, after considering it since August?

Mr. CUTTEN. I passed it up because I wanted them to have it if there was any money to be made, naturally.

Mr. PECORA. Now you said that they could finance this deal. That meant that they must have had resources at that time?

Mr. CUTTEN. Yes; they did.

Mr. PECORA. Of millions of dollars?

Mr. CUTTEN. They did.

Mr. PECORA. And they did not need, then, your beneficences or benevolences at that time, did they?

Mr. CUTTEN. I was not giving any money when I turned that over to them.

Mr. PECORA. You gave them an opportunity in what you thought was a sure-fire opportunity to make money, didn't you?

Mr. CUTTEN. It was just a prospect.

Mr. PECORA. Was it not at that time something more than a prospect?

Mr. CUTTEN. Not at that time; no.

Mr. PECORA. At the time you signed the agreement to buy 1,130,000 shares at \$30 a share the stock was selling in the market for around \$35 a share. That was something more than a prospect, was it not?

Mr. CUTTEN. That is not when the documents were signed, I do not believe, when they started to trade.

Mr. PECORA. Oh, yes, it was. We saw that this morning.

Mr. CUTTEN. Was it?

Mr. PECORA. Yes; it was.

Mr. CUTTEN. All right.

Mr. PECORA. "Oh, well", what?

Mr. CUTTEN. I was just saying "All right."

Mr. PECORA. Who designated or selected E. F. Hutton & Co. as the managers of the trading account?

Mr. TOMPKINS. Mr. Pecora, they were not managers of the trading syndicate.

Mr. PECORA. Who was?

Mr. TOMPKINS. Mr. Cutten.

Mr. PECORA. Were you the manager of the trading syndicate as well?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Well then, who selected the brokers that were to consummate or execute the orders for the trading syndicate?

Mr. CUTTEN. I did.

Mr. PECORA. What brokers did you select for that purpose?

Mr. CUTTEN. E. F. Hutton & Co.

Mr. PECORA. What other brokers?

Mr. CUTTEN. I think that is all.

Mr. PECORA. Were all the orders executed through E. F. Hutton & Co.?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. They were executed for this trading account?

Mr. CUTTEN. Yes.

Mr. PECORA. You are sure of that, are you?

Mr. CUTTEN. Yes.

Mr. TOMPKINS. I must correct him, Mr. Pecora.

Mr. PECORA. What is that, Mr. Tompkins?

Mr. TOMPKINS. If you will allow me to correct him, because his memory is very poor about the details of these transactions. The account was opened with E. F. Hutton & Co., but I do not believe all the orders in the account were executed by E. F. Hutton & Co., because it is quite customary for any stock exchange house, particularly operating in 1928 and 1929, to give out a certain amount of business and orders to other brokers for execution. E. F. Hutton & Co. at that time had two floor members of the New York Stock Exchange and probably in the course of their very heavy business they may have employed 20 outside brokers from time to time; I mean to execute various orders.

Senator TOWNSEND. Do you know who those two floor members were?

Mr. TOMPKINS. Yes, sir.

Senator TOWNSEND. Who were they?

Mr. TOMPKINS. At that time Mr. Ruloff E. Cutten, who was a cousin of Mr. A. W. Cutten. He was a floor member. And Mr. George B. Waxton. I think they had three, too. I think there was Mr. George Doran, also. There were a good many members or partners in the firm.

Senator TOWNSEND. Was either one of those members a specialist in these stocks?

Mr. TOMPKINS. No, sir; I do not believe so.

Mr. PECORA. Was there any specialist in the New York Stock Exchange in the stock of the Sinclair Consolidated Oil Corporation?

Mr. TOMPKINS. If he knows—ask him if he knows.

Mr. CUTTEN. I don't know.

Senator TOWNSEND. Do you know?

Mr. TOMPKINS. I don't know. I don't know, sir; but I do know this, that none of the floor members who are the partners of E. F. Hutton & Co. are specialists in any stock. There probably was a specialist in Sinclair. There is a specialist in almost every stock on the exchange, but I do not know who he was, but I can find out for you, and supply that.

Senator TOWNSEND. I wish you would do that.

Mr. PECORA. Mr. Cutten, you have heard your counsel, Mr. Tompkins, just make the statement to the effect that E. F. Hutton & Co. probably used as many as 20 other brokers?

Mr. CUTTEN. I did.

Mr. PECORA. To execute the orders to buy and sell for this trading account.

Mr. TOMPKINS. No, Mr. Pecora. You are misquoting me. I do not say in this trading account. I say in the course of their general business during those days. They may have employed 20 brokers for their customers. Their customers did business in other stocks.

Mr. PECORA. I was inquiring only about the execution of orders in this trading account, Mr. Tompkins, when you volunteered that statement, and naturally I thought it related to this trading account's operations.

Mr. TOMPKINS. Your inference is perfectly natural; but I said in the course of their business, and I was referring to their general business.

Mr. PECORA. Well, why mix up their general business when we are seeking to confine ourselves to a particular line of operations?

Mr. TOMPKINS. If you had asked me how many outside brokers, if I had been notified yesterday, they used, I could probably have gotten you the information, but I haven't got it here and I could not tell you.

Mr. PECORA. You are the attorney for E. F. Hutton & Co. still, are you?

Mr. TOMPKINS. I am, sir.

Mr. PECORA. Will you get someone from that firm down here tomorrow prepared to testify concerning all of the transactions that were executed for this trading account?

Mr. TOMPKINS. Could it be Monday, sir? I have some fairly important engagements myself tomorrow which I had to put aside to come here to represent Mr. Cutten.

Mr. PECORA. You will not have to be here tomorrow to give that testimony. I want someone from the E. F. Hutton Co. to do it.

Mr. TOMPKINS. Naturally.

Mr. PECORA. So that you will be free to keep your own engagements tomorrow.

Mr. TOMPKINS. Naturally, Mr. Pecora, they would like to have their counsel present. I think they are entitled to that.

Mr. PECORA. They are not entitled to it, as a matter of fact.

Mr. TOMPKINS. Well, it has been the custom of the committee. You are asking for a lot of information, and I will not get back tonight—

Mr. PECORA. I assumed, Mr. Tompkins, that Mr. Cutten, being a market operator, would be able to answer these questions, but apparently his memory is quite defective.

Mr. TOMPKINS. That is true.

Mr. PECORA. That is why I have to rely on other aids to give us the facts.

Mr. TOMPKINS. I simply ask, as a matter of courtesy to myself, if you cannot make it Monday. Tomorrow is Friday, and we naturally have our engagements made in advance. If you will advise me any day in advance just what information you want, I will be glad to get it and supply it to the committee. We have nothing to conceal in this transaction whatsoever.

Mr. PECORA. We want all the information possible to be obtained in the possession of E. F. Hutton & Co. or under their control or within their knowledge concerning the operation of this trading account syndicate with the Sinclair Consolidated Oil Corporation that has been testified to today by Mr. Cutten—the syndicate that he has been referring to as the trading syndicate.

Mr. TOMPKINS. Do you want both syndicates now?

Mr. PECORA. The other one as well; the buying syndicate as well.

Mr. TOMPKINS. Certainly. I will be glad to have somebody down here.

Mr. PECORA. Is Mr. Stanford here?

Mr. STANFORD. Yes, sir.

Mr. PECORA. I would like to have Mr. Sinclair here.

Mr. STANFORD. I know he could not be here tomorrow.

Mr. PECORA. I mean, if it is next Monday or Tuesday.

Mr. STANFORD. My best advice from the physician is that he can be here approximately Wednesday or Thursday.

Mr. PECORA. We would like to have him here at the same time Hutton & Co are here.

Mr. TOMPKINS. So far as Hutton & Co. are concerned, we will hold ourselves at your disposal. If you will notify me the day before you are going to have Mr. Sinclair down here, I will have one of the partners down here, probably Mr. Ruloff Cutten.

Mr. PECORA. We will agree on the time later.

Now, Mr. Cutten, do you know how many brokers other than E. F. Hutton & Co., executed any of the orders for this trading syndicate?

Mr. CUTTEN. No; I do not.

Mr. PECORA. Did you ever know?

Mr. CUTTEN. No, sir; I never knew.

Mr. TOMPKINS. Have you put in evidence a copy of the trading syndicate as distinguished from the purchase syndicate? If you have not, I have one here.

Mr. PECORA. Let me see the trading syndicate document, please.

Mr. TOMPKINS. That [handing a paper to Mr. Pecora] is a printed copy of the original.

Mr. PECORA. No; we have not offered this.

I show you a printed document purporting to be a copy of the so-called Sinclair trading syndicate B agreement. Will you look at it and tell us if you recognize it to be a true and correct copy of the agreement by and under which this trading syndicate was organized and operated?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be admitted and placed in the record.

(The printed copy of trading syndicate B agreement referred to was received in evidence, marked "Committee's Exhibit No. 116, Nov. 9, 1933", and will be found on p. 3154.)

Mr. PECORA. There has been put into the record in connection with the examination of a witness other than yourself a letter sent out by E. F. Hutton & Co. under date of April 16, 1929, in which was enclosed to the Shermar Corporation a check representing the share which that corporation was entitled to receive of the profits of the purchasing syndicate, and in that letter reference was made to the trading account in the following language:

Options have been given on 100,000 shares which are expected to be exercised by May 1st. Therefore all selling pressure will be withdrawn from the Sinclair market, and it is reasonable to assume that the stock will advance in sympathy with the generally improved oil situation.

The letter was signed by E. F. Hutton Co. for the syndicate manager. You were the syndicate manager for whom E. F. Hutton & Co. sent out that letter, were you not?

Mr. CUTTEN. Did I authorize them to do it?

Mr. PECORA. I don't know.

Mr. TOMPKINS. He has just asked you if you were the syndicate manager.

Mr. SUTTON. Yes, sir; I was the syndicate manager.

Mr. PECORA. You just asked me a question which suggests one that I will ask you. Did you authorize them to send out those letters?

Mr. CUTTEN. They were my managers. Anything they did was all right.

Mr. PECORA. I thought you said you were the manager. They carried out your instructions?

Mr. CUTTEN. They represented me; yes.

Mr. PECORA. What did you mean by the statement in that letter, reading—

Therefore all selling pressure will be withdrawn from the Sinclair market?

Mr. CUTTEN. I can't answer that. I don't know what it means. I never heard that term used.

The CHAIRMAN. What is the date of that?

Mr. PECORA. April 16, 1929.

Mr. TOMPKINS. I will have the writer of that letter who will explain what he meant. Of course the witness would not know what the writer meant.

Mr. PECORA. The writer apparently was his own cousin, judging from the initials in the lower left-hand corner, reading "R.E.C."

Mr. TOMPKINS. Yes; and he will explain it. Naturally this witness would not know what his cousin had in mind.

Mr. PECORA. I don't know whether he would or not.

Mr. TOMPKINS. Ask him. That is all right.

Mr. PECORA. So far, the situation has developed that this witness, Arthur W. Cutten, was the manager both of the purchasing syndicate and the trading syndicate.

Mr. TOMPKINS. All right, sir.

Mr. PECORA. And these letters were sent out by E. F. Hutton & Co. for the syndicate manager, who is Mr. Arthur W. Cutten?

Mr. TOMPKINS. Quite right.

Mr. PECORA. That is why I am asking Mr. Arthur W. Cutten now what he understood by the expression, "therefore all selling pressure will be withdrawn from the Sinclair market."

Mr. CUTTEN. I don't know what he meant by that, Mr. Pecora.

Mr. PECORA. You have not the remotest idea of what is meant by that?

Mr. CUTTEN. No; I have not.

Mr. PECORA. Did you ever hear the term "selling pressure" used before in stock-market operations?

Mr. CUTTEN. I think I have heard it used in market letters—"selling pressure"—yes.

Mr. PECORA. What does it mean to you?

Mr. CUTTEN. I don't know. I can't understand it in this case. I can't understand what he meant. He will have to explain that to you.

Mr. PECORA. That expression was used in this letter in the portion thereof which referred to the trading syndicate. You have already testified that the trading syndicate was organized in order to enable the purchasing syndicate to sell at a profit the 1,130,000 shares that were bought?

Mr. CUTTEN. Yes.

Mr. PECORA. You recall your testimony to that effect?

Mr. CUTTEN. Yes.

Mr. PECORA. Having that in mind as one of the purposes or the purpose for which the trading syndicate was organized, and familiar as I presume you are with what the trading syndicate did in order to aid the purchasing syndicate to sell these shares, does not the term "selling pressure" mean something to you?

Mr. CUTTEN. I don't know what he means by that.

Mr. PECORA. The trading syndicate, you said this morning, was designed to provide a buying power?

Mr. CUTTEN. No question about that.

Mr. PECORA. For the stock that was being traded in of Sinclair Consolidated; is that right?

Mr. CUTTEN. Yes.

Mr. PECORA. What do you mean by "buying power"? Where was that buying power to reside? In whom? Where was it expected to come from?

Mr. CUTTEN. In this syndicate, when the market was selling off a little easy, to put in some buying orders, and the public would go on the market again and we could sell the stock.

Mr. PECORA. Did the trading account sell more than it purchased in the open market or less during its entire operation?

Mr. TOMPKINS. I think it was even. I think it sold the same number of shares.

Mr. PECORA. How many shares were traded in, all told, by the trading syndicate?

Mr. CUTTEN. 634,719.

Mr. PECORA. Was that on both the buying and selling sides?

Mr. CUTTEN. Both sides.

Mr. PECORA. They bought that number and they sold that number?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. At a gross profit of over \$400,000?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Who organized this trading syndicate?

Mr. CUTTEN. Blair & Co., I think.

Mr. PECORA. Why were you, the manager of it, having Blair & Co. organize that trading syndicate?

Mr. CUTTEN. They wanted me to manage it.

Mr. PECORA. And you were willing to do it?

Mr. CUTTEN. I was willing to do it.

Mr. PECORA. Although you had no interest in it at all? You had turned all of your interest over to the Canadian company?

Mr. TOMPKINS. Not in the trading syndicate.

Mr. PECORA. Oh. Did you keep your interest in that?

Mr. TOMPKINS. Yes. If you will look at his evidence you will see that he got 10 percent of the profits as manager.

Mr. PECORA. Did you also have a participation in the trading syndicate, your own individual account?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. The trading syndicate was organized under conditions that limited it to a commitment of 1,000,000 shares; is that right?

Mr. CUTTEN. Yes.

Mr. PECORA. That was the maximum?

Mr. CUTTEN. Yes.

Mr. PECORA. And of the 1,000,000 shares you had a participation of 9 percent?

Mr. CUTTEN. Yes.

Mr. THOMPSON. He had originally—for the sake of the record—a participation, I think, of 100,000 shares, and he gave part of his participation to Mr. Merselles who was then president or chairman of the board.

Mr. PECORA. Is that Mr. H. E. Merselles?

Mr. TOMPKINS. Yes, sir. He is now dead.

Mr. PECORA. One of the other participants in the trading syndicate was Lawrence P. Fisher, who appears to have had a 10-percent interest in it equivalent to 100,000 shares. Who invited him to participate?

Mr. CUTTEN. I did; I invited him.

Mr. PECORA. It appears from committee's exhibit no. 115 in evidence as of this date that Blair & Co. had an interest of 100,000 shares in this trading syndicate.

Mr. TOMPKINS. That is true.

Mr. PECORA. They were participants in the purchasing syndicate as well?

Mr. CUTTEN. Yes.

Mr. PECORA. It appears that W. H. Eshbaugh had an interest of 35,000 shares in the trading syndicate. Who was he?

Mr. CUTTEN. He was a Wall Street broker.

Mr. PECORA. A member of the exchange?

Mr. CUTTEN. No; I don't think so. He was a member of—

Mr. TOMPKINS. He was quite a Wall Street trader at that time. I don't think he was a member of the exchange.

Mr. PECORA. Who invited him to participate in the trading syndicate?

Mr. TOMPKINS. I think probably Ruloff did.

Mr. PECORA. There is another gentleman named Joseph Toplitsky who had an interest of 25,000 shares in the trading syndicate. Who invited him to participate?

Mr. TOMPKINS. I think he was a customer on the Pacific coast of E. F. Hutton Co.

Mr. PECORA. Who is he?

Mr. CUTTEN. A real estate man.

Mr. PECORA. Where?

Mr. CUTTEN. In Los Angeles.

Mr. PECORA. Had he ever been in any trading account with you before?

Mr. CUTTEN. I don't think so—not to my knowledge.

Mr. TOMPKINS. He may have been.

Mr. CUTTEN. I don't know; not to my knowledge.

Mr. PECORA. Another participant in the trading syndicate, according to exhibit 115, was Continental National Co., with an interest of 25,000 shares.

Mr. CUTTEN. I don't recognize that company.

Mr. TOMPKINS. Yes, you do. That is a Chicago company.

Mr. CUTTEN. Oh, yes; that was an affiliate of the Continental National Bank of Chicago.

Mr. PECORA. Who invited them to participate in the trading syndicate?

Mr. TOMPKINS. May I answer?

Mr. PECORA. If he knows, let him answer.

Mr. TOMPKINS. All right, if he knows.

Mr. CUTTEN. It might be the Chase Securities—

Mr. TOMPKINS. They had a participation also in the original purchase syndicate. The Continental National Co. had a small participation in it, and Mr. Reynolds, also.

Mr. PECORA. Who gave the Continental National Co. a participation in the purchasing syndicate?

Mr. CUTTEN. I couldn't say. Probably Blair. That is only a guess, however. I don't know, Mr. Pecora.

Mr. PECORA. The next name on the list appears to be—

Mr. CUTTEN. I am only guessing at this.

Mr. PECORA. I wish you would not guess. If you cannot tell us, don't give us a guess.

Mr. TOMPKINS. Just say you do not know.

Mr. CUTTEN. I do not know.

Mr. PECORA. The next name that appears is that of Fred Bartlett. He was one of the directors or officers of the Sinclair Consolidated Oil Corporation, was he not?

Mr. CUTTEN. He was a director.

Mr. PECORA. The next name is that of Matthew C. Brush with an interest of 25,000 shares in the trading syndicate. Who invited Mr. Brush to participate?

Mr. CUTTEN. I don't know.

Mr. PECORA. You know him, don't you?

Mr. CUTTEN. I have met him once or twice.

Mr. PECORA. What is his business?

Mr. CUTTEN. I don't know. He is a large trader in stock; that is all I know.

Mr. PECORA. A stock market trader?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Mr. P. H. O'Neil also appears as a trading-account participant to the extent of 25,000 shares. Who is P. H. O'Neil?

Mr. CUTTEN. An oil man out on the Pacific coast.

Mr. PECORA. What oil company is he connected with?

Mr. CUTTEN. The Sinclair. I think he is a director of the Sinclair Co.

Mr. PECORA. There are nods of disapproval of that statement coming from gentlemen who represent the Sinclair Oil Corporation.

Mr. TOMPKINS. He does not know.

Mr. PECORA. Mr. O'Neil was an officer of some oil company, was he not? It seems to me—my memory may be at fault, but it seems to me I recall the name of O'Neil in connection with a certain investigation conducted by the Public Lands Committee of the United States Senate some 8 or 10 years ago.

Mr. TOMPKINS. I don't think this is the same man.

Mr. PECORA. There was an O'Neil there.

Mr. TOMPKINS. Yes; there was, but this is not the man. I will find out something about it and supply the information.

Mr. PECORA. The Trust Co. of Georgia appears as a participant. Who invited that company?

Mr. CUTTEN. I don't know.

Mr. PECORA. The next name is that of George Breen. Who is George Breen?

Mr. CUTTEN. He was a trader.

Mr. PECORA. Another market operator?

Mr. CUTTEN. Another market operator.

Mr. PECORA. George Breen, in addition to being a participant in the trading account, was given a subparticipation in the purchase syndicate?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. At whose instance?

Mr. CUTTEN. Mine.

Mr. PECORA. How much of a participation did you give Mr. George Breen in the original purchasing syndicate?

Mr. TOMPKINS. It is in that exhibit. I don't know the exact percentage, but it is in there.

Mr. PECORA. He received out of the profits apparently \$292,551.41, which represents about 2½ percent.

Mr. TOMPKINS. A little less than that.

Mr. PECORA. About 2½ percent of the net. Did you give him that participation out of your interest?

Mr. CUTTEN. I think I did.

Mr. PECORA. I thought you turned over your entire interest to the Canadian company.

Mr. CUTTEN. No.

Mr. TOMPKINS. The Canadian company allotted—

Mr. CUTTEN. There were three participations.

Mr. TOMPKINS. It is shown on the exhibit.

Mr. PECORA. The exhibit does not show any such thing.

Mr. TOMPKINS. Cutten & Co., Ltd., granted its participation to these people [indicating the exhibit].

Mr. PECORA. Mr. Cutten, do you know how the Cutten Co., Ltd., granted subparticipations in the purchasing syndicate to Mr. Fred Barlett, to Mr. Lawrence P. Fisher, and to Mr. George Breen?

Mr. CUTTEN. I cannot recall.

Mr. PECORA. Was it done at your instance or suggestion?

Mr. CUTTEN. Yes.

Mr. PECORA. Do you recall why you did it?

Mr. CUTTEN. I can't recall now why I did it, but it was done at the time.

Mr. PECORA. What is that?

Mr. CUTTEN. It was done when the agreement was signed, I think; I am not sure. Wasn't it?

Mr. TOMPKINS. I don't know.

Mr. CUTTEN. I can't remember.

Mr. TOMPKINS. I can tell you why.

Mr. PECORA. It seems to me you can tell everything that this witness ought to be able to state. I am inquiring about this witness' own transactions.

Mr. TOMPKINS. I will not say a word more. If he knows, let him testify.

Mr. PECORA. If he cannot tell us, I want the information from any one that can tell us; but it seems to me that we ought to get it from Mr. Cutten, who ought to be in a position to give it to us.

Mr. TOMPKINS. I agree with you; but it is quite evident that the witness' memory on many of these things which happened 4½ years ago is not of the best.

Mr. CUTTEN. I know it was given; that is all I know. I don't know why.

Mr. PECORA. Were you under any obligation to Mr. George Breen at that time that you wanted to repay or requite by giving him an interest in this prospect, as you called it?

Mr. CUTTEN. I had known him for a long time. I had known Mr. Bartlett and Mr. Fisher.

Mr. PECORA. Between those three gentlemen, Fisher, Breen, and Bartlett, subparticipations were given out of your original interest which gave them approximately \$1,300,000 out of the profit?

Mr. CUTTEN. That is right.

Mr. PECORA. That is a pretty substantial interest to give away, is it not?

Mr. CUTTEN. The money was not made when we gave the participation.

Mr. PECORA. That represented fully one third—more than one third of your original 25 percent interest in the purchasing syndicate?

Mr. CUTTEN. That is right.

Mr. PECORA. Why did you part with that amount of potential profit?

Mr. CUTTEN. I don't know why at this time, why it was done.

Mr. PECORA. Let us see. You said before that the reason you assigned your entire participation in the purchasing syndicate to Cutten Co., Ltd., of Canada, was because that company could finance it?

Mr. CUTTEN. Yes; that is right.

Mr. PECORA. If they could finance it, why did you have them give away one third or more of their profits out of this syndicate by granting subparticipations to Mr. Fisher, Mr. Breen, and Mr. Bartlett?

Mr. CUTTEN. I don't know, except I decided to give it.

Mr. PECORA. That is quite apparent that you decided to give it. That is indicated by the fact that you did give it; but I am trying to find out why.

Mr. CUTTEN. I don't know why I gave it except that I agreed to let them come in and participate.

Mr. PECORA. Did they ask you for a subparticipation?

Mr. CUTTEN. No; they did not ask me.

Mr. PECORA. You gave it to them on your own initiative?

Mr. TOMPKINS. I think this will refresh his recollection. Was not Mr. Fisher interested in the Baldwin Locomotive Co. of which at that time you were a director, and you were both interested in the Baldwin Locomotive Co.?

Mr. CUTTEN. Yes.

Mr. PECORA. Was it because Mr. Fisher was interested in the Baldwin Locomotive Co. that you gave him an interest in this oil syndicate?

Mr. CUTTEN. I can't recall now just why it was done.

Mr. PECORA. It certainly was not done merely because he was a codirector of yours in the Baldwin Locomotive Co.?

Mr. CUTTEN. The fact is it was done, and that is all I know.

Mr. PECORA. We know it was done, but we are trying to find out why you did it. Can you not tell us at all why you did it?

Mr. CUTTEN. Not at this time I cannot. There must have been some reason for it.

Mr. PECORA. I am assuming that there was some reason. That is why I am a little bit persistent.

Mr. CUTTEN. He was a friend of mine, and Mr. Breen was a friend, and I wanted them to participate.

Mr. PECORA. Did you ever show your appreciation of that friendship in any similar fashion on other occasions?

Mr. CUTTEN. I can't say that I did.

Mr. PECORA. Did he ever show similar friendship toward you?

Mr. CUTTEN. I can't say that he did.

Mr. PECORA. Will you say the same thing about Mr. Breen?

Mr. CUTTEN. Yes.

Mr. PECORA. And about Mr. Bartlett?

Mr. CUTTEN. Yes. They were good friends of mine.

Mr. PECORA. Another one of the participants in the trading syndicate was Edwin Weisel & Co. Who was Edwin Weisel & Co.?

Mr. CUTTEN. I don't know.

Mr. PECORA. Did you ever hear of them before?

Mr. CUTTEN. No, sir; I never did.

Mr. PECORA. Then you did not invite them to participate, I assume?

Mr. CUTTEN. No, sir.

Mr. PECORA. Another participant is James C. Wilson & Co. Who were they?

Mr. CUTTEN. I don't know.

Mr. PECORA. Another one is Loew & Co.

Mr. CUTTEN. I don't know them.

Mr. PECORA. Then there is the Guardian Detroit Co. with a participation of 5,000 shares.

Mr. CUTTEN. I don't know anything about them.

Mr. PECORA. You never heard of them at all?

Mr. CUTTEN. I have heard of the Guardian Bank in Detroit, but—

Mr. PECORA. You will hear about them later. The Chase Securities Corporation appears as a participant in the trading account to the extent of 66,666 $\frac{2}{3}$  shares. I suppose that was because the Chase Securities Corporation was a participant in the purchasing syndicate?

Mr. CUTTEN. I presume so.

Mr. PECORA. And the Shermar Corporation appears as a participant in the trading syndicate to the extent of 33,333 $\frac{1}{3}$  shares. Do you know how that corporation happened to be given a participation in the trading account?

Mr. CUTTEN. No, sir; I do not know.

Mr. PECORA. How about E. F. Hutton & Co.? They appear to have had an interest in the trading account of 5,000 shares. How do you account for that?

Mr. CUTTEN. I don't know.

Mr. PECORA. Is there anything that you do know about this trading account other than the fact that you were the manager of it? So far that is pretty nearly the only thing in the way of a definite statement we have been able to get from you, that you were the manager of it.

Mr. CUTTEN. Yes, sir.

Mr. PECORA. As manager do you know anything about it at all?

Mr. CUTTEN. I know the participants shown here were given probably by Blair & Co. and other people.

Mr. PECORA. You were the manager of the account. You actually managed it, did you not?

Mr. CUTTEN. I managed it; yes.

Mr. PECORA. What was that?

Mr. CUTTEN. I managed it, I say.

Mr. PECORA. Why can't you tell us something more about these important details, Mr. Cutten?

Mr. CUTTEN. Blair & Co. and Chase Securities Corporation had their friends, I suppose, whom they wanted to get a participation.

Mr. PECORA. Your cousin Ruloff is a partner of E. F. Hutton & Co., I believe?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Does that suggest to you any reason why E. F. Hutton & Co. were invited to participate in this trading syndicate?

Mr. CUTTEN. It may [laughter].

Mr. PECORA. Well, what would be the reason? What reason does it suggest to you?

Mr. CUTTEN. I don't know. But the fact is that they participated, is all that I know.

Mr. PECORA. Well, I know that, too, now, but am trying to find out, to use the vernacular, how come?

Mr. CUTTEN. I cannot tell you that this time how it came about.

Mr. PECORA. Well, now, another participant in the trading account appears to have been Kissell, Kinnicutt & Co. You know who they are, don't you?

Mr. CUTTEN. I have heard their names.

Mr. PECORA. Don't you know who they are?

Mr. CUTTEN. They are bankers.

Mr. PECORA. Who invited them to participate?

Mr. CUTTEN. I don't know.

Mr. PECORA. Another participant appears to have been J. & W. Seligman & Co. You also know who they are?

Mr. CUTTEN. I don't know who invited them [laughter].

Mr. PECORA. Now, another participant seems to have been the firm of Janney & Co. Who are they?

Mr. CUTTEN. I couldn't say.

Mr. PECORA. Do you know what business they are in?

Mr. CUTTEN. No; I don't.

Mr. PECORA. Now, another firm that participated in the trading account was Spencer, Trask & Co., according to committee exhibit no. 115. Do you know who they are?

Mr. CUTTEN. They are bankers.

Mr. PECORA. Did you invite them to participate?

Mr. CUTTEN. No.

Mr. PECORA. Do you know who did?

Mr. CUTTEN. No.

Mr. PECORA. Then there appears the name of a man, Harry F. Sinclair, who had two participations, one of 50,000 shares and one of 25,000 shares. He was a participant in the original purchasing syndicate; wasn't he?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Do you think that accounts for his being a participant in the trading syndicate?

Mr. CUTTEN. I presume so.

Mr. PECORA. Another participant in the trading account was H. P. Whitney to the extent of 50,000 shares. That is Mr. Harry Payne Whitney; isn't it?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Who invited him to participate?

Mr. CUTTEN. I could not say. It must have been—well, I am only guessing, but I think it was Mr. Sinclair. But I don't want to guess.

Mr. PECORA. Another participant in the trading syndicate was John H. Markham, Jr., to the extent of 50,000 shares. Who invited him?

Mr. CUTTEN. I don't know who invited him.

Mr. PECORA. Well, now, another participant was Benjamin Lissberger to the extent of 10,000 shares.

Mr. CUTTEN. I don't know him.

Mr. PECORA. Did you ever hear of him?

Mr. CUTTEN. No.

Mr. PECORA. I presume you did not invite him to participate?

Mr. CUTTEN. No.

Mr. PECORA. Now, we find another participant in the name of The Famothe Corporation.

Mr. CUTTEN. I never heard of it.

Mr. PECORA. Do you know what interest that corporation represents?

Mr. CUTTEN. No.

Mr. PECORA. Do you know what kind of a corporation it is?

Mr. CUTTEN. No; I don't.

Mr. PECORA. Then another corporation that was a participant in the trading account was The Traywin Corporation. Do you know what that corporation is?

Mr. CUTTEN. No; I don't know.

Mr. PECORA. Don't you know it is a corporation of Mr. Tinker's, or was at that time, and of Chase Securities Corporation?

Mr. CUTTEN. I don't know that.

Mr. PECORA. Do you know it now?

Mr. CUTTEN. Yes.

Mr. PECORA. When did you learn of it?

Mr. CUTTEN. You told me [laughter].

Mr. PECORA. I did not tell you. I asked you if you knew that was the fact.

Mr. CUTTEN. I don't know. I never heard of it.

Mr. PECORA. Then there was a participation of 5,000 shares in this trading syndicate given to L. W. Hill and C. O. Kolman, apparently jointly. Who were they?

Mr. CUTTEN. I don't know them.

Mr. PECORA. Then there was a participation of 50,500 shares in this trading account given to one Joseph E. Cutten. Who is he?

Mr. CUTTEN. I think he is Ruloff Cutten's father, in San Francisco.

Mr. PECORA. You say you think he is? [Laughter.]

Mr. CUTTEN. Yes, sir.

Mr. PECORA. So you don't know?

Mr. CUTTEN. No. I wouldn't be sure, but I think he is. I think they are his initials. I have only seen him once or twice.

Mr. PECORA. You say he might be Ruloff's father and Ruloff is your cousin?

Mr. CUTTEN. Yes.

Mr. PECORA. Can't you tell us that with any greater degree of certainty whether or not Joseph E. Cutten is the father of your cousin Ruloff?

Mr. CUTTEN. I wouldn't swear to it [laughter, loud and prolonged]. I mean I would not swear that those are the initials of Ruloff's father, Joseph E. Cutten. I do not know whether that is Ruloff's father or not, but I think it is.

Mr. PECORA. Who invited him to participate?

Mr. CUTTEN. Probably Ruloff did.

Mr. PECORA. Were you ever interested in any syndicate operations to trade in Baldwin Locomotive Co. stock with Mr. Lawrence Fisher?

Mr. CUTTEN. No. I don't think we ever had any. I think my trading, if I remember right—let me see—well, I would have to look

that up because I am not positive. I was trading so much myself I am not positive about it. I think my deals in Baldwin stock were mostly individual transactions, at least so far as I can remember just at this minute. My counsel says that this may have been something I had an interest in.

Mr. PECORA. In Baldwin Locomotive Co. stock?

Mr. CUTTEN. I don't know about it.

Mr. TOMPKINS. I can give you the facts later, Mr. Pecora.

Mr. CUTTEN. I will be glad to give you any facts you may desire, but I forget about these things.

Mr. PECORA. How many trading syndicates did you participate in in the year 1928?

Mr. CUTTEN. I could not say now.

Mr. PECORA. Well, approximately how many?

Mr. CUTTEN. Not a great many.

Mr. PECORA. Well, when you say "Not a great many", what number do you mean to convey as an approximate number?

Mr. CUTTEN. I could not say.

Mr. PECORA. As many as 50?

Mr. CUTTEN. Oh, no.

Mr. PECORA. As many as 25?

Mr. CUTTEN. I do not think even that number. Less than 10, anyway.

Mr. TOMPKINS. Mr. Pecora, I will be very glad to supply that information. I did not know you were going into Mr. Cutten's general participations.

Mr. PECORA. I did not know it either.

Mr. TOMPKINS. I will be glad to furnish you the names. But I think they are a little more numerous than Mr. Cutten recalls.

Mr. PECORA. How many trading syndicates did you participate in in the year 1929, Mr. Cutten?

Mr. CUTTEN. I could not answer that. I would have to look those records up.

Mr. PECORA. Do you remember the securities or the issues that any trading syndicates of which you were a participant traded in in 1928, other than Sinclair Consolidated Oil Corporation?

Mr. CUTTEN. What was that question?

Mr. TOMPKINS. He wishes to know if you remember any securities or issues that you were a participant in in 1928 other than Sinclair Consolidated Oil Corporation.

Mr. PECORA. As a member of any trading syndicate.

Mr. TOMPKINS. I think there were quite a few, and I will be glad to give you the list.

Mr. CUTTEN. I would have to look it up in order to answer your question.

Mr. PECORA. Can't you think of any now?

Mr. CUTTEN. None at all.

Mr. PECORA. You cannot think of any at all now?

Mr. CUTTEN. No. I would have to refresh my memory. There is no use of my testifying unless I have the facts.

The CHAIRMAN. Were you in Baldwin Locomotive then?

Mr. TOMPKINS. That was before 1928, I think.

The CHAIRMAN. And how about Montgomery Ward & Co.?

Mr. CUTTEN. As to Montgomery Ward & Co., I do not think we participated in that.

Mr. TOMPKINS. I do not think so. You see, Senator Fletcher, Mr. Pecora is discriminating as between syndicates and individual trading operations of Mr. Cutten.

The CHAIRMAN. He asked Mr. Cutten what securities he dealt in.

Mr. PECORA. As a member of a trading syndicate, were you the manager of any trading syndicates other than Sinclair Consolidated Oil Corporation that we have been speaking of, during 1928 and 1929?

Mr. CUTTEN. I do not believe so [consulting his attorney]. My counsel says he thinks so, but I cannot remember any.

Mr. PECORA. What was that?

Mr. CUTTEN. My counsel says he thinks so.

Mr. TOMPKINS. I think so, Mr. Pecora, but I will be glad to supply you or the committee with all syndicates of which Mr. Cutten was a member, and of any syndicate of which he was manager. I did not know that you were going into that matter at this hearing.

Mr. PECORA. All right. You may furnish it. But I will say that my curiosity has been piqued since Mr. Cutten took the stand this morning.

Mr. TOMPKINS. I am sorry.

Mr. PECORA. We want you to get the facts. I am trying now through you to get them about this one syndicate.

Mr. CUTTEN. Well, I don't want to make any mistake.

Mr. PECORA. I am trying through you to get them about this one syndicate. And you knew last week that you were going to be examined about it, didn't you?

Mr. CUTTEN. Yes.

Mr. PECORA. You got a 10 percent commission, or 10 percent of the profits of this particular syndicate because you were the manager of it, didn't you?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Did you actually manage its operations?

Mr. CUTTEN. I managed it; yes, sir.

Mr. PECORA. You did?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. You did manage it?

Mr. CUTTEN. Well, I gave Ruloff Cutten authority to look after the floor end of it, the trading end of it. He would telephone me and give me the short sales every night.

Mr. PECORA. Now, did you do it in this fashion: You would first tell Ruloff Cutten as the floor member of E. F. Hutton & Co. of the New York Stock Exchange, what transactions you wanted to have executed in behalf of trading in the stock, by long distance telephone from Chicago?

Mr. CUTTEN. More or less; yes, sir.

Mr. PECORA. And then at the end of the following day he would report to you whether or not your instructions had been carried out, your orders executed. Is that right?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. And then you would give him your orders and instructions to be carried out the following day. Is that right?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. And that was the mechanism by which you gave your orders to the brokers, E. F. Hutton & Co., who executed them, or saw to the execution of them?

Mr. CUTTEN. That is right.

Mr. PECORA. So that the judgment that was exercised in making the purchases and sales for the account of the trading syndicate was your judgment. Is that right?

Mr. CUTTEN. More or less. I allowed him discretion, you know. I wasn't down there, but was in Chicago.

Mr. PECORA. I know. And that was why you were using the telephone. You are not a member of any board except the Chicago Board of Trade, are you?

Mr. CUTTEN. No; just the Chicago Board of Trade and Chicago Stock Exchange.

Mr. PECORA. And you were an extensive operator on other exchanges?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. So that necessarily in those other instances you had to give your orders to a broker or a member?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. The same as you did as the manager of this trading syndicate. Is that right?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. Now, you frequently gave orders in connection with the operations of this Sinclair trading syndicate, to both buy and sell on the same day, didn't you?

Mr. CUTTEN. I gave him a discretionary order. He could use his discretion. I wasn't there to see how the market was all the time.

Mr. PECORA. But you gave him certain instructions for his guidance?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. And those instructions were to be followed according to his discretion. Is that what you mean to say?

Mr. CUTTEN. That is what I am talking about.

Mr. PECORA. Now, on days when you instructed him to buy and to sell what was your purpose and intent in giving him such instructions as the manager of the trading syndicate?

Mr. CUTTEN. Well, we had this stock to liquidate.

Mr. PECORA. You mean the stock consisting of 1,130,000 shares?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. All right. Go ahead.

Mr. CUTTEN. And when the market fluctuated and was selling off we would buy a little stock trying to steady the price a little. And then when it went up—

Mr. PECORA (interposing). You would sell?

Mr. CUTTEN. Yes.

Mr. PECORA. And you would help to have it go up by reason of the trading account's operations?

Mr. CUTTEN. No. We didn't do that.

Mr. PECORA. Are you disclaiming now that that was done?

Mr. CUTTEN. I am not disclaiming, no. But you are trying to tell me that it went right on up.

Mr. PECORA. No. I am not trying to tell you anything. I am trying to have you tell us something.

Mr. CUTTEN. We tried not to interfere with the natural market.

Mr. PECORA. When you say you tried not to interfere with the natural market, what did you mean this morning when you said one of the purposes of this trading syndicate was to furnish a buying power so that when the market needed it you kept it sustained or maintained? That was influencing the market, wasn't it?

Mr. CUTTEN. The market just at this time that you speak about—

Mr. PECORA (interposing). I do not hear you.

Mr. CUTTEN. The market just at this time that you are speaking about did not need very much support.

Mr. PECORA. But apparently it got a lot of support from your trading syndicate, didn't it?

Mr. CUTTEN. In buying and selling; yes.

Mr. PECORA. Well, as a matter of fact, take for instance—

Mr. CUTTEN (continuing). We traded back and forth in the market when we thought it was desirable to do so.

Mr. PECORA. Under what circumstances did you think it was desirable to trade back and forth? What were the circumstances that made it desirable in your opinion to do that?

Mr. CUTTEN. Well, I do not know that I could give you an opinion.

Mr. PECORA. What were the circumstances under which you formulated the judgment to buy and sell, or to trade back and forth as you put it, when the market was a little weak, or whatever you said?

Mr. CUTTEN. When the market was a little weak we would buy stock. When it was stronger we would sell it out again. We would trade back and forth.

Mr. PECORA. With the view of putting the price of the stock up?

Mr. CUTTEN. Well, if we could do it, yes.

Mr. PECORA. And you found you could do it, didn't you?

Mr. CUTTEN. At that time the whole market went up.

Mr. PECORA. How many trading syndicates were in the market when the general market was going up? Do you know?

Mr. CUTTEN. I could not tell you.

Mr. PECORA. There were many, weren't there?

Mr. CUTTEN. There must have been.

Mr. PECORA. Well, that is not keeping a free and open market for the benefit of the public, is it, Mr. Cutten?

Mr. CUTTEN. I think when the public gets in there, when the public is trading, I think that is a free and open market, yes.

Mr. PECORA. Well, how about the shots in the arm that Senator Gore was speaking of this morning? They were injections of a stimulant by means of those trading syndicates, weren't they?

Mr. CUTTEN. Well, they naturally would be.

Mr. PECORA. Which makes a showing of activity in the market.

Mr. CUTTEN. Yes.

Mr. PECORA. And then the public seeing that activity and not knowing that it was the result of a shot in the arm, would be lured into the market, wouldn't it? Isn't that about the way the thing worked?

Mr. CUTTEN. I do not want to try to express an opinion.

Mr. PECORA. I wish you would.

Mr. CUTTEN. That is all I could do.

Mr. PECORA. What is that?

Mr. CUTTEN. That is all that it would be, an opinion.

Mr. PECORA. Well, as an opinion from you we would like to have it.

Mr. CUTTEN. I want to tell you the facts.

Mr. PECORA. Well, give us your opinion.

Mr. CUTTEN. Well, I think syndicates do, of course, interfere—or I mean I think they do influence the market more or less.

Mr. TOMPKINS. Activity in a stock usually attracts attention, doesn't it?

Mr. CUTTEN. Naturally.

Senator COUZENS. Doesn't the witness know English without his counsel having to state answers for him?

Mr. TOMPKINS. I do not want to make any answers for him, Senator.

Senator COUZENS. Well, that seems to be the situation.

Mr. PECORA. I notice from Committee Exhibit No. 114, which is a list of participants in the purchasing syndicate, that a man named Arthur Reynolds was given a subparticipation in that syndicate. Who is Arthur Reynolds?

Mr. CUTTEN. Arthur Reynolds was the president of the Continental Bank a few years ago.

Mr. PECORA. The Continental what?

Mr. CUTTEN. The Continental Bank in Chicago.

Mr. PECORA. The Continental Bank of Chicago?

Mr. CUTTEN. The Continental Bank of Illinois.

Mr. PECORA. And it was an affiliate of the Continental Bank of Chicago, known as the Continental National Co., which was a participant in both the purchase syndicate and the trading syndicate in this Sinclair Consolidated Oil Co. stock. Is that right?

Mr. CUTTEN. Yes, sir.

Mr. PECORA. I notice that one A. M. Andrews was also given a subparticipation in the original purchasing syndicate. Who was he?

Mr. CUTTEN. He must have gotten that through Blair & Co.

Mr. PECORA. Well, who is he?

Mr. CUTTEN. I don't know.

Mr. PECORA. Did you ever hear of him before?

Mr. CUTTEN. Yes; I have heard of him.

Mr. PECORA. Who is he?

Mr. CUTTEN. He was a mining broker, I think. I had known him 20 years ago or so, but haven't heard of him since.

Mr. PECORA. You say he was a mining broker?

Mr. CUTTEN. I think he was. He had some office.

Mr. PECORA. Now, the Famothe Corporation also appears to have been a participant in the original purchasing syndicate, having been given a subparticipation of  $1\frac{3}{4}$  percent. That is the same corporation that appeared in the trading syndicate, isn't it?

Mr. CUTTEN. I do not know that.

Mr. PECORA. Likewise, the Traywin Corporation was given a subparticipation in the purchasing syndicate. Don't you know that corporation?

Mr. CUTTEN. No.

Mr. PECORA. And L. W. Hill & C. O. Kolman were given a sub-participation in the original purchasing syndicate.

Mr. CUTTEN. I don't know them.

Mr. PECORA. Are there any further questions of Mr. Cutten?

The CHAIRMAN. Are there any further questions by members of the subcommittee? [A pause, without response.] I believe that is all, then.

Mr. PECORA. Now, if you will give us the other data. And when E. F. Hutton & Co. are here we would like to have Mr. Cutten here, too.

Mr. TOMPKINS. Do you want Mr. Cutten here the same day Mr. Sinclair is here?

Mr. PECORA. Yes, sir.

(Thereupon the witness was excused for the present and left the stand.)

The CHAIRMAN. Who will you have next, Mr. Pecora?

Mr. PECORA. I will ask Mr. Stanford to take the stand, please.

The CHAIRMAN. Mr. Stanford, please stand, hold up your right hand, and be sworn: You solemnly swear that the evidence you will give in the hearing now being conducted by this subcommittee will be the truth, the whole truth, and nothing but the truth. So help you God?

Mr. STANFORD. I do.

#### **TESTIMONY OF G. T. STANFORD, GENERAL COUNSEL FOR THE SINCLAIR CONSOLIDATED OIL CORPORATION, NEW YORK CITY**

Mr. PECORA. Mr. Stanford, please give your full name and address for the record.

Mr. STANFORD. G. T. Stanford, 45 Nassau Street, New York City.

Mr. PECORA. Are you an attorney and counselor at law?

Mr. STANFORD. I am.

Mr. PECORA. Admitted to practice before the courts of the State of New York?

Mr. STANFORD. I am.

Mr. PECORA. Are you the attorney for Mr. Harry F. Sinclair, whose attendance before this subcommittee was desired?

Mr. STANFORD. I will answer that question in this way: I am general counsel for the Sinclair Consolidated Oil Corporation, and at Mr. Sinclair's request, he not being here, I came to submit certain documents to you. I am here at his request for that purpose and also for the purpose of submitting anything that the Sinclair Consolidated Oil Corporation may have in connection with this transaction.

Mr. PECORA. Well, can you state to the subcommittee the reason why Mr. Sinclair is not here?

Mr. STANFORD. Yes.

Mr. PECORA. Will you please now do so?

Mr. STANFORD. Mr. Sinclair left Chicago on the 26th of October for Excelsior Springs suffering with a very bad cold, which developed into some pleurisy and influenza, or bronchitis, rather. I communicated with him after I saw you had requested his subpoenaing and on up till as late as Tuesday night, and his doctor advised strongly that he not make the trip, but thought he would be able

to come here sometime next week, along about the middle or latter part of the week.

Mr. PECORA. Have you any knowledge of or familiarity with the organization and operation of a purchasing syndicate that was formed on or about October 24 or 25, 1928, to purchase 1,130,000 shares of the common stock of the Sinclair Consolidated Oil Corporation?

Mr. STANFORD. I have knowledge of the syndicate from what I got from Mr. Sinclair's files. I knew, of course, about the contract between the corporation and Mr. Cutten, and learned that a syndicate had been organized simultaneously with the execution of that contract, for the purchase by Mr. Cutten of stock of the corporation.

Mr. PECORA. Did you hear the testimony of Mr. Arthur W. Cutten given before this subcommittee today?

Mr. STANFORD. I did.

Mr. PECORA. I want to ask you some questions about the purchasing syndicate that he was examined upon, and also about the trading syndicate he was examined upon.

Senator COUZENS. Might I ask what is the purpose of interrogating Mr. Stanford when we are going to have Mr. Sinclair here?

Mr. PECORA. Well, in order that he may give us whatever information we can get at this session.

Senator COUZENS. I hope, Mr. Chairman, we won't have any duplication by way of having Mr. Stanford answer questions and Mr. Sinclair answer the same questions, too. If we are going to have the principal why have his attorney?

Mr. PECORA. Well, the attorney presents himself here, apparently with some information that I thought the subcommittee might want and might be able to get about these two syndicates.

Senator COUZENS. I appeal to the chairman not to have any duplication of this testimony. If we are going to have the principal, why have his attorney?

The CHAIRMAN. Well, there may be something that Mr. Pecora has in mind that he can get now.

Mr. PECORA. Might I suggest this, Senator Couzens: This witness yesterday gave me a narrative statement in typewritten form, which I have now before me, and which the witness indicated he would like to have incorporated in the record. Is that right, Mr. Stanford?

Mr. STANFORD. No. I did not say that. I gave that to you for the purpose of aiding you in going through the documents. It wasn't got up for the purpose of incorporating it in the record, that narrative statement I furnished to you.

Mr. PECORA. I would like to have it identified as the statement which you prepared and gave to me for that purpose. I thought you wanted it to go into the record.

Mr. STANFORD (after looking at a paper handed to him by Mr. Pecora). Yes; this is the statement.

Mr. PECORA. Who prepared that statement, Mr. Stanford?

Mr. STANFORD. Mr. Ragland, my assistant here, in connection with myself. He did the dictating of it.

Mr. PECORA. What were the sources of your information as to the facts embodied in this statement?

Mr. STANFORD. Records taken from the corporation and from the files in Mr. Sinclair's office.

Mr. PECORA. All right. Now, Mr. Chairman, I will ask that this paper be marked for identification.

(Thereupon the paper furnished to committee counsel by Mr. Stanford was marked "Committee Exhibit No. 117 for identification, Nov. 9, 1933.")

Mr. PECORA. Have you any objection, Mr. Stanford, to this statement going into the record?

Mr. STANFORD. You mean I personally?

Mr. PECORA. Yes.

Mr. STANFORD. No.

Mr. PECORA. I think it ought to be marked in evidence then, and I will read it.

Senator COUZENS. Do I understand now it is spread on the record?

The CHAIRMAN. Let it be marked and spread on the record.

(Narrative statement previously marked "Committee Exhibit No. 117, Nov. 9, 1933, for identification", was thereupon designated "Committee Exhibit No. 117, Nov. 9, 1933, in evidence.")

Mr. PECORA. I will just read it. It purports to be a narrative of the entire transaction that led to the organization of these two syndicates, and I think to that extent it would certainly be enlightening. [Reading.]

Sinclair Consolidated Oil Corporation was incorporated under the laws of New York, September 23, 1919, by the filing on that date of a consolidation agreement between Sinclair Oil & Refining Corporation, Sinclair Gulf Corporation, and Sinclair Consolidated Oil Corporation. By its articles of incorporation it was authorized to issue 5,500,000 shares of common stock without par value. Its articles of incorporation provided "no stockholder and no holder of bonds, debentures, or other securities convertible into stock in the new corporation shall be entitled as a right to subscribe for, purchase, or receive any part of any new or additional issue of stock or bonds, debentures, or other securities convertible into stock may be issued and disposed of by the board of directors to such person or persons and on such terms and for such consideration so far as may be permitted by law as the board of directors in its absolute discretion may deem advisable." The charters of the three constituent companies which were consolidated into the new corporation contain a similar provision.

Out of the 5,500,000 shares which the corporation was authorized to issue it had on October 24, 1923, available for original issue 1,115,519 shares and it also had in its treasury 14,488 shares which had theretofore been issued by the corporation but subsequently acquired by it.

During the month of January 1928, the stock sold on the New York Stock Exchange at prices ranging from a low of 19½ to a high of 21¼.

During the month of February 1928, the price ranged from a low of 17½ to a high of 20¾.

During the month of March 1928, the price ranged from a low of 19½ to a high of 29¾.

During the month of April 1928, the price ranged from a low of 25¾ to a high of 30¾.

During the month of May 1928, the price ranged from a low of 25 to a high of 30.

During the month of June 1928, the price ranged from a low of 21 to a high of 27.

During the month of July 1928, the price ranged from a low of 23 to a high of 26½.

During the month of August 1928, the price ranged from a low of 25½ to a high of 29½.

During the month of September 1928, the price ranged from a low of 25½ to a high of 42½.

The closing prices during October 1928 were as follows: 1st, 29¾; 2d, 29¼; 3d, 28¾; 4th, 29; 5th, 28½; 6th, 28½; 7th, Sunday; 8th, 28¾; 9th, 27¾; 10th,

28½; 11th, 28½; 12th, Columbus Day; 13th, 28¼; 14th, Sunday; 15th, 28; 16th, 31½; 17th, 30%; 18th, 29%; 19th, 30; 20th, 29¾; 21st, Sunday; 22d, 29½; 23d, 32; 24th, 35%; 25th, 36¼; 26th, 35%; 27th, 36½; 28th, Sunday; 29th, 38%; 30th, 38; 31st, 37.

During the month of November 1928, the price ranged from a low of 27½ to a high of 46¼.

During the month of December 1928, the price ranged from a low of 35 to a high of 45½.

During the month of January 1929, the price ranged from a low of 36¼ to a high of 45.

During the month of February 1929, the price ranged from a low of 36 to a high of 42½.

During the month of March 1929, the price ranged from a low of 35½ to a high of 42½.

During the month of April 1929, the price ranged from a low of 37 to a high of 41.

During the month of May 1929, the price ranged from a low of 37½ to a high of 40¾.

During the month of June 1929, the price ranged from a low of 35½ to a high of 40¼.

During the month of July 1929, the price ranged from a low of 33 to a high of 37%.

During the month of August 1929, the price ranged from a low of 31½ to a high of 39½.

During the month of September 1929, the price ranged from a low of 34 to a high of 38½.

During the month of October 1929, the price ranged from a low of 22½ to a high of 35%.

During the month of November 1929 the price ranged from a low of 21 to a high of 28%.

During the month of December 1929, the price ranged from a low of 23 to a high of 28¼.

At a meeting of the executive committee held on October 24, 1928, a resolution was adopted authorizing the sale to A. W. Cutton of 1,130,000 shares at \$30 a share. The executive committee consists of 15 members, namely: J. W. Carnes, E. H. Clark, R. L. Clarkson, C. E. Crawley, J. F. Farrell, S. L. Fuller, W. H. Isom, W. P. Phillips, J. R. Simpson, E. W. Sinclair, H. F. Sinclair, E. R. Tinker, Elisha Walker, A. E. Watts, and H. P. Whitney. All of the members of the executive committee were present at the meeting except R. L. Clarkson, E. W. Sinclair, E. R. Tinker, and H. P. Whitney. Both Mr. Elisha Walker and Mr. H. F. Sinclair stated at the meeting that they intended to be personally interested in the transaction and they retired from the meeting while the matter was being passed upon. On the next day, to wit October 25, 1928, the board of directors approved the sale.

The board of directors consisted of 23 members, to wit: J. W. Carnes, Sheldon Clark, R. L. Clarkson, F. H. Bartlett, C. E. Crawley, J. F. Farrell, S. L. Fuller, E. H. Clark, D. H. Hooper, E. W. Isom, W. H. Isom, J. H. Markham, Jr., W. P. Phillips, J. R. Simpson, E. W. Sinclair, H. F. Sinclair, George H. Taber, Jr., P. W. Thirtle, E. V. R. Thayer, E. R. Tinker, Elisha Walker, A. E. Watts, and H. P. Whitney. All of the directors were present except Sheldon Clark, R. L. Clarkson, J. R. Simpson, E. R. Tinker, and H. P. Whitney. Messrs. H. F. Sinclair, F. H. Bartlett, and Elisha Walker stated to the directors that they would be interested with Mr. Cutten in the purchase of the shares and withdrew from the meeting while the matter was under consideration. Mr. Frank Callahan, who was not a director but who was attending the meeting for Mr. R. L. Clarkson, stated that the Chase Securities Corporation would likewise be interested in the transaction and he withdrew from the room.

Senator COUZENS. That is the way they make R.F.C. loans.

Mr. PECORA (continuing reading):

During the year 1928 the subsidiary companies of the corporation made expenditures of approximately \$21,000,000 for the development of and additions to property consisting of approximately \$8,000,000 for drilling wells and developing of oil properties, \$3,000,000 for additional undeveloped oil and gas leases, \$1,600,000 for casinghead gasoline plant additions, \$3,800,000 for refinery improvements, and \$2,500,000 for marketing facilities.

During the year 1929 the subsidiaries made expenditures of \$42,047,000 for the development of and additions to properties, as follows: \$10,465,000 for the development of oil properties, \$4,126,000 for additional undeveloped oil and gas leases, \$2,245,000 for casinghead gasoline plant additions, \$9,395,000 for refinery additions, \$12,878,000 for marketing facilities, including construction or acquisitions of a large number of bulk or retail service stations, and \$2,938,000 for miscellaneous additions and improvements.

During the year 1929 the funded debt and preferred stock in the hands of the public were reduced by \$5,359,900.

Before the executive committee or directors authorized the sale of 1,130,000 shares to A. W. Cutten, Mr. Sinclair asked for an opinion of counsel as to whether the sale could be made without first offering the stock to the stockholders, and under date of October 22 the general counsel of the company rendered an opinion, a copy of which is attached.

May I ask, Mr. Stanford, who the general counsel were that rendered that opinion?

Mr. STANFORD. I was.

Mr. PECORA (resuming reading).

The agreement between Sinclair Oil Corporation and Mr. Arthur Cutten was in the form of a letter from the Corporation to Mr. Cutten, confirmed by Mr. Cutten on October 24.

Now I may say that that letter constituting the agreement is in evidence here.

Under date of October 24, 1928, an agreement was made between Blair & Co., Chase Securities Corporation, the Shermar Corporation, Arthur Cutten, and H. F. Sinclair, whereby it was agreed that all the parties thereto were to participate in the purchase of the 1,130,000 shares under the agreement between A. W. Cutten and Sinclair Consolidated Oil Corporation. Pursuant to that agreement the parties organized a syndicate under an agreement dated October 25, 1928, constituting A. W. Cutten, syndicate manager. Subscribers to the syndicate agreement were Blair & Co., Inc., for 282,500 shares, Chase Securities Corporation for 188,333 $\frac{1}{4}$  shares, Shermar Corporation for 94,166 $\frac{3}{4}$  shares, Arthur W. Cutten for 282,500 shares, and H. F. Sinclair for 282,500 shares. These participations were adjusted on December 24, 1928, so as to permit additional participations of Continental National Bank, 42,300 shares; Arthur Reynolds, 11,300 shares; J. M. Andrews, 11,300 shares; the Famoth Corporation, 19,775 shares; L. W. Hill and C. O. Kalman, joint account, 5,650 shares. See letter from Arthur Cutten, by R. E. Cutten, dated December 24, 1928, addressed to Mr. H. F. Sinclair.

A trading group was formed for the purpose of buying and selling Sinclair Consolidated Oil Corporation stock on the New York Stock Exchange under an agreement known as Syndicate Agreement "B", dated October 25, 1928, and Mr. H. F. Sinclair had one 50,000 share and one 25,000 share participation in such trading group.

Each subscriber to the trading syndicate made a payment of \$2 per share on his participation. See letter from Ruloff E. Cutten to Mr. H. F. Sinclair dated November 14, 1928, the reply thereto dated November 15, 1928, and further letter from Ruloff E. Cutten to Mr. Sinclair dated November 16, 1928. The purchase group syndicate was closed out on or about April 16, 1929, and the profit allocable to Mr. Sinclair's 22 $\frac{1}{2}$  percent participation amounted to \$2,632,962.75.

However, Mr. Sinclair had given subparticipation to 17 people, covering 118,733 shares and \$1,229,575.20 of the profit.

Mr. Sinclair retained 135,517 shares of his participation and in connection therewith had a profit of \$1,403,387.55. All of the subparticipations were granted by a letter addressed to each of the subparticipants by Mr. Sinclair dated November 14, 1928.

The trading group in which Mr. Sinclair had two participations, one of 50,000 shares and one of 25,000 shares, and which under the agreement was to last for a period of 6 months, was on April 29, 1929, extended for a further period of 90 days. See letter of E. F. Hutton & Co. for the syndicate manager to Mr. Harry F. Sinclair dated April 29, 1929. The trading group was terminated on May 17, 1929.

as 50,000-share participation, and \$10,459.59 on account of his 25,000-share participation, making his total profit from participations in the trading group \$31,878.77.

The 1,130,000 shares of stock sold by Sinclair Consolidated to A. W. Cutten were delivered as follows: On December 26, 1928, 500,000 shares were delivered to E. F. Hutton & Co., representing A. W. Cutten, for which a payment of \$15,000,000 was made by E. F. Hutton & Co. on December 27. On December 27, 1928, the remaining 630,000 shares were delivered to E. F. Hutton & Co., for which a payment of \$18,900,000 was made on December 31. On December 31 the company also received \$204,700 in interest accrued from November 23, 1928. The agreement between Sinclair Consolidated and Cutten provided that if delivery was not taken and the stock paid for within 30 days, interest should thereafter be paid on the purchase price.

A. W. Cutten was elected a director of Sinclair Consolidated on October 30, 1928.

Under date of October 24, 1928, Mr. Sinclair addressed a letter to Mr. Arthur Cutten, confirming agreement between Cutten and his associates, on the one hand, and Mr. Sinclair on the other, whereby Mr. Sinclair was to purchase 130,000 shares of Sinclair Consolidated stock upon the same terms and conditions as Cutten and his associates had purchased such stock from the corporation. Mr. Sinclair took delivery of this stock on February 6 and 7, against payment therefor at the price of \$30 per share, plus interest.

The CHAIRMAN. Were the members of the executive committee also directors of the corporation?

Mr. STANFORD. Yes.

Mr. PECORA. Now, Mr. Stanford, can you produce a copy of the letter referred to in this statement as a letter dated November 14, 1928, addressed to each of the subparticipants that came in through Mr. Sinclair into the purchasing syndicate?

Mr. STANFORD. I think you have got the only one I have got, Mr. Pecora. It is in that blue-backed folder, if I remember correctly.

Mr. PECORA. I show you what purports to be a copy of the form of such a letter dated "New York, N.Y. November 14, 1928." Will you please look at it and tell us if it is a true copy of a letter sent by Mr. Sinclair to each of the subparticipants who acquired an interest out of his original interest in this purchasing syndicate?

Mr. STANFORD. Yes; this is a copy of letter that went to each sub-participant with the exception of where the blank is here it was filled in for each subparticipant according to what his subparticipation was.

Mr. PECORA. But all the letters were identical as to form?

Mr. STANFORD. That is right.

Mr. PECORA. And that was the form of the letter?

Mr. STANFORD. That is right.

Mr. PECORA. I offer it in evidence.

Senator COUZENS. Who was it signed by?

Mr. PECORA. By Mr. Sinclair, I presume.

Mr. STANFORD. It was signed by Mr. Sinclair.

Mr. PECORA. I offer just the letter.

The CHAIRMAN. Let it be marked and spread on the record.

(Letter dated Nov. 14, 1928, addressed to H. F. Sinclair, 45 Nassau Street, New York City, but unsigned, was thereupon designated "Committee Exhibit No. 118, Nov. 9, 1933.")

Mr. PECORA. The form of the letter introduced in evidence is as follows [reading]:

NEW YORK, N.Y., November 14, 1928.

DEAR SIR: I have taken a participation in a certain syndicate with Arthur W. Cutten as manager formed for the purpose of buying and/or selling shares of

the common stock of Sinclair Consolidated Oil Corporation. A copy of the agreement forming and constituting such syndicate, marked "Appendix A", is hereto attached and made a part hereof.

It will be noted in said agreement that my subscription was for a participation of 232,500 shares. However, by mutual agreement of all the subscribers to said agreement, the participation of each has been reduced so that my participation in said syndicate is for 254,250 shares.

You have signified that you desire that I should allot to you, as a subparticipation — shares of my said participation of 254,250 shares.

Therefore, in consideration of your acceptance of this agreement in the manner hereinafter designated, and of our mutual obligations hereunder, I agree to allot to you as a subparticipation — shares of my said participation of 254,250 shares and I agree to transfer and deliver to you when, as and if received by me, and upon payment by you of any obligation which may be due from you as hereinafter provided, such proportion of any and all moneys and/or shares of stock and/or benefits which I receive as a participant in said syndicate as the number of shares so allotted to you bears to my said participation of 254,250 shares, and you agree to be obligated to me to the extent of the same proportion of any and all of my obligations as such a participant in said syndicate and that as, if and when I am called upon to make any payment on my said participation or under any obligation or commitment contained in said syndicate agreement, appendix A hereto, you will pay me promptly on my request your aliquot share of the sum or sums required for such payment.

It is understood and agreed that in case of your failure to make such payments as and when called, I shall have the same rights in respect of your subparticipation as the manager of said syndicate has in respect of original participations in said syndicate, all as provided in said syndicate agreement.

Kindly indicate your acceptance of this agreement by signing at the place hereon indicated for that purpose and by returning same to me, you to retain the duplicate hereof which has been duly signed by me and which is enclosed herewith.

Very truly yours,

And you say these letters, Mr. Stanford, were all signed by Mr. Sinclair?

Mr. STANFORD. They were.

The CHAIRMAN. How many of these subparticipants were there?

Mr. STANFORD. I think there were 17. I have given that information to Mr. Pecora.

Mr. PECORA. Have you the names of those subparticipants?

Mr. STANFORD. They are the same names that I gave you.

Mr. PECORA. I show you, Mr. Stanford, typewritten statement entitled "Sinclair Consolidated Oil Corporation Stock Purchase Group, H. F. Sinclair and Sub-Participants." Will you please look at it and tell us if that statement correctly shows the names and respective interests of each subparticipant in this purchase group that received any allotment of Mr. Sinclair's original participation interest?

Mr. STANFORD. Yes; this is right.

Mr. PECORA. I offer that in evidence.

The CHAIRMAN. Let it be entered and spread on the record.

(Tabulation entitled "Sinclair Consolidated Oil Corporation Stock Purchase Group, H. F. Sinclair and subparticipants" was thereupon designated "Committee Exhibit No. 119, Nov. 9, 1933", and appears in the record in full on page 3157.)

Mr. PECORA. Now, the first name appearing on this list, Mr. Stanford, is that of Mr. H. F. Sinclair himself. The second name is that of W. L. Connelly. Who is W. L. Connelly, if you know?

Mr. STANFORD. He was at that time—in 1928?

Mr. PECORA. November 1928.

Mr. STANFORD. He was associated in some capacity with our producing company, the Sinclair Oil & Gas Co., at Tulsa, Okla.

Mr. PECORA. The next name is that of R. Costello. Who was he?

Mr. STANFORD. That was my secretary.

Mr. PECORA. The next name is that of Nellie Kline Crawley. Who is she?

Mr. STANFORD. I think that that is the wife of Mr. Eugene Crawley, who was also one of our vice presidents.

Mr. PECORA. When you say "one of our vice presidents", what company are you referring to?

Mr. STANFORD. I mean the Consolidated Oil Corporation.

Mr. PECORA. The next name is that of Mason Day. Who was he?

Mr. STANFORD. He was a friend of Mr. Sinclair.

Mr. PECORA. The next name is that of Miss Josephine Farrell. Who was she?

Mr. STANFORD. She was a sister-in-law of Mr. Sinclair.

Mr. PECORA. And the next name is that of J. F. Farrell. Who was he?

Mr. STANFORD. He was the treasurer of Consolidated Oil.

Mr. PECORA. Also director?

Senator GORE. Was he a brother of this woman?

Mr. STANFORD. No; no relation.

Mr. PECORA. Was he also a director of the Consolidated Oil?

Mr. STANFORD. Yes.

Mr. PECORA. The next name is that of J. J. Larkin. Who was he?

Mr. STANFORD. Mr. Larkin is an oil operator residing at Tulsa, Okla.

Mr. PECORA. Was he connected with the Oil Corporation?

Mr. STANFORD. No; he was not.

Mr. PECORA. The next name is that of J. H. Markham, Jr. Who was he?

Mr. STANFORD. Mr. Markham was an oil operator. He was a director and since died.

Mr. PECORA. He was a director of the Consolidated Oil Corporation?

Mr. STANFORD. Yes.

Mr. PECORA. At that time?

Mr. STANFORD. Yes.

Mr. PECORA. Now the next name I see is that of H. H. Rogers. Who was he?

Mr. STANFORD. He was the president, I think, at that time of the Exchange National Bank at Tulsa.

Mr. PECORA. That is not Col. H. H. Rogers of New York, is it?

Mr. STANFORD. It is not.

Mr. PECORA. Was he an officer or director of the company?

Mr. STANFORD. He was not.

Mr. PECORA. The next name is that of E. W. Sinclair. Who was he?

Mr. STANFORD. He is the brother of H. F. Sinclair.

Mr. PECORA. Was he an officer or director of the corporation?

Mr. STANFORD. Yes; he was.

Mr. PECORA. At that time?

Mr. STANFORD. Yes.

Mr. PECORA. The next name is that of Mrs. H. F. Sinclair. Is that Mr. Harry F. Sinclair's wife?

Mr. STANFORD. That is right.

Mr. PECORA. The next name is that of G. T. Stanford. Does that allude to you?

Mr. STANFORD. That is me.

Mr. PECORA. And were you an officer or director of the corporation?

Mr. STANFORD. I was not.

Mr. PECORA. You were counsel for it?

Mr. STANFORD. I was.

Mr. PECORA. The next name is that of R. W. Ragland. Who was he?

Mr. STANFORD. Mr. Ragland sits here at my right and was my assistant at that time.

Mr. PECORA. The next name is that of P. W. Thirtle. Who was Mr. Thirtle?

Mr. STANFORD. Mr. Thirtle was the auditor and also a director.

Mr. PECORA. Of the Consolidated Oil Corporation?

Mr. STANFORD. Yes.

Mr. PECORA. The next name is that of Mr. Frank Walls. Who was he?

Mr. STANFORD. I don't know Mr. Frank Walls. I don't know who he was.

Mr. PECORA. The next name is that of A. E. Watts. Was he the vice president of the Sinclair Consolidated Oil Corporation then?

Mr. STANFORD. He was, and a director.

Mr. PECORA. The next name is that of H. P. Whitney. Who was he?

Mr. STANFORD. H. P. Whitney was the late H. P. Whitney, I think everyone in New York knows.

Mr. PECORA. Was he an officer or director of the corporation?

Mr. STANFORD. He was a director but not an officer.

Mr. PECORA. Now, all of these individuals whose names are shown on exhibit no. 119 accepted the subparticipations indicated on this exhibit, did they?

Mr. STANFORD. That is right.

Mr. PECORA. And received in the distribution of profits the sums set opposite their names under that caption of distribution of profits shown on this exhibit no. 119?

Mr. STANFORD. That is right.

Mr. PECORA. Where was the meeting of the executive committee of the board of directors of the Sinclair Consolidated Oil Corporation that was held on October 24, 1928, held?

Mr. STANFORD. To the best of my recollection it was held in the board room. I say that because that is where all the meetings are held.

Mr. PECORA. Where was that?

Mr. STANFORD. New York City.

Mr. PECORA. And the following day, October 25, 1928, I note from the statement introduced in evidence that the board of directors had a meeting?

Mr. STANFORD. That is right.

Mr. PECORA. Same place?

Mr. STANFORD. Same place.

Mr. PECORA. Were you present at those meetings?

Mr. STANFORD. I was present at the board meeting. Yes; I notice by the minutes that I was present at both meetings.

Mr. PECORA. Were you a member of the executive committee?

Mr. STANFORD. I was not.

Mr. PECORA. In what capacity did you attend the meeting of the Executive Committee on October 24?

Mr. STANFORD. Merely as counsel for the corporation.

Mr. PECORA. Now, I show you what purports to be certificate from the minutes or certificate contained in an excerpt from the minutes of the meeting of the executive committee of the Sinclair Consolidated Oil Corporation held on October 24, 1928, signed by O. M. Gerstung, as assistant secretary, bearing date November 3, 1933. Do you know whether that is a true and correct copy of the excerpt from such minutes?

Mr. STANFORD. It is.

Mr. PECORA. I offer it in evidence.

The CHAIRMAN. Let it be entered on the record and marked as an exhibit.

(Certified excerpt from minutes of executive committee of Sinclair Consolidated Oil Corporation meeting, held Oct. 24, 1928, was thereupon designated "Committee Exhibit No. 120, Nov. 9, 1933", and appears on page 3157.)

Mr. PECORA. I also show you typewritten statement signed by O. M. Gerstung, assistant secretary, under date of November —, 1933, purporting to be an excerpt from the minutes of the meeting of the board of directors of Sinclair Consolidated Oil Corporation held on October 25, 1928. Will you look at it and tell us if that excerpt is a true and correct transcript from the minutes?

Mr. STANFORD. That is a true and correct transcript of the entire minutes.

Mr. PECORA. I offer that in evidence.

The CHAIRMAN. Let it be marked and entered on the record.

(Certified transcript of minutes of meeting of board of directors of Sinclair Consolidated Oil Corporation held Oct. 25, 1928, was thereupon designated "Committee Exhibit No. 121, Nov. 9, 1933", and appears on page 3158.)

Mr. PECORA. Mr. Chairman, it is now 4 o'clock, and I think this would be a good place to adjourn. We will not be able to finish with Mr. Stanford until Mr. Sinclair is here. Will Mr. Sinclair be here next Tuesday, do you think, Mr. Stanford?

Mr. STANFORD. I will ascertain and let you know. Are you going back to New York?

Mr. PECORA. I will be here tomorrow.

Mr. STANFORD. I will endeavor to ascertain tonight.

Mr. PECORA. All right. You will be here tomorrow I presume?

Mr. STANFORD. Yes.

The CHAIRMAN. The committee will take a recess until 10 o'clock tomorrow.

(Accordingly, at 4 p.m., the subcommittee took a recess until 10 a.m. the following day.)

EXHIBIT No. 81, NOVEMBER 9, 1933

The following loans were presented and approved by the board of directors of the Chase National Bank of the City of New York at meetings held on the dates indicated:

	Amount	Rate	Maturity
<b>MEETING OF JAN. 4, 1928</b>			
Shields & Co., Inc., as a corporation and as syndicate manager. Secured by 50,000 shares Woodworth, Inc., convertible preferred stock; 100,000 shares Woodworth, Inc., common stock. Syndicate agreements. This loan was made Dec. 27, 1927, and was paid Dec. 28, 1927.	\$2,600,000.00	6 percent.....	Dec. 28, 1927.
<b>MEETING OF FEB. 8, 1928</b>			
James Rattray as syndicate manager (renewal).. Secured by 200 shares Guardian Trust Co. of New Jersey, Newark, N.J. (valuation \$40,000). Guaranteed jointly and severally by all the members of the syndicate as follows: Clarence G. Appleton, Meyer Krasner, Philip Lindeman, Clarence R. O'Crowley, James Rattray, Benjamin J. Sugarman, Edward M. Waldron, Israel J. Rachlin, Meyer Augenblick, Nathaniel Elin, Michael Hollander, William W. Kamm, Leon N. Lissner, Grover C. Trumbull, Oscar L. Weingarten.	22,500.00	5 percent.....	On or before Apr. 30, 1928.
<b>MEETING OF MAR. 7, 1928</b>			
Brown Brothers & Co. as syndicate managers... Secured by 37,600 shares of Jones Bros. Tea Co. Inc. 7 percent cumulative preferred stock (valuation \$4,537,000). Signed syndicate agreements and assignment thereof, total \$4,200,000. We have agreed to loan up to \$4,200,000.	2,617,000.00	6 percent.....	On or before March 1, 1929.
Kidder Peabody & Co., syndicate managers United Drug Co. first preferred stock syndicate. Secured by 68,000 shares United Drug Co. first preferred stock (valuation \$4,012,000). Liabilities of group members are as follows: Kidder Peabody & Co..... \$720,000 Shawmut Corporation of Boston..... 720,000 F. S. Moseley & Co..... 720,000 Bankers Trust Co..... 720,000 Chase Securities Corporation... 720,000 Total..... 3,600,000 We have agreed to loan up to \$10,000,000.	3,600,000.00	5 percent.....	Demand.
Haystone Securities Corporation managers Wesco Corporation—Fox Film Corporation class A common stock purchase group under agreement dated Feb. 14, 1928. Secured by 36,203 shares Fox Film Corporation, class A common stock (valuation \$2,896,000). Signed syndicate agreements and assignment thereof. Liabilities of group members are as follows: Chadbourne Stanchfield & Levy..... \$328,193.33 Edlyn Realty Corporation..... 262,540.00 Wertheim & Co..... 328,193.33 White Weld & Co..... 492,328.67 C. D. Barney & Co..... 328,193.33 Amster Investing & Trading Association..... 181,306.67 Glenny, Monro & Moll..... 65,658.33 Grenville Clark..... 98,480.00 Total..... 2,034,886.66	2,034,886.66	.....do.....	Do.

	Amount	Rate	Maturity														
<b>MEETING OF MAY 9, 1928</b>																	
James Rattray as syndicate manager (renewal)..... Secured by 200 shares Guardian Trust Co. of New Jersey, Newark, N.J. (valuation, \$40,000). Guaranteed jointly and severally by all the members of the syndicate as follows: Clarence G. Appleton, Mayer Krasner, Philip Lindeman, Clarence R. O'Crowley, James Rattray, Benjamin J. Sugarman, Edward M. Waldron, Israel J. Rachin, Meyer Augen- blick, Nathaniel Elin, Michael Hollander, William W. Kamm, Leo N. Lissner, Grover O. Trumbull, Oscar L. Weingarten.	\$22,500.00	5 per cent.....	On or before July 30, 1928.														
<b>MEETING OF MAY 16, 1928</b>																	
O. L. Gubelman, manager..... Secured by 951,805 shares Armour & Co. of Illinois B common voting-trust certifi- cates, May 16, 1928, present amount of loan, \$92,997.50.	5,710,830.00	6 percent.....	Demand.														
<b>MEETING OF MAY 23, 1928</b>																	
Pynchon & Co. as syndicate managers under Washington Gas Light Co. common stock, Syndicate agreement dated Apr. 26, 1928. Secured by 6,000 shares Washington Gas Light Co. common stock. Signed syndicate agreements and assignment thereof total 40,000 shares. Liabilities of members of syndicate are as fol- lows:	560,000.00	.....do.....	Do.														
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right; padding-right: 10px;"><i>Shares</i></td> <td></td> </tr> <tr> <td style="text-align: right;">Utilities Power &amp; Light Securities Corporation.....</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td style="text-align: right;">Pynchon &amp; Co.....</td> <td style="text-align: right;">9,200</td> </tr> <tr> <td style="text-align: right;">D. A. Pearson.....</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td style="text-align: right;">James O'Donnell.....</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td style="text-align: right;">Pynchon &amp; Co. (for placement).....</td> <td style="text-align: right;">5,800</td> </tr> <tr> <td style="text-align: right;">Total.....</td> <td style="text-align: right;">40,000</td> </tr> </table>	<i>Shares</i>		Utilities Power & Light Securities Corporation.....	20,000	Pynchon & Co.....	9,200	D. A. Pearson.....	3,000	James O'Donnell.....	2,000	Pynchon & Co. (for placement).....	5,800	Total.....	40,000			
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Utilities Power & Light Securities Corporation.....	20,000																
Pynchon & Co.....	9,200																
D. A. Pearson.....	3,000																
James O'Donnell.....	2,000																
Pynchon & Co. (for placement).....	5,800																
Total.....	40,000																
<b>MEETING OF JUNE 20, 1928</b>																	
Pynchon & Co. as syndicate managers under Washington Gas Light Co. common stock, syndicate agreement dated Apr. 26, 1928. Present amount of loan \$310,000. Secured by 8,500 shares Washington Gas Light Co. common stock. Signed syndicate agreements and assignment thereof, total 40,000 shares, as follows:	250,000.00	.....do.....	Do.														
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right; padding-right: 10px;">Utilities Power &amp; Light Securities Corporation.....</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td style="text-align: right;">Pynchon &amp; Co.....</td> <td style="text-align: right;">9,200</td> </tr> <tr> <td style="text-align: right;">D. A. Pearson.....</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td style="text-align: right;">James O'Donnell.....</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td style="text-align: right;">Pynchon &amp; Co. (for placement).....</td> <td style="text-align: right;">5,800</td> </tr> <tr> <td style="text-align: right;">Total.....</td> <td style="text-align: right;">40,000</td> </tr> </table>	Utilities Power & Light Securities Corporation.....	20,000	Pynchon & Co.....	9,200	D. A. Pearson.....	3,000	James O'Donnell.....	2,000	Pynchon & Co. (for placement).....	5,800	Total.....	40,000					
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D. A. Pearson.....	3,000																
James O'Donnell.....	2,000																
Pynchon & Co. (for placement).....	5,800																
Total.....	40,000																
<b>MEETING OF JULY 5, 1928</b>																	
Kidder, Peabody & Co., Caldwell & Co., Inc., syndicate managers. Secured by 130,000 shares Southern Surety Co. of New York.	2,947,335.00	.....do.....	Do.														
<b>MEETING OF AUG. 1, 1928</b>																	
Kidder Peabody & Co., Caldwell & Co., Inc., syndicate managers. Present amount of loan, \$960,000. Secured by 53,500 shares Southern Surety Co. of Iowa.	1,755,000.00	.....do.....	Do.														

	Amount	Rate	Maturity												
<b>MEETING OF AUG. 8, 1928</b>															
James Rattray as syndicate manager (renewal). Secured by 200 shares Guardian Trust Co. of New Jersey, Newark, N.J. (valuation \$38,000). Guaranteed jointly and severally by all the members of the syndicate as follows: Clarence G. Appleton, Mayer Krasner, Philip Lindeman, Clarence R. O'Crowley, James Rattray, Benjamin J. Sugarman, Edward M. Waldron, Israel J. Rachlin, Meyer Augenblick, Nathaniel Elin, Michael Hollander, William W. Kamm, Leo N. Lissner, Grover C. Trumbull, Oscar L. Weingarten.	\$22,500.00	5½ percent.....	On or before Oct. 30, 1928.												
<b>MEETING OF SEPT. 5, 1928</b>															
Pynchon & Co. as syndicate managers under Washington Gas Light Co. common stock. Syndicate agreement dated Apr. 26, 1928. Present amount of loan \$1,014,000. Secured by 10,500 shares Washington Gas Light Co. common stock. Signed syndicate agreements and assignment thereof total 40,000 shares, as follows: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Utilities Power &amp; Light Securities Corporation.....</td> <td style="width: 20%; text-align: right;">20,000</td> </tr> <tr> <td>Pynchon &amp; Co.....</td> <td style="text-align: right;">9,200</td> </tr> <tr> <td>D. A. Pearson.....</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td>James O'Donnell.....</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>Pynchon &amp; Co. (for placement) ..</td> <td style="text-align: right;">5,800</td> </tr> <tr> <td><b>Total.....</b></td> <td style="text-align: right;"><b>40,000</b></td> </tr> </table>	Utilities Power & Light Securities Corporation.....	20,000	Pynchon & Co.....	9,200	D. A. Pearson.....	3,000	James O'Donnell.....	2,000	Pynchon & Co. (for placement) ..	5,800	<b>Total.....</b>	<b>40,000</b>	204,000.00	6 percent.....	Demand.
Utilities Power & Light Securities Corporation.....	20,000														
Pynchon & Co.....	9,200														
D. A. Pearson.....	3,000														
James O'Donnell.....	2,000														
Pynchon & Co. (for placement) ..	5,800														
<b>Total.....</b>	<b>40,000</b>														
<b>MEETING OF OCT. 3, 1928</b>															
Pynchon & Co. as syndicate managers under Washington Gas Light Co. common stock syndicate agreement dated Apr. 26, 1928. Present amount of loan \$1,301,080. Secured by 13,000 shares Washington Gas Light Co. common stock. Signed syndicate agreements and assignment thereof total 40,000 shares, as follows: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Utilities Power &amp; Light Securities Corporation.....</td> <td style="width: 20%; text-align: right;">20,000</td> </tr> <tr> <td>Pynchon &amp; Co.....</td> <td style="text-align: right;">9,200</td> </tr> <tr> <td>D. A. Pearson.....</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td>James O'Donnell.....</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>Pynchon &amp; Co. (for placement) ..</td> <td style="text-align: right;">5,800</td> </tr> <tr> <td><b>Total.....</b></td> <td style="text-align: right;"><b>40,000</b></td> </tr> </table>	Utilities Power & Light Securities Corporation.....	20,000	Pynchon & Co.....	9,200	D. A. Pearson.....	3,000	James O'Donnell.....	2,000	Pynchon & Co. (for placement) ..	5,800	<b>Total.....</b>	<b>40,000</b>	287,080.00	do.....	Do.
Utilities Power & Light Securities Corporation.....	20,000														
Pynchon & Co.....	9,200														
D. A. Pearson.....	3,000														
James O'Donnell.....	2,000														
Pynchon & Co. (for placement) ..	5,800														
<b>Total.....</b>	<b>40,000</b>														
<b>MEETING OF OCT. 10, 1928</b>															
Pynchon & Co. as syndicate managers under Washington Gas Light Co. common stock syndicate agreement dated Apr. 26, 1928. Present amount of loan \$1,401,080. Secured by 13,000 shares Washington Gas Light Co. common stock. Signed syndicate agreements and assignment thereof total 40,000 shares, as follows: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Utilities Power &amp; Light Securities Corporation.....</td> <td style="width: 20%; text-align: right;">20,000</td> </tr> <tr> <td>Pynchon &amp; Co.....</td> <td style="text-align: right;">9,200</td> </tr> <tr> <td>D. A. Pearson.....</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td>James O'Donnell.....</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>Pynchon &amp; Co. (for placement) ..</td> <td style="text-align: right;">5,800</td> </tr> <tr> <td><b>Total.....</b></td> <td style="text-align: right;"><b>40,000</b></td> </tr> </table>	Utilities Power & Light Securities Corporation.....	20,000	Pynchon & Co.....	9,200	D. A. Pearson.....	3,000	James O'Donnell.....	2,000	Pynchon & Co. (for placement) ..	5,800	<b>Total.....</b>	<b>40,000</b>	100,000.00	do.....	Do.
Utilities Power & Light Securities Corporation.....	20,000														
Pynchon & Co.....	9,200														
D. A. Pearson.....	3,000														
James O'Donnell.....	2,000														
Pynchon & Co. (for placement) ..	5,800														
<b>Total.....</b>	<b>40,000</b>														
<b>MEETING OF OCT. 17, 1928</b>															
Pynchon & Co. as syndicate managers under Washington Gas Light Co. common stock syndicate agreement dated Apr. 26, 1928. Present amount of loan \$1,416,572.50. Secured by 13,000 shares Washington Gas Light Co. common stock. Signed syndicate agreements and assignment thereof, total 40,000 shares, as follows: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Utilities Power &amp; Light Securities Corporation.....</td> <td style="width: 20%; text-align: right;">20,000</td> </tr> <tr> <td>Pynchon &amp; Co.....</td> <td style="text-align: right;">9,200</td> </tr> <tr> <td>D. A. Pearson.....</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td>James O'Donnell.....</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>Pynchon &amp; Co. (for placement) ..</td> <td style="text-align: right;">5,800</td> </tr> <tr> <td><b>Total.....</b></td> <td style="text-align: right;"><b>40,000</b></td> </tr> </table>	Utilities Power & Light Securities Corporation.....	20,000	Pynchon & Co.....	9,200	D. A. Pearson.....	3,000	James O'Donnell.....	2,000	Pynchon & Co. (for placement) ..	5,800	<b>Total.....</b>	<b>40,000</b>	15,492.50	do.....	Do.
Utilities Power & Light Securities Corporation.....	20,000														
Pynchon & Co.....	9,200														
D. A. Pearson.....	3,000														
James O'Donnell.....	2,000														
Pynchon & Co. (for placement) ..	5,800														
<b>Total.....</b>	<b>40,000</b>														

	Amount	Rate	Maturity
<b>MEETING OF NOV. 7, 1928</b>			
<b>Pynchon &amp; Co.</b> as syndicate managers Washington Gas Light Co. common stock syndicate agreement dated Apr. 26, 1928.	\$193,240.00	6 percent.....	Demand.
Present amount of loan \$1,609,812.50. Secured by 14,500 shares Washington Gas Light Co. common stock.			
Signed syndicate agreements and assignment thereof, total 40,000 shares as follows:			
Utilities Power & Light Securities Corporation.....	20,000		
Pynchon & Co.....	9,200		
D. A. Pearson.....	3,000		
James O'Donnell.....	2,000		
Pynchon & Co. (for placement).....	5,800		
Total.....	40,000		
<b>MEETING OF NOV. 28, 1928</b>			
<b>Utility Equities Corporation</b> purchase group by Chase Securities Corporation group managers. Secured by temporary allotment certificates for 33,000 shares Utility Equities Corporation \$5 50 dividend priority and 33,000 shares Utility Equities Corporation common. Liabilities of members of purchase group are as follows:	3,135,000.00	4 percent.....	Do.
Chase Securities Corporation.....	\$1,140,000		
Stone & Webster and Blodgett, Inc.....	1,140,000		
Brown Bros. & Co.....	427,500		
First National Corporation of Boston.....	213,750		
Cassatt & Co.....	213,750		
Total.....	3,135,000		
<b>Pynchon &amp; Co.</b> , as syndicate managers under Washington Gas Light Co. common stock syndicate agreement dated Apr. 26, 1928.	150,000.00	6 percent.....	Do.
Present amount of loan \$1,759,812.50. Secured by 16,000 shares Washington Gas Light Co. common stock signed syndicate agreements and assignment thereof, total 40,000 shares as follows:			
Utilities Power & Light Securities Corporation.....	20,000		
Pynchon & Co.....	9,200		
D. A. Pearson.....	3,000		
James O'Donnell.....	2,000		
Pynchon & Co. (for placement).....	5,800		
Total.....	40,000		
<b>MEETING OF DEC. 12, 1928</b>			
<b>Hunter Dulin &amp; Co.</b> , syndicate managers Southern California Gas Corporation common stock syndicate.	4,164,500.00	.....do.....	May 7, 1929.
Present amount of loan, \$4,113,500. Secured by 242,500 shares Southern California Gas Corporation common stock.			
Signed syndicate agreements and assignments thereof, total 242,500 shares, as follows:			
Hunter Dulin & Co.....	145,500		
American National Co.....	97,000		
Total.....	242,500		
<b>MEETING OF DEC. 26, 1928</b>			
<b>Pynchon &amp; Co.</b> , syndicate manager under bankers' group agreement dated Dec. 14, 1928.	1,795,333.33	Renewal rate.....	Demand.
Secured by \$2,000,000 American States Public Service Co. 10-year 6 percent gold debenture bonds, series A, due Dec. 1, 1938.			
Liabilities of members of group are as follows:			
Pynchon & Co., 50 percent.....	\$897,666.67		
Peabody Smith & Co., 25 percent.....	448,833.33		
L. L. Davis Co., 15 percent.....	269,800.00		
Gillet & Co., 10 percent.....	179,833.33		
Total.....	1,795,333.33		
Pynchon & Co. guarantee the liability of L. L. Davis Co. and Gillet & Co.			

	Amount	Rate	Maturity
<b>MEETING OF DEC. 26, 1923—continued</b>			
Peabody Smith & Co., Inc., syndicate manager under bankers' group agreement dated Dec. 14, 1923. Secured by: \$2,700,000 American States Public Service first lien 5½ percent gold bonds, series A, due May 1, 1943. Liabilities of members of group are as follows: Peabody Smith & Co., Inc., 45 percent..... \$1,089,888.75 Pynchon & Co., 35 percent..... 847,691.25 L. L. Davis Co. and Gillet & Co (jointly), 20 percent..... 484,395.00 Total..... 2,421,975.00 Peabody Smith & Co., Inc., guarantees the liability of L. L. Davis Co. and Gillet & Co.	\$2,421,975.00	Renewal rate.....	Demand.
<b>MEETING OF JAN. 16, 1929</b>			
Pynchon & Co., as syndicate managers under Washington Gas Light Co. common stock syndicate agreement dated Apr. 26, 1923. Present amount of loan \$1,764,812.50. Secured by 16,000 shares Washington Gas Light Co., common stock. Signed syndicate agreements and assignment thereof, total 40,000 shares as follows: Utilities Power & Light Securities Corporation..... 20,000 Pynchon & Co..... 9,200 D. A. Pearson..... 3,000 James O'Donnell..... 2,000 Pynchon & Co. (for placement).. 5,800 Total..... 40,000	5,000.00	6 percent.....	Do.
<b>MEETING OF JAN. 30, 1929</b>			
Pynchon & Co. as syndicate managers under Washington Gas Light Co. common stock syndicate agreement dated Apr. 26, 1923. Present amount of loan \$1,774,812.50. Secured by 16,000 shares Washington Gas Light Co. common stock. Signed syndicate agreements and assignment thereof, total 40,000 shares as follows: Utilities Power & Light Securities Corporation..... 20,000 Pynchon & Co..... 9,200 D. A. Pearson..... 3,000 James O'Donnell..... 2,000 Pynchon & Co. (for placement).. 5,800 Total..... 40,000	10,000.00	do.....	Do.
<b>MEETING OF FEB. 6, 1929</b>			
Pynchon & Co. as syndicate managers under Washington Gas Light Co. common stock. Syndicate agreement dated Apr. 26, 1923. Present amount of loan \$3,104,812.50. Secured by 26,487 shares Washington Gas Light Co. common stock. Signed syndicate agreements and assignment thereof, total 40,000 shares as follows: Utilities Power & Light Securities Corporation..... 20,000 Pynchon & Co..... 9,200 D. A. Pearson..... 3,000 James O'Donnell..... 2,000 Pynchon & Co. (for placement).. 5,800 Total..... 40,000	1,330,000.00	do.....	Do.

	Amount	Rate	Maturity
<b>MEETING OF MAR. 18, 1929</b>			
<b>Fynchon &amp; Co. banking group managers under Utilities Power &amp; Light Corporation class B bankers group agreement dated Mar. 1, 1929.</b> Secured by 69,500 shares Utilities Power & Light Corporation class B full paid subscription receipt for voting trust certificates (value \$2,919,000). Liabilities of group members are as follows: West & Co.----- \$333,981.10 W. S. Hammons & Co.----- 625,494.86 Fynchon & Co.----- 1,251,024.04 Total----- 2,710,500.00	\$2,710,500.00	Renewal rate-----	Demand.
<b>MEETING OF APR. 3, 1929</b>			
<b>Fynchon &amp; Co. as syndicate managers under Washington Gas Light Co. common stock syndicate agreement dated Apr. 26, 1928.</b> Present amount of loan \$3,339,812.50. Secured by 28,951 shares Washington Gas Light Co. common stock. Signed syndicate agreements and assignment thereof, total 37,286 shares as follows: Utilities Power & Light Securities Corporation----- 22,712 Fynchon & Co.----- 9,574 D. A. Pearson----- 3,000 James O'Donnell----- 2,000 Total----- 37,286	235,000.00	6 percent-----	Do.
<b>MEETING OF APR. 10, 1929</b>			
<b>Brown Bros. &amp; Co., as syndicate managers, L. P. Hollander Co. syndicate.</b> Secured by 800 shares L. P. Hollander Co., Inc. Signed syndicate agreements and assignment thereof: Charles D. Barney & Co.---- \$500,000 Chase Securities Corporation. 500,000 Brown Bros. & Co.----- 1,500,000 Total----- 2,500,000 We have agreed to loan up to \$2,000,000.	1,800,000.00	6 percent and commission.	Oct. 1, 1929.
<b>250,000 shares Electric Shareholdings Corporation \$6 cumulative convertible preferred stock (optional stock dividend series). Purchase syndicate, J. Henry Schroder Banking Corporation, Chase Securities Corporation, syndicate managers.</b> Secured by 20,300 shares Electric Shareholdings Corporation \$6 cumulative convertible preferred stock (optional stock dividend series). The sole obligor of this loan is J. Henry Schroder Banking Corporation.	1,948,800.00	8 percent-----	Demand.
<b>MEETING OF APR. 24, 1929</b>			
<b>International Hydro-Electric System convertible 6 percent gold debentures Special Group Chase Securities Corporation, Bankers Co. of New York, Harris, Forbes &amp; Co., special group managers by Chase Securities Corporation.</b> Secured by \$2,100,000 International Hydro-Electric System convertible 6 percent gold debentures due April 1, 1944. Liabilities of members of special group are as follows: Chase Securities Corporation, 28 percent----- \$566,048 Bankers Co. of New York, 14 percent----- 233,024 Harris, Forbes & Co., 14 percent----- 233,024 Lee, Higginson & Co., 14 percent----- 233,024 Blair & Co., Inc., 10 percent-- 202,160 Halsey Stuart & Co., Inc., 10 percent----- 202,160 E. H. Rollins & Sons, 5 percent----- 101,080 Redmond & Co., 5 percent--- 101,080 Total----- 2,021,600 Present amount of loan is \$1,844,469.34.	1,202,160.00	Coupon on bonds.	Do.

<sup>1</sup> Bankers Trust Co. have a 50 percent participation in this loan.

	Amount	Rate	Maturity
<b>MEETING OF MAY 1, 1929</b>			
Peabody Smith & Co., Inc., syndicate manager under bankers group agreement dated Dec. 14, 1928. Present amount of loan \$1,196,875. Secured by \$1,500,000 American States Public Service first lien 5½ percent gold bonds series A due May 1, 1948. Liabilities of members of group are as follows: Peabody Smith & Co., Inc., 45 percent..... \$538, 593. 75 Pynchon & Co., 35 percent. 418, 906. 25 L. L. Davis Co., Gillet & Co. (jointly), 20 percent..... 239, 375. 00 Total..... 1, 196, 875. 00 Peabody Smith & Co., Inc., guarantee the liability of L. L. Davis Co. and Gillet & Co.	\$85, 440. 00	Renewal rate.....	Demand.
<b>MEETING OF MAY 8, 1929</b>			
Pynchon & Co. syndicate managers under, syndicate agreement dated Apr. 26, 1929, on \$2,000,000 American States Public Service Co. 10 year 6 percent gold debenture bonds series A due Dec. 1, 1933. Secured by \$2,000,000 American States Public Service Co. 10-year 6 percent gold debenture bonds due Dec. 1, 1933. Signed syndicate agreements. Liabilities of members of syndicate are as follows: Pynchon & Co., 50 percent.... \$900, 000 Peabody, Smith & Co., Inc., 25 percent..... 450, 000 L. L. Davis Co., 25 percent.... 450, 000 Total..... 1, 800, 000 Pynchon & Co. and Peabody, Smith & Co., Inc., guarantee the liability of L. L. Davis Co.	1, 800, 000. 00	.....do.....	Do.
<b>MEETING OF JUNE 5, 1929</b>			
Kidder Peabody & Co., Caldwell & Co., syndicate managers. Secured by 27,000 shares Southern Fire Insurance Co. of New York.	830, 000. 00	6 percent.....	Do.
<b>MEETING OF JUNE 26, 1929</b>			
J. Philip Bird, Harry D. Leavitt, Bentley H. Pope, syndicate managers. Participation from First Mechanics National Bank, Trenton, N.J., in their loan for \$205,000. Secured by 4,555 shares International Reinsurance Corporation. Also endorsed by: J. Philip Bird, Harry D. Leavitt, Bentley H. Pope, J. C. Slack, W. C. Hillman, F. C. J. Wiss, Ferdinand Wilckes, Edward D. Farmer, Henry A. Ludehe, Samuel Haverstick, Edward C. Stohes, Lewis H. Lawton.	50, 000. 00	.....do.....	Oct. 17, 1929.
<b>MEETING OF JULY 17, 1929</b>			
Kidder Peabody & Co., syndicate managers..... Present amount of loan \$500,000. Secured by 8,000 shares National Shawmut Bank of Boston, Mass. (value \$396,000).	1, 000, 000. 00	.....	Demand.
<b>MEETING OF AUG. 7, 1929</b>			
Pynchon & Co. as syndicate managers under General Theatres Equipment, Inc., common-stock voting trust certificates. Syndicate agreement dated July 18, 1929. Secured by 100,000 shares General Theatres Equipment, Inc. voting trust certificates; valuation \$3,500,000. Signed syndicate agreements as follows: Folds Bnck & Co., Inc..... 25, 000 West & Co..... 65, 677 Pynchon & Co..... 182, 738	2, 500, 000. 00	Renewal rate.....	Do.

	Amount	Rate	Maturity
<b>MEETING OF AUG. 7, 1929—continued</b>			
<b>Pynhon &amp; Co. as syndicate managers under General Theatres Equipment, Inc. common stock voting trust certificates. Syndicate agreement dated July 18, 1929—Continued.</b>			
Signed syndicate agreements as follows:			
—Continued			
		<i>Shares</i>	
W. S. Hammons & Co.....		63,000	
Halsey Stuart & Co.....		28,548	
Harry Roberts.....		3,573	
William Eshbaugh.....		21,436	
W. F. Ingold, Sr.....		3,573	
Joseph E. Higgins.....		42,871	
J. S. Bache & Co.....		14,291	
Hunter Dulin & Co.....		25,000	
Harrison & Co.....		10,000	
Total.....		435,767	
<b>MEETING OF AUG. 21, 1929</b>			
<b>Pynhon &amp; Co. as syndicate managers under Utilities Power &amp; Light Corporation class B stock voting trust certificates, syndicate agreement dated Aug. 3, 1929.</b>	<b>\$2,500,000.00</b>	<b>Renewal rate minimum 7 percent.</b>	<b>Demand.</b>
Secured by 40,000 shares Utilities Power & Light Corporation class B voting trust certificates; valuation \$3,200,000.			
Signed syndicate agreements as follows:			
		<i>Shares</i>	
Pynhon & Co.....		10,000	
West & Co.....		10,000	
W. S. Hammons & Co.....		10,000	
Public Utilities Securities Corporation.....		10,000	
Eastern Utilities Investment Corporation.....		10,000	
Total.....		60,000	
<b>MEETING OF AUG. 28, 1929</b>			
<b>Pynhon &amp; Co. syndicate managers under General Theatres Equipment Inc. common stock voting trust certificates, syndicate agreement dated July 18, 1929.</b>	<b>4,000,000.00</b>	<b>1 percent above renewal rate.</b>	<b>Do.</b>
Secured by 200,000 shares General Theatres Equipment Inc., voting trust certificates; valuation \$7,200,000.			
Signed syndicate agreements as follows:			
		<i>Shares</i>	
Folds Buck & Co., Inc.....		25,000	
West & Co.....		65,677	
Pynhon & Co.....		132,798	
W. S. Hammons & Co.....		63,000	
Halsey Stuart & Co.....		28,548	
Harry Roberts.....		3,573	
William Eshbaugh.....		21,436	
W. F. Ingold, Sr.....		3,573	
Joseph E. Higgins.....		42,871	
J. S. Bache & Co.....		14,291	
Hunter, Dulin & Co.....		25,000	
Harrison & Co.....		10,000	
Total.....		435,767	
<b>MEETING OF SEPT. 18, 1929</b>			
<b>Transcontinental Oil Co., common stock syndicate of July 23, 1929, Stroud &amp; Co., Inc., syndicate manager.</b>	<b>1,470,857.20</b>	<b>8 percent.....</b>	<b>Do.</b>
Secured by 200,000 shares Transcontinental Oil Co., common stock, valuation \$2,400,000.			
Signed Syndicate Agreements as follows:			
		<i>Units</i>	
Stroud & Co., Inc.....		50,000	
O. L. Gubelman.....		25,000	
F. B. Parriott.....		25,000	
Amos L. Beaty.....		50,000	
Realty & Securities Corporation.....		50,000	
Theodore Schulze & Co., Inc.....		50,000	
Total.....		250,000	

	Amount	Rate	Maturity																																
<b>MEETING OF OCT. 2, 1929</b>																																			
<b>Pynchon &amp; Co., syndicate managers under syndicate agreement dated Sept. 20, 1929, for 210,000 shares General Theatres Equipment, Inc., common stock voting trust certificates. Secured by 125,000 shares General Theatres Equipment, Inc., voting trust certificates (valuation, \$7,575,000). Signed syndicate agreements as follows:</b>	<b>\$5,000,000</b>	1 percent above renewal rate.	Demand																																
<table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right; font-size: small;">Shares</td> </tr> <tr> <td>Pynchon &amp; Co.....</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>Hunter, Dulis &amp; Co.....</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>Goldman Sachs Trading Corporation.....</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Pynchon &amp; Co. (for certain members).....</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>Joseph E. Higgins.....</td> <td style="text-align: right;">15,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Total.....</td> <td style="text-align: right; border-top: 1px solid black;">125,000</td> </tr> </table>		Shares	Pynchon & Co.....	40,000	Hunter, Dulis & Co.....	40,000	Goldman Sachs Trading Corporation.....	20,000	Pynchon & Co. (for certain members).....	10,000	Joseph E. Higgins.....	15,000	Total.....	125,000																					
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Joseph E. Higgins.....	15,000																																		
Total.....	125,000																																		
<b>MEETING OF OCT. 9, 1929</b>																																			
<b>Brown Bros. &amp; Co. (renewal) as syndicate managers, L. F. Hollander Co. syndicate. Secured by 800 shares L. F. Hollander Co., Inc. Signed syndicate agreements and assignment thereof:</b>	<b>1,600,000.00</b>	6 percent.....	Apr. 1, 1930.																																
<table style="width: 100%; border-collapse: collapse;"> <tr> <td>Charles D. Barney &amp; Co.....</td> <td style="text-align: right;">\$500,000</td> </tr> <tr> <td>Chase Securities Corporation.....</td> <td style="text-align: right;">600,000</td> </tr> <tr> <td>Brown Bros. &amp; Co.....</td> <td style="text-align: right;">1,500,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Total.....</td> <td style="text-align: right; border-top: 1px solid black;">2,600,000</td> </tr> </table>	Charles D. Barney & Co.....	\$500,000	Chase Securities Corporation.....	600,000	Brown Bros. & Co.....	1,500,000	Total.....	2,600,000																											
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<b>We have agreed to loan up to \$2,000,000. Stone &amp; Webster &amp; Blodgett, Inc., as syndicate managers under Marine Midland Corporation agreement dated Sept. 24, 1929. Secured by 200,000 shares Marine Midland Corporation. Liability of members of syndicate as follows:</b>	<b>11,400,000.00</b>	5½ percent.....	Demand.																																
<table style="width: 100%; border-collapse: collapse;"> <tr> <td>Stone &amp; Webster &amp; Blodgett, Inc.....</td> <td style="text-align: right;">\$5,052,480</td> </tr> <tr> <td>White Weld &amp; Co.....</td> <td style="text-align: right;">3,326,520</td> </tr> <tr> <td>Charles D. Barney &amp; Co.....</td> <td style="text-align: right;">1,311,000</td> </tr> <tr> <td>Schoellkopf Hutton &amp; Pomery, Inc.....</td> <td style="text-align: right;">1,710,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Total.....</td> <td style="text-align: right; border-top: 1px solid black;">11,400,000</td> </tr> </table>	Stone & Webster & Blodgett, Inc.....	\$5,052,480	White Weld & Co.....	3,326,520	Charles D. Barney & Co.....	1,311,000	Schoellkopf Hutton & Pomery, Inc.....	1,710,000	Total.....	11,400,000																									
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<b>MEETING OF OCT. 30, 1929</b>																																			
<b>O. L. Gubelman, manager..... Secured by 6,200 shares International Paper &amp; Power Co. 7 percent preferred (valuation \$527,000). Liability of members of Syndicate as follows:</b>	<b>465,000.00</b>	7 percent.....	Do.																																
<table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right; font-size: small;">Shares</td> </tr> <tr> <td>A. R. Graustein.....</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Cyrus Eaton.....</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Sohrmer Atherton &amp; Co.....</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Rudolph Paganstecher.....</td> <td style="text-align: right;">500</td> </tr> <tr> <td>Allen Curtis.....</td> <td style="text-align: right;">500</td> </tr> <tr> <td>Percy H. Jennings.....</td> <td style="text-align: right;">500</td> </tr> <tr> <td>The Second Shares Trust.....</td> <td style="text-align: right;">900</td> </tr> <tr> <td>H. R. Weaver.....</td> <td style="text-align: right;">200</td> </tr> <tr> <td>W. N. Hurlbut.....</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td>O. L. Gubelman.....</td> <td style="text-align: right;">2,500</td> </tr> <tr> <td>Edwin Weisl &amp; Co.....</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>Drury &amp; Co.....</td> <td style="text-align: right;">3,900</td> </tr> <tr> <td>F. N. Southam.....</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>M. G. Chace Co.....</td> <td style="text-align: right;">16,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Total.....</td> <td style="text-align: right; border-top: 1px solid black;">45,000</td> </tr> </table>		Shares	A. R. Graustein.....	5,000	Cyrus Eaton.....	5,000	Sohrmer Atherton & Co.....	5,000	Rudolph Paganstecher.....	500	Allen Curtis.....	500	Percy H. Jennings.....	500	The Second Shares Trust.....	900	H. R. Weaver.....	200	W. N. Hurlbut.....	1,000	O. L. Gubelman.....	2,500	Edwin Weisl & Co.....	2,000	Drury & Co.....	3,900	F. N. Southam.....	2,000	M. G. Chace Co.....	16,000	Total.....	45,000			
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	Amount	Rate	Maturity
<b>MEETING OF NOV. 6, 1929</b>			
<b>O. L. Gubelman, manager</b> .....	<b>\$75,000.00</b>	<b>7 percent</b> .....	<b>Demand.</b>
Present amount of loan \$540,000. Secured by 7,200 shares International Paper & Power Co. 7 percent preferred (valuation \$648,000). Liability of members of Syndicate as follows:			
<i>Shares</i>			
A. E. Graustein.....	5,000		
Cyrus Eaton.....	5,000		
Schirmer Atherton & Co.....	5,000		
Rudolph Pagenstecher.....	500		
Allen Curtis.....	500		
Percy H. Jennings.....	500		
Second Shares Trust.....	900		
H. R. Weaver.....	200		
W. N. Hurlburt.....	1,000		
O. L. Gubelman.....	2,500		
Edwin Weisl & Co.....	2,000		
Drury & Co.....	3,900		
F. N. Southaw.....	2,000		
M. G. Chace Co.....	16,000		
<b>Total</b> .....	<b>45,000</b>		
<b>MEETING OF NOV. 27, 1929</b>			
<b>Stone &amp; Webster capital stock trading account</b> group under agreement dated June 28, 1929, as supplemented by agreement dated July 12, 1929. Stone & Webster and Blodget, Inc., group managers. Secured by 37,743 shares Stone & Webster, Inc. (valuation \$3,095,000). Signed agreements and assignment thereof. Liability of members of trading account group as follows:	<b>1,400,000.00</b>	<b>½ percent above renewal rate, minimum 6 percent.</b>	
<i>Percent Shares</i>			
Edwin S. Webster.....	40.3125	33,250	
Henry G. Bradle.....	1.875	1,500	
Frederick S. Pratt.....	6.25	5,000	
Frederick P. Royce.....	1.25	1,000	
Russell Robb, Jr.....	1.25	1,000	
Richard Harte.....	2.50	2,000	
Charles E. Ober.....	1.25	1,000	
Cyrus T. Ferris.....	1.25	1,000	
J. E. Baker.....	3.75	3,000	
Charles A. Stone.....	40.3125	33,250	
<b>Total</b> .....	<b>100.00</b>	<b>80,000</b>	
We have agreed to loan up to \$5,200,000.			
<b>Petree, Fair &amp; Co. and Laidlaw &amp; Co. jointly and severally; Petree, Fair &amp; Co. and Laidlaw &amp; Co. as syndicate managers</b>	<b>1,278,308.50</b>	<b>1 percent above renewal rate, minimum 7 percent.</b>	<b>Do.</b>
Participation from Bankers Trust Co. in loan for \$2,556,617. Secured by 75,500 shares Caterpillar Tractor Co. (valuation \$4,153,000). Signed syndicate agreement and assignment thereof. We have agreed to take up to \$3,000,000. Liability of members of Caterpillar Tractor Syndicate:			
<i>Shares</i>			
C. L. Best.....	10,000		
R. C. Force.....	10,000		
B. C. Heacock.....	3,000		
J. A. McGreagor.....	10,000		
C. F. Holt.....	1,500		
P. E. Holt.....	3,000		
F. B. Anderson.....	5,000		
H. H. Fair.....	10,000		
Petree, Fair & Co.....	5,000		
H. Fleishacker.....	2,000		
K. R. Kingsbury.....	2,000		
Horace B. Pillsbury.....	1,000		
C. O. G. Miller.....	1,000		
Laidlaw & Co.....	5,000		
Henry McSweeney.....	5,000		
S. Pond-Petree F. & Co.....	2,000		
William Gerstle.....	3,000		
Mark Gerstle.....	1,000		
C. K. McIntosh.....	1,000		
O. P. Carruthers.....	1,000		
A. D. Harrison.....	3,000		
James E. Dorsey.....	500		
C. L. Neumiller.....	1,000		

	Amount	Rate	Maturity
<b>MEETING OF NOV. 27, 1929—continued</b>			
Peirce, Fair & Co. and Laidlow & Co. jointly and severally; Peirce, Fair & Co. and Laidlow & Co. as syndicate managers—Continued			
Liability of members of Caterpillar Tractor Syndicate—Continued			
			Shares
L. W. Harris.....			500
George H. Lent.....	1,000		
Harry L. Barbash.....	500		
Selah Chamberlain.....	2,000		
S. T. Blackwood.....	500		
Greenshields & Co.....	500		
Ralph W. Kinney.....	1,000		
William Winter & Son.....	1,000		
J. V. Munro.....	1,500		
George L. Bell.....	1,500		
George W. Lewis.....	500		
George A. Ditz.....	1,000		
Oscar L. Starr.....	1,500		
Total.....	99,000		
William H. English, John J. Raskob, syndicate managers (participation certificate of Bankers Trust Co.)	\$336,908.00	6 percent.....	Demand.
Present amount of loan \$236,908. Secured by 1,599 shares County Trust Co., New York (valuation \$399,750). Signed syndicate agreement and assignment thereof.			
Liability of members of syndicate as follows			
			Shares
John J. Raskob.....	500		
William H. English.....	500		
Michael J. Meehan.....	500		
W. F. Kenny.....	500		
Arthur Lehman.....	500		
Vincent Astor.....	500		
Alfred E. Smith.....	100		
John J. Cavanagh.....	100		
John J. Pulleyn.....	100		
Peter J. Carey.....	100		
Ralph W. Long.....	25		
P. F. Saylor.....	100		
J. V. Bontell.....	25		
W. J. Fitzgerald.....	100		
Edward J. Kelly.....	100		
Daniel J. Mooney.....	50		
Total.....	3,800		
<b>MEETING OF DEC. 4, 1929</b>			
William H. English, John J. Raskob, syndicate managers. (Participation certificate of Bankers Trust Co.)	57,150.00	.....do.....	Do.
Present amount of loan, \$318,058. Secured by 1,837 shares County Trust Co., New York (valuation \$459,250). Signed syndicate agreement and assignment thereof. Liability of members of syndicate as follows:			
			Shares
John J. Raskob.....	500		
William H. English.....	500		
Michael J. Meehan.....	500		
William F. Kenny.....	500		
Arthur Lehman.....	500		
Vincent Astor.....	500		
Alfred E. Smith.....	100		
John J. Cavanagh.....	100		
John J. Pulleyn.....	100		
Peter J. Carey.....	100		
Ralph W. Long.....	25		
P. F. Saylor.....	100		
J. V. Bontell.....	25		
W. J. Fitzgerald.....	100		
Edward J. Kelly.....	100		
Daniel J. Mooney.....	50		
Total.....	3,800		

	Amount	Rate	Maturity
<b>MEETING OF DEC. 4, 1929—continued</b>			
<b>\$1,200,000.</b> Seaboard Air Line Ry. Co. 4½ percent first-lien equipment trust certificates, series BB 3/3 account by Chase Securities Corporation managers. Secured by \$611,000 Seaboard Air Line Ry. 4½ percent first-lien equipment trust certificates, series BB, various maturities. Liability of members of 3/3 account are as follows: Chase Securities Corporation..... 7½ Redmond & Co..... 7½ Freeman & Co..... 7½	5649,900.00	6 percent.....	Demand.
<b>Utilities Power &amp; Light Corporation</b> 5½ percent debentures trading account, by Chase Securities Corporation managers. Secured by \$347,000 Utilities Power & Light Corporation 20-year 5½ percent debentures due June 1, 1947. Liability of members of trading account are as follows:  <i>Percent</i> Chase Securities Corporation..... 18 West & Co..... 18 Pynchon & Co..... 17½ Federal Securities Corporation..... 12½ H. M. Byllesby & Co., Inc..... 12½ Halsey, Stuart & Co., Inc..... 11½ W. S. Hammons & Co..... 10½ Total..... 100	753,830.00	.....do.....	Do.
<b>Central States Utilities Corporation</b> 6 percent secured gold bonds trading account, by Chase Securities Corporation managers. Present amount of loan \$361,833. Secured by \$415,900 Central States Utilities Corporation 10-year 6 percent secured gold bonds due Jan. 1, 1938. Liability of members of trading account are as follows:  <i>Percent</i> Chase Securities Corporation..... 25 Pynchon & Co..... 17½ Peabody, Houghteling & Co..... 17½ Federal Securities Corporation..... 17½ West & Co..... 17½ W. S. Hammons & Co..... 5 Total..... 100	363,573.00	.....do.....	Do.
<b>Central States Power &amp; Light Corporation</b> \$7 dividend preferred stock trading account by Chase Securities Corporation, managers. Present amount of loan, \$445,374.50. Secured by 5,899 shares of Central States Power & Light Corporation \$7 dividend preferred stock. Liabilities of members of trading account are as follows:  <i>Percent</i> Chase Securities Corporation..... 30 Pynchon & Co..... 30 Central-Illinois Co..... 17½ West & Co..... 17½ W. S. Hammons & Co..... 5 Total..... 100	530,910.00	.....do.....	Do.
<b>General Theatres Equipment, Inc.</b> , 6 percent convertible gold debentures, trading account by Chase Securities Corporation, managers. Secured by \$962,000. General Theatres Equipment, Inc., 15-year 6 percent convertible gold debentures due July 1, 1944. Liabilities of members of trading account are as follows: Chase Securities Corporation..... \$200,000 Pynchon & Co..... 200,000 West & Co..... 200,000 W. S. Hammons & Co..... 200,000 Harley L. Clarke..... 200,000 Total..... 1,000,000	1,047,200.00	.....do.....	Do.

	Amount	Rate	Maturity
<b>MEETING OF DEC. 4, 1929—continued</b>			
Lincoln Building, Lincoln Forty-second Street Corporation 6¼ percent sinking-fund gold debentures trading account of Dec. 3, 1928, by Chase Securities Corporation, managers. Secured by \$281,000. Lincoln Building, Lincoln Forty-second Street Corporation, 20-year 6¼ percent sinking-fund gold debentures. Liabilities of members of trading account are as follows:	\$288,520.00	6 percent.....	Demand.
<i>Percent</i>			
Chase Securities Corporation.....			33¼
E. H. Rollins & Sons.....			33¼
Continental National Co.....			33¼
Total.....			100
\$7,700,000 Gatineau Power Co., first-mortgage gold bonds, 5 percent series, due 1956, special group, by Chase Securities Corporation, managers. Secured by \$1,005,000 Gatineau Power Co., first-mortgage gold bonds, 5 percent series, due 1956. Liabilities of members of special group are as follows:	924,600.00	.....do.....	Do.
<i>Percent</i>			
Chase Securities Corporation.....			28
Bankers Co. of New York.....			14
Harris, Forbes & Co.....			14
Lee, Higginson & Co.....			14
Bancamerica-Blair Corporation.....			10
Halsey, Stuart & Co., Inc.....			10
Otis & Co.....			5
First National Corporation of Boston.....			2½
Old Colony Corporation.....			2½
Total.....			100
Detroit & Canada Tunnel Co. 6¼ percent convertible sinking-fund gold debentures trading account, by Chase Securities Corporation, managers. Present amount of loan, \$1,124,200. Secured by \$1,277,500 Detroit & Canada Tunnel Co. 20-year 6¼ percent convertible sinking-fund gold debentures, due May 1, 1948. Liabilities of members of trading account are as follows:	1,171,800.00	.....do.....	Do.
<i>Percent</i>			
Guardian Detroit Co.....			40
Chase Securities Corporation.....			40
Bartles, Rawls & Donaldson, Inc....			20
Total.....			100
St. Louis Gas & Coke Corporation first-mortgage 6 percent sinking-fund gold bonds trading account, by Chase Securities Corporation, managers. Secured by \$514,600 St. Louis Gas & Coke Corporation first-mortgage 20-year 6 percent sinking-fund gold bonds due June 1, 1947. Liabilities of members of trading account are as follows:	411,200.00	.....do.....	Do.
<i>Percent</i>			
Chase Securities Corporation.....			20.28
West & Co.....			20.28
Pyncheon & Co.....			19.44
Federal Securities Corporation..			14.08
H. M. Byllesby & Co.....			14.08
W. S. Hammons & Co.....			11.84
Total.....			100.00
<b>MEETING OF DEC. 11, 1929</b>			
William H. English, John J. Raskob, syndicate managers (participation certificate of Bankers Trust Co.). Present amount of loan \$385,898. Secured by 2,117 shares County Trust Co., New York (valuation \$529,250). Signed syndicate agreement and assignment thereof. Liability of members of syndicate are the same as previously reported.	67,840.00	.....do.....	Do.

	Amount	Rate	Maturity
MEETING OF DEC. 18, 1929			
William H. English, John J. Raskob, syndicate managers (participation certificate of Bankers Trust Co.). Present amount of loan \$391,598. Secured by 2,137 shares County Trust Co., New York (valuation \$334,250). Signed syndicate agreement and assignment thereof. Liability of members of syndicate are the same as previously reported.	\$5,700.00	6 percent.....	Demand.
MEETING OF JAN. 2, 1930			
Stone & Webster, Inc., capital stock trading account, group agreement, dated Dec. 27, 1929. By Stone & Webster and Blodgett, Inc., group managers. Secured by 37,743 shares Stone & Webster, Inc. (valuation, \$2,621,000). Signed agreements and assignments thereof. Liability of members of trading account group as follows:	1,975,000.00	½ percent above renewal rate, minimum 6 percent.	On or before Jan. 27, 1930.
		<i>Percent</i>	
Mary L. Stone.....		40.125	
Cyril Carmichael.....		.375	
Fredk. S. Pratt.....		6.25	
Henry G. Bradlee.....		1.575	
Edwin S. Webster.....		40.125	
Philip L. Werner.....		.375	
Theodore T. Whitney, Jr.....		.375	
A. C. Dunmore.....		.625	
Charles E. Ober.....		.625	
S. H. Baker.....		.375	
B. H. Van Deusen.....		1.25	
R. H. Carlton.....		.625	
F. K. Stephenson.....		.375	
Bayard F. Pope.....		.375	
Gratchen S. Ferris.....		1.25	
Eva A. Royce.....		1.25	
Richard Harte.....		2.50	
Russell Robb, Jr.....		1.25	
		100.00	
Agreed to loan up to \$3,091,700.			
MEETING OF JANUARY 8, 1930			
Lincoln Building, Lincoln Forty-Second Street Corporation 6½ percent sinking-fund gold debentures trading account of Dec. 3, 1928. By Chase Securities Corporation, managers. Secured by \$352,500 Lincoln Building, Lincoln Forty-Second Street Corporation, 20-year 6½ percent sinking-fund gold debentures. The liabilities of members of trading account are the same as reported on Dec. 4, 1929. This loan was paid on Jan. 2, 1930.	324,300.00	6 percent.....	Demand.
\$1,200,000 Seaboard Air Line Railway Co. 4½ percent first lien equipment trust certificates, series BB 3/8 account. By Chase Securities Corporation, managers. Secured by \$691,000. Seaboard Air Line Railway Co. 4½ percent first lien equipment trust certificates, series BB, various maturities. The liabilities of members of 3/8 account are the same as reported on Dec. 4, 1929. This loan was paid on Jan. 2, 1930.	520,080.00	.....do.....	Do.
Utility Equities Corporation \$5.50 dividend priority stock trading account. Secured by 7,303 shares Utility Equities Corporation \$5.50 dividend priority stock. Liability of members of trading account are as follows:	511,210.00	.....do.....	Do.
		<i>Percent</i>	
Chase Securities Corporation.....		20/55	
Stone & Webster and Blodgett, Inc.....		20/55	
Brown Brothers & Co.....		7½/55	
First National Corporation of Boston.....		3¾/55	
Cassat & Co.....		3¾/55	
Total.....		55/55	
This loan was paid on Jan. 2, 1930.			

	Amount	Rate	Maturity
<b>MEETING OF JANUARY 8, 1930—continued</b>			
General Theaters Equipment, Inc., 6 percent convertible gold debentures, trading account by Chase Securities Corporation, managers. Secured by \$952,000 General Theaters Equipment, Inc., 15-year 6 percent convertible gold debentures due July 1, 1944. The liabilities of members of trading account are the same as reported on Dec. 4, 1929. This loan was paid on Jan. 2, 1930.	\$952,000.00	6 percent.....	Demand.
Detroit & Canada Tunnel Co. 6½ percent convertible sinking-fund gold debentures trading account by Chase Securities Corporation, managers. Secured by \$1,178,921.25 Detroit & Canada Tunnel Co. 20-year 6½ percent convertible sinking-fund gold debentures, due May 1, 1948. The liabilities of members of trading account are the same as reported on Dec. 4, 1929. This loan was paid on Jan. 2, 1930.	1,178,921.25	.....do.....	Do.
St. Louis Gas & Coke Corporation first mortgage 6 percent sinking-fund gold bonds trading account by Chase Securities Corporation, managers. Secured by \$539,000 St. Louis Gas & Coke Corporation first mortgage 20-year 6 percent sinking-fund gold bonds due June 1, 1947. The liabilities of members of trading account are the same as reported on Dec. 4, 1929. This loan was paid on Jan. 2, 1930.	420,420.00	.....do.....	Do.
Utilities Power & Light Corporation 5½ percent debentures trading account by Chase Securities Corporation, managers. Secured by \$892,000 Utilities Power & Light Corporation 20-year 5½ percent debentures due June 1, 1947. The liability of members of trading account is the same as reported on Dec. 4, 1929. This loan was paid on Jan. 2, 1930.	793,880.00	.....do.....	Do.
Central States Utilities Corporation 6 percent secured gold bonds trading account by Chase Securities Corporation, managers. Secured by \$450,800 Central States Utilities Corporation 10-year 6 percent secured gold bonds due Jan. 1, 1938. The liability of members of trading account is the same as reported on Dec. 4, 1929. This loan was paid on Jan. 2, 1930.	405,720.00	.....do.....	Do.
Central States Power & Light Corporation \$7-dividend preferred-stock trading account. By Chase Securities Corporation, managers. Secured by 6,263 shares of Central States Power & Light Corporation \$7-dividend preferred stock. The liabilities of members of trading account are the same as reported on Dec. 4, 1929. This loan was paid on Jan. 2, 1930.	472,856.50	.....do.....	Do.
Kidder, Peabody & Co., syndicate managers.... Secured by 42,419 shares Southern Surety Co. of New York (valuation \$1,060,400).	1,000,000.00	.....do.....	Do.
Harris, Forbes & Co., Inc., syndicate managers... Participation from First National Bank, Boston, Mass., in loan for \$13,566,458.34. Secured by: \$15,000,000 New England Power Association 5½ percent debentures due Dec. 1, 1949. Liability of member of syndicate are as follows:	5,000,000.00	.....do.....	Do.
			<i>Percent</i>
			Harris, Forbes & Co., Inc..... 50
			Chase Securities Corporation..... 25
			Bankers Co..... 12½
			Baker, Young & Co..... 12½
Total.....	100		

	Amount	Rate	Maturity
<b>MEETING OF JAN. 29, 1930</b>			
<b>Dillon, Read &amp; Co., H. C. Couch, C. S. McCain, syndicate managers (renewal)</b>	<b>\$2,795,000.00</b>	<b>7 percent.....</b>	<b>Demand.</b>
Secured by: 24,989 shares Louisiana & Arkansas Ry. Co. (Louisiana & Arkansas Corporation); 49,978 shares Louisiana & Arkansas Ry. Co. common (Delaware Corporation); 49,978 shares Louisiana & Arkansas Ry. Co. 6 percent preferred (Delaware Corporation).			
Also notes of syndicate participants as follows:			
Coverdale & Colpitts, due July 16, 1930.....	\$69,875		
J. A. Moffett, due July 16, 1930.....	279,500		
Dillon, Read & Co., due July 16, 1930.....	1,020,175		
Randolph G. Pack, due July 16, 1930.....	209,625		
H. C. Couch, due July 16, 1930.....	978,250		
Rogers Caldwell, due July 16, 1930.....	237,575		
<b>Total.....</b>	<b>2,795,000</b>		
<b>MEETING OF JAN. 15, 1930</b>			
<b>Dillon, Read &amp; Co., H. C. Couch, Coverdale &amp; Colpitts, Charles S. McCain, and S. Z. Mitchell, syndicate managers.</b>	<b>\$3,300,000.00</b>	<b>6 percent.....</b>	<b>July 9, 1930.</b>
Secured by \$645,000 Seaboard Air Line Ry. adjustment 5-percent 1949 convertible debentures; \$2,000 Seaboard Air Line Ry. refunding 4 percent 1959; \$490,000 Seaboard Air Line Ry. consolidated 6 percent 1945; \$309,000 Seaboard Air Line Ry. 3-year 5-percent 1931; \$303,000 Seaboard All Florida 6-percent series A 1935; \$88,000 Seaboard All Florida 6-percent series B 1935; \$125,000 Seaboard Air Line Ry. Atlanta & Birmingham 4-percent 1933; 27,400 shares Seaboard Air Line Ry. preferred, 217,400 shares Seaboard Air Line Ry. common (valuation \$4,035,700). Equitable Trust Co. has assignment of syndicate agreements totaling \$10,085,000, of which \$4,034,000 has been paid in cash, leaving the unpaid balance \$6,051,000 as security to their loan of \$2,700,000 to the syndicate. These have also been assigned to us in the proportion that our loan bears to the Equitable Trust Co. loan.			
<b>Seaboard Air Line Ry.—Purchase syndicate participants:</b>			
Dillon, Read & Co., 28 Nassau Street, New York City.....	\$2,500,000		
Coverdale & Colpitts, 82 Wall Street, New York City.....	500,000		
Southwestern Investors, Inc., Pine Bluff, Ark., attorney, Mr. H. C. Couch, president.....	800,000		
Rogers Caldwell, Nashville, Tenn.....	500,000		
Hillman Investment Co., Pittsburgh, Pa., attorney, J. H. Hillman, Jr., president.....	100,000		
John Nickerson & Co., 61 Broadway, New York City.....	100,000		
I. B. Tiggrett, Esq., Jackson, Tenn.....	100,000		
American National Co., Nashville, Tenn., attorney, Mr. Paul M. Davis.....	900,000		
Gen W. W. Atterbury, Broad Street Station, Philadelphia, Pa.....	100,000		
Frank M. Swacker, 120 Broadway, New York City.....	100,000		
Cotton & Franklin, Special No. 2, 37 Wall St., New York City (use 63 Wall Street).....	100,000		

\* Bank of New York & Trust Co. has a participation of \$800,000 in this loan.

	Amount	Rate	Maturity
<b>MEETING OF JAN. 15, 1930—continued</b>			
Seaboard Air Line Ry.—Purchase— syndicate participants—Contd.			
V. Everit Macy, 50 Broadway, New York City.....	\$250,000		
Robert C. Ream, 17 Battery Place, New York City.....	100,000		
Leonard A. Yerkes, 2 Park Ave- nue, New York City.....	100,000		
U.S. & Foreign Securities Corpor- ation, 786 Broad Street, Newark, N.J.....	500,000		
B. M. May, Esq., c/o Du Pont Rayon Co., 2 Park Ave., New York City.....	50,000		
Clarence H. Mackay, 67 Broad Street, New York City.....	100,000		
Marcus L. Bell, 25 Broad Street, New York City.....	25,000		
Arthur J. Rosenthal & Co., 111 Broadway, New York City....	50,000		
George F. Brownell, 50 Church Street, New York City.....	10,000		
L. H. Windholz, Norfolk, Vir- ginia.....	50,000		
Charles D. Barney & Co., 65 Broadway, New York City....	500,000		
Robt. C. Lassiter, Charlotte, North Carolina.....	500,000		
American International Corp., 120 Broadway, New York City..	100,000		
E. Naumburg & Co., 48 Wall Street, New York City.....	100,000		
Chase Securities Corp., 60 Cedar Street, New York City.....	1,000,000		
Paul V. Shields, 52 Wall Street, New York City.....	100,000		
Equitable Trust Co., of New York, 11 Broad Street, New York City.....	500,000		
E. A. Yates, c/o Alabama Power Co., Birmingham, Ala.....	250,000		
Total.....	10,085,000		
<b>MEETING OF FEB. 5, 1930</b>			
Stone & Webster, Inc., capital stock trading account, group agreement, dated Dec. 27, 1929 (renewal—paid \$200,000), by Stone & Webster and Blodgett, Inc., group managers. Secured by 37,743 shares Stone & Webster, Inc. (valuation \$3,094,926). Signed agree- ments and assignments thereof. Liability of members of trading account are the same as reported on Jan. 2, 1930.	\$1,775,000.00	½ percent above renewal rate, minimum 6 per- cent.	On or before Mar. 26, 1930.
<b>MEETING OF FEB. 26, 1930</b>			
Stone & Webster, Inc., capital stock trading account, group agreement, dated Dec. 27, 1929 by Stone & Webster and Blodgett, Inc., group managers. Present amount of loan \$1,375,000. Se- cured by 37,743 shares Stone & Webster, Inc. (valuation \$3,472,300). Signed agree- ments and assignment thereof. Liability of members of trading account are the same as reported on Jan. 2, 1930.	400,000.00	.....do.....	Do.
<b>MEETING OF MAR. 19, 1930</b>			
Stone & Webster, Inc., capital stock trading account, group agreement, dated Dec. 27, 1929 by Stone & Webster and Blodgett, Inc., group managers. Present amount of loan \$1,375,000. Se- cured by 20,000 shares Stone & Webster, Inc. (valuation \$1,980,000). Signed agree- ments and assignment thereof. Liability of members of trading account are the same as reported on Jan. 2, 1930.	500,000.00	.....do.....	Do.

	Amount	Rate	Maturity
<b>MEETING OF APR. 2, 1930</b>			
Stone & Webster, Inc., capital stock trading account, group agreement, dated Dec. 27, 1929 (renewal) by Stone & Webster and Blodgett, Inc., group managers. Secured by 20,000 shares Stone & Webster, Inc. (valuation \$2,000,000). Signed agreements and assignment thereof. Liability of members of trading account are the same as reported on Jan. 2, 1930.	\$1,375,000.00	½ percent above renewal rate, minimum 6 percent.	May 26, 1930
<b>MEETING OF APR. 9, 1930</b>			
Brown Bros. & Co. as syndicate manager, L. P. Hollander Co. Syndicate (renewal). Secured by 800 shares L. P. Hollander Co., Inc. Signed syndicate agreements and assignment thereof. Liability of members of syndicate are as follows: Charles D. Barney & Co. .... \$500,000 Chase Securities Corporation. .... 500,000 Brown Brothers & Co. .... 1,500,000 Total..... 2,500,000 We have agreed to loan up to \$2,000,000.	1,600,000.00	6 percent.....	Oct. 1, 1930.
<b>MEETING OF APR. 16, 1930</b>			
Hayden, Stone & Co. as syndicate managers Canal Bank & Trust Co., New Orleans, capital stock Underwriting Syndicate. Secured by 57,431 shares Canal Bank & Trust Co., New Orleans, La. Signed syndicate agreements. Liability of members of syndicate are as follows: Hayden, Stone & Co. .... 44/120 Chase Securities Corporation... 44/120 Rogers Caldwell & Co. .... 25/120 Hemphill, Noyes & Co. .... 5/120 Watson, Williams & Co. .... 2/120 120/120 Present amount of loan, \$2,823,700.	2,871,550.00	.....do.....	Demand.
<b>MEETING OF APR. 23, 1930</b>			
Pynchon & Co., syndicate managers..... Secured by 350,000 shares General Theaters Equipment, Inc., voting trust certificates (valuation \$17,150,000). Signed group agreement and assignment thereof. Liability of members of group are as follows: Percent Pynchon & Co. .... 31½ West & Co. .... 18 H. S. Hammons & Co. .... 18 Halsey Stuart & Co., Inc. .... 10 Chase Securities Corporation. .... 22½ Total..... 100	13,125,000.00	.....do.....	On or before May 19, 1930.
Pynchon & Co., syndicate managers..... Secured by 240,000 shares Fox Film Corporation, class A common (valuation \$11,620,000). Signed group agreement and assignment thereof. Liability of members of group are as follows: Percent Pynchon & Co. .... 28.35 West & Co. .... 16.2 W. S. Hammons & Co. .... 16.2 Pynchon & Co. for others. .... 9 Eric & Dreviers. .... 10 Chase Securities Corporation. .... 20.25 Total..... 100	7,200,000.00	.....do.....	May 19, 1930.



	Amount	Rate	Maturity
<b>MEETING OF MAY 7, 1930—continued</b>			
Pynchon & Co., syndicate managers, General Theatres Equipment, Inc., common stock voting-trust certificates purchase syndicate dated Apr. 22, 1930.	\$15,377,812.00	6 percent.....	Demand.
Secured by: 410,075 shares General Theatres Equipment Co., Inc. voting-trust certificates common (valuation \$19,683,600). Signed syndicate agreements and assignment thereof.			
Liability of members of General Theatres Equipment, Inc., common stock voting-trust certificates—purchase syndicate dated Apr. 22, 1930:			
	<i>Shares</i>		
Chase Securities Corporation.....	41,175		
Halsey, Stuart & Co., Inc.....	18,300		
W. S. Hammons & Co.....	30,940		
West & Co.....	32,940		
Pynchon & Co.....	57,645		
Pynchon & Co., other accounts.....	24,500		
Almstedt Bros.....	2,000		
Allen & Co.....	2,500		
Eugene Andrews.....	500		
Bard & Co.....	3,000		
Brooke, Stokes & Co.....	2,000		
Cohle & Tyree.....	2,500		
E. W. Clark & Co.....	10,000		
Charles E. Doyle & Co.....	2,500		
Drumheller, Ehrlichman & White.....	1,000		
Eric & Drevers.....	25,000		
W. H. Eshbaugh & Co.....	25,000		
The Farnoth Corporation.....	15,000		
Folds, Buck & Co., Inc.....	25,000		
Glenny, Monro & Moll.....	2,500		
Harper and Turner.....	2,000		
Hitt, Farwell & Co.....	2,500		
Alfred Ingold.....	500		
W. F. Ingold, Sr.....	1,500		
M. J. Insull.....	2,500		
Kidder Peabody & Co.....	11,000		
Laclede Securities Co.....	1,500		
W. W. Lanahan & Co.....	3,000		
McMichael & Co., Inc.....	2,500		
Metcalf, Cowgill & Co., Inc.....	5,000		
Mitchell, Hutchins & Co.....	5,000		
Charles A. Munroe.....	5,000		
Munoz Finance Corporation.....	1,000		
R. P. Minton & Co., Inc.....	2,500		
Namanat Realty & Trading Corporation.....	5,000		
Palmer & Co.....	5,000		
Reinholdt & Co.....	2,000		
Albert Rothbart.....	1,000		
Arthur Reynolds.....	5,000		
Southern Securities Co.....	3,000		
Stein Bros. & Boyce.....	5,000		
Stout & Co.....	1,000		
Tucker, Hunter, Dulin & Co., Inc.....	25,000		
John Washburn.....	500		
Charles B. Wiggin.....	1,000		
Wincliff Corporation.....	10,000		
Total.....	433,000		
<b>MEETING OF JULY 2, 1930</b>			
Transcontinental Oil Co., common stock syndicate of July 23, 1929; Stroud & Co., Inc., syndicate managers.	23,243	.....do.....	Do.
Present amount of loan, \$1,085,238.20. Secured by 106,000 shares Transcontinental Oil Co., common (valuation, \$1,302,000). Signed syndicate of agreements and assignment thereof.			
Liability of members of syndicate are as follows:			
	<i>Units</i>		
Stroud & Co., Inc.....	25,000		
F. B. Parriott.....	12,500		
Amos L. Beaty.....	25,000		
O. L. Gubelman.....	12,500		
Realty and Securities Corporation.....	25,000		
Theodore Schulze & Co., Inc.....	25,000		
Total.....	125,000		

	Amount	Rate	Maturity
<b>MEETING OF JULY 2, 1930—continued</b>			
William H. English, John J. Raskob, syndicate managers (participation certificate of Bankers Trust Co.)	\$65,020.00	6 percent.....	Demand.
Present amount of loan \$516,900. Secured by: 2,846 shares County Trust Co., New York (valuation \$526,510). Signed syndicate agreement and assignment thereof. Liability of members of syndicate are the same as previously reported.			
Dillon, Read & Co., H. O. Couch and Coverdale and Colpitts, syndicate managers (renewal).	2,700,000.00	5 percent.....	Dec. 22, 1930.
Present amount of loans \$6,000,000. <sup>4</sup> Secured by: 42,000 shares Seaboard Air Line Ry., preferred; 343,496 shares Seaboard Air Line Ry., common; \$278,000 Seaboard Air Line Ry. preferred 4 percent 1959; \$595,000 Seaboard Air Line Ry. 3 year 5 percent 1931 \$2,039,500 Seaboard Air Line Ry. consolidated 6 percent 1945; \$1,286,000 Seaboard All Florida series A 6 percent 1935; \$287,000 Seaboard All Florida series B 6 percent 1935; \$15,000 Jacksonville Gainsville 6 percent 1951; Warrants to purchase 14,530 shares Seaboard Air Line Ry. Co. common (valuation \$5,005,000). Assignment of syndicate agreements totaling \$10,085,000 of which \$4,034,000 has been paid in cash leaving the unpaid balance \$6,051,000. Seaboard Air Line Railway—purchase syndicate participants.			
Dillon Read & Co.....	\$2,500,000		
Coverdale and Colpitts.....	500,000		
Southwestern Investors, Inc.....	800,000		
Rogers Caldwell.....	500,000		
Hillman Investment Co.....	100,000		
John Nickerson & Co.....	100,000		
I. B. Tigrett, Esq.....	100,000		
American National Co.....	900,000		
Gen. W. W. Atterbury.....	100,000		
Frank M. Swacker.....	100,000		
Cotton & Franklin, special no. 2.....	100,000		
V. Everit Macy.....	250,000		
Robert C. Ream.....	100,000		
Leonard A. Yerkes.....	100,000		
United States & Foreign Securities Corporation.....	500,000		
B. M. May, Esq.....	50,000		
Clarence H. Mackay.....	100,000		
Marcus L. Bell.....	25,000		
Arthur J. Rosenthal & Co.....	50,000		
George F. Brownell.....	10,000		
L. H. Windholz.....	50,000		
Charles D. Barney & Co.....	500,000		
Robt. C. Lassiter.....	500,000		
American International Corporation.....	100,000		
E. Naumburg & Co.....	100,000		
Chase Securities Corporation.....	1,000,000		
Paul V. Shields.....	100,000		
Equitable Trust Co. of New York.....	500,000		
E. A. Yates.....	250,000		
<b>Total.....</b>	<b>10,085,000</b>		
<b>MEETING OF OCT. 1, 1930</b>			
William H. English, John J. Raskob, syndicate managers (participation certificate of Bankers Trust Co.)	31,257.00	6 percent.....	Demand.
Present amount of loan \$412,706.03. Secured by: 2,306 County Trust Co., New York (valuation \$518,800). Signed syndicate agreement and assignment thereof. Liability of members of syndicate is the same as previously reported. (NOTE.—We also have a loan to William H. English, John J. Raskob, syndicate managers no. 2 account in the sum of \$208,196 as previously reported.)			

<sup>4</sup> Bank of New York & Trust Co. have a participation of \$800,000 in the loans.

	Amount	Rate	Maturity																								
<b>MEETING OF NOV. 5, 1930</b>																											
<b>William H. English, John J. Raskob, syndicate managers (participation certificate of Bankers Trust Co.).</b>	\$5,830.00	6 percent.....	Demand.																								
<p>Present amount of loan \$469,013.03. Secured by 2,564 shares County Trust Co., New York (valuation \$482,000). Signed syndicate agreement and assignment thereof. Liability of members of syndicate is the same as previously reported.</p> <p>(NOTE.—We also have a loan to William H. English, John J. Raskob, syndicate managers no. 2 account in the sum of \$203,196 as previously reported.)</p>																											
<b>MEETING OF DEC. 3, 1930</b>																											
<b>J. H. Carpenter and L. H. Bean, syndicate managers under agreement dated May 17, 1923, as amended, relating to the Lincoln Building.</b>	1,000,000.00	5½ percent.....	May 23, 1931.																								
<p>Secured by note of Lincoln Forty-second Street Corporation \$1,000,000. Endorsed by them and by United Engineers &amp; Constructors, Inc. Signed syndicate agreements. Liability of members of syndicate is as follows:</p> <table border="0" style="width: 100%;"> <tr><td>J. H. Carpenter.....</td><td style="text-align: right;">\$225,000</td></tr> <tr><td>J. E. R. Carpenter.....</td><td style="text-align: right;">120,000</td></tr> <tr><td>Dwight P. Robinson &amp; Co., Inc.....</td><td style="text-align: right;">328,000</td></tr> <tr><td>L. H. Bean.....</td><td style="text-align: right;">15,800</td></tr> <tr><td>Dwight P. Robinson.....</td><td style="text-align: right;">50,000</td></tr> <tr><td>Chase Securities Corporation.....</td><td style="text-align: right;">50,000</td></tr> <tr><td>Murray W. Dodge.....</td><td style="text-align: right;">30,000</td></tr> <tr><td>Comrades Realty Corporation.....</td><td style="text-align: right;">79,500</td></tr> <tr><td>H. L. Clarke.....</td><td style="text-align: right;">20,000</td></tr> <tr><td>Enjay Holding Co., Inc.<sup>1</sup>.....</td><td style="text-align: right;">50,000</td></tr> <tr><td>General Farms &amp; Realty Corporation<sup>1</sup>.....</td><td style="text-align: right;">31,700</td></tr> <tr><td><b>Total.....</b></td><td style="text-align: right;"><b>1,000,000</b></td></tr> </table>				J. H. Carpenter.....	\$225,000	J. E. R. Carpenter.....	120,000	Dwight P. Robinson & Co., Inc.....	328,000	L. H. Bean.....	15,800	Dwight P. Robinson.....	50,000	Chase Securities Corporation.....	50,000	Murray W. Dodge.....	30,000	Comrades Realty Corporation.....	79,500	H. L. Clarke.....	20,000	Enjay Holding Co., Inc. <sup>1</sup> .....	50,000	General Farms & Realty Corporation <sup>1</sup> .....	31,700	<b>Total.....</b>	<b>1,000,000</b>
J. H. Carpenter.....	\$225,000																										
J. E. R. Carpenter.....	120,000																										
Dwight P. Robinson & Co., Inc.....	328,000																										
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Enjay Holding Co., Inc. <sup>1</sup> .....	50,000																										
General Farms & Realty Corporation <sup>1</sup> .....	31,700																										
<b>Total.....</b>	<b>1,000,000</b>																										
<b>MEETING OF JAN. 7, 1931</b>																											
<b>Pynchon &amp; Co., syndicate managers under General Theatres Equipment, Inc., preferred-stock syndicate dated Nov. 11, 1930.</b>	154,162.00	6 percent.....	Demand.																								
<p>Present amount of loan \$297,332.81. Secured by 25,600 shares General Theatres Equipment \$3 preferred voting-trust certificates, 34,426 shares General Theatres Equipment new common voting-trust certificates. Valuation, \$397,700. Signed syndicate agreements and assignment thereof.</p>																											
<b>Pynchon &amp; Co. as syndicate managers under General Theatres Equipment, Inc. original group preferred stock syndicate dated Nov. 28, 1930 (trading account).</b>	78,718.68	.....do.....	Do.																								
<p>Present amount of loan \$304,692.06. Secured by: 4,499 shares General Theatres Equipment, common; 3,187 shares General Theatres Equipment, Inc. \$3 convertible preferred. Valuation, \$242,500. Signed syndicate agreements and assignment thereof: West &amp; Co., Pynchon &amp; Co., W. S. Hammons.</p>																											
<b>Pynchon &amp; Co. as syndicate managers under General Theatres Equipment, Inc. preferred stock syndicate dated Nov. 11, 1930 (trading account).</b>	225,181.63	6½ percent.....	Do.																								
<p>Present amount of loan \$683,769.95. Secured by: 11,557 shares General Theatres Equipment, Inc. common; 16,074 shares General Theatres Equipment, Inc. \$3 convertible preferred. Valuation, \$627,800. Signed syndicate agreements and assignment thereof.</p> <p>The total loans to Pynchon &amp; Co. as syndicate managers of various General Theatres Equipment stock syndicates is \$10,685,901.57 and the present value of the General Theatres Equipment, common and \$3 preferred stock held as collateral is \$13,692,800.</p>																											

<sup>1</sup> Agreements not yet signed by Enjay Holding Co., Inc., and General Farms & Realty Corporation, but we hold letter of guarantee of Dwight P. Robinson & Co., Inc., stating that in event they do not sign and deliver executed copy to us, Dwight P. Robinson & Co., Inc., will pay their proportions on demand.

	Amount	Rate	Maturity
<b>MEETING OF JULY 1, 1931</b>			
Commitment was approved to loan syndicate of which E. H. Rollins & Sons, Inc., are managers, up to a total of \$12,000,000, to run not more than 60 days, one half of the loan to be secured by Jersey Central Power & Light Co. first mortgage 4½ percent bonds of 1961 and the balance to be secured by Jersey Central Power & Light Co. 5½ percent preferred stock.			
<b>MEETING OF AUG. 16, 1933</b>			
State of New York serial bonds group account the Chase National Bank of the city of New York Group account managers.	\$2,837,411.18	3 percent.....	Demand.
This loan was made July 11, 1933.			
\$2,831,000 at \$100.14313..... \$2,835,052.01			
Accrued interest July 1-11.. 2,359.17			
2,837,411.18			
Secured by \$2,831,000 State of New York 3 percent general State Improvement and elimination of grade crossing bonds, dated July 1, 1933, due serially July 1, 1934 to July 1, 1938, inclusive. Signed syndicate agreements. Present amount of loan August 12, 1933, \$1,290,916.85.			
Liability of members of group account participants:			
	<i>No. of bonds</i>		
The Chase National Bank.....	\$228,000		
Hallgarten & Co.....	97,000		
Barr Bros. & Co., Inc.....	97,000		
R. W. Pressprich & Co.....	97,000		
Salomon Bros. & Hutzler.....	97,000		
Kidder Peabody & Co.....	56,000		
Manufacturers Trust Co., New York City.....	41,000		
Marine Trust Co. of Buffalo....	41,000		
F. S. Moseley & Co.....	41,000		
N. W. Harris Co., Inc.....	41,000		
Northern Trust Co., Chicago, Ill.....	41,000		
Kean, Taylor & Co.....	32,000		
Hayden, Stone & Co.....	32,000		
Commercial National Bank & Trust Co., New York City..	24,000		
A. Iselin & Co.....	24,000		
Philadelphia National Bank, Pennsylvania.....	24,000		
Blyth & Co., Inc.....	24,000		
R. H. Moulton & Co.....	22,000		
Empire Trust Co., New York City.....	22,000		
Wallace & Co.....	22,000		
New York State National Bank, Albany, N.Y.....	22,000		
Hemphill, Noyes & Co.....	16,000		
Mercantile - Commerce Co., Inc.....	16,000		
Darby & Co.....	16,000		
J. & W. Seligman & Co.....	12,000		
Stranahan, Harris & Co., Inc..	12,000		
National Commercial Bank & Trust Co., Albany, N.Y.....	12,000		
Wells-Dickey Co.....	9,000		
Stern Bros. & Co.....	9,000		
Kalley, Richardson & Co.....	9,000		
Green, Ellis & Anderson.....	9,000		
Wells Fargo Bank & Union Trust Co., San Francisco, Calif.....	9,000		
Laurence M. Marks & Co.....	9,000		
William R. Compton Co., Inc..	5,000		
County Trust Co. of New York	5,000		
Frederick Lewisohn, Esq.....	5,000		
Lee Higginson Corporation....	5,000		
E. Lower Stokes & Co., Philadelphia, Pa.....	5,000		
<b>Total.....</b>	<b>1,238,000</b>		

	Amount	Rate	Maturity
<b>MEETING OF AUG. 16, 1933—continued</b>			
State of New York serial bonds group account the Chase National Bank of the city of New York. Group account managers.....	2,881,311.17	2½ percent..	Demand.
This loan was made July 11, 1933.			
\$2,875,000 at \$100.14313..... \$2,879,114.99			
Accrued interest, July 1-11, 1933..... 2,196.18			
Total..... 2,881,311.17			
Secured by: \$2,875,000 State of New York 2½ percent emergency unemployment relief bonds dated July 1, 1933, due serially July 1, 1934, to July 1, 1940, inclusive. Signed syndicate agreements. Present amount of loan August 12, 1933, \$1,291,329.59.			
Liability of members of group account participants:			
	<i>Number of bonds</i>		
The Chase National Bank.....	\$227,000		
Hallgarten & Co.....	97,000		
Barr Bros. & Co., Inc.....	97,000		
E. W. Pressprich & Co.....	97,000		
Salomon Bros. & Hutzler.....	97,000		
Kidder, Peabody & Co.....	55,000		
Manufacturers Trust Co., New York City.....	41,000		
Marine Trust Co. of Buffalo..	41,000		
F. S. Moseley & Co.....	41,000		
The N. W. Harris Co., Inc.....	41,000		
Northern Trust Co., Chicago, Ill.....	41,000		
Kean, Taylor & Co.....	31,000		
Hayden, Stone & Co.....	31,000		
Commercial National Bank & Trust Co., New York City..	24,000		
A. Iselin & Co.....	24,000		
Philadelphia National Bank, Philadelphia, Pa.....	24,000		
Blyth & Co., Inc.....	24,000		
R. H. Moulton.....	21,000		
Empire Trust Co., New York City.....	21,000		
Wallace & Co.....	21,000		
New York State National Bank, Albany, N. Y.....	21,000		
Hemphill, Noyes & Co.....	17,000		
Mercantile - Commerce Co., Inc.....	17,000		
Darby & Co.....	17,000		
J. & W. Seligman & Co.....	12,000		
Stranahan, Harris & Co., Inc.	12,000		
National Commercial Bank & Trust Co., Albany, N. Y.....	12,000		
Wells-Dickey Co.....	10,000		
Stern Bros. & Co.....	10,000		
Kelley, Richardson & Co.....	10,000		
Green, Ellis & Anderson.....	10,000		
Wells Fargo Bank & Union Trust Co., San Francisco, Calif.....	10,000		
Laurence M. Marks & Co., Inc.....	10,000		
William E. Compton Co. Inc.	5,000		
County Trust Co. of New York, New York City.....	5,000		
Frederick Lewisohn.....	5,000		
Lee, Higginson Corporation..	5,000		
E. Lober Stokes & Co.....	5,000		
Total.....	1,289,000		
<b>MEETING OF AUG 23, 1933</b>			
State of Maryland 4-percent serial bonds group account. The Chase National Bank, managers,	7,796,485.32	4 percent.....	Do.
This loan was made Aug. 15, 1933. Secured by: \$7,381,000 State of Maryland 4-percent certificates of indebtedness dated Aug. 15, 1933, due Aug. 15, 1934, to Aug 15, 1943, inclusive. Issued for emergency relief and unemployment and general construction purposes.			

	Amount	Date	Maturity
<b>MEETING OF AUG. 23, 1933—continued</b>			
State of Maryland 4-percent serial bonds group account. The Chase National Bank, managers—Continued.			
Advance:			
\$7,331,000, at 105.6291196..	\$7,796,485.32		
Present amount of loan....	2,509,747.85		
Signed syndicate agreements.			
Liability of members of group-account participants:			
<i>Number of bonds</i>			
The Chase National Bank....	\$920,000		
The City Co. of New York, Inc.	918,000		
Alexander Brown & Sons (Baltimore).....	418,000		
The First of Boston Corporation.....	700,000		
Salomon Bros. & Hutzler.....	600,000		
E. B. Smith & Co.....	600,000		
Brown Bros., Harriman & Co..	600,000		
L. F. Rothschild & Co.....	500,000		
First of Michigan Corporation.	250,000		
Eldredge & Co., Inc.....	250,000		
Mason, Hagan, Inc. (Richmond).....	250,000		
Boatmen's National Bank (St. Louis).....	250,000		
F. S. Moseley & Co.....	200,000		
Foster & Co., Inc.....	200,000		
Lee, Higginson Corporation....	150,000		
Hannahs, Ballin & Lee.....	150,000		
Starkweather & Co.....	125,000		
Wells, Dickey Co. (Minneapolis).....	125,000		
Schaumburg, Rebhann & Osborne.....	125,000		
Owen Daly & Co. (Baltimore)..	50,000		
Total.....	7,381,000		
State of Minnesota 4½ percent highway bonds group account. The Chase National Bank, managers.	\$1,305,870.75	4½ percent.....	Demand.
This loan was made on Aug. 17, 1933. Secured by \$1,212,000 State of Minnesota 4½-percent highway bonds dated Nov. 15, 1930, due May 15, 1944, to May 15, 1946. (Issued for State trunk-highway purposes.)			
Advance:			
\$1,212,000, at 106.659..	\$1,292,707.08		
Accrued interest from May 15, 1933, to Aug. 17, 1933.....	13,163.67		
Total.....	1,305,870.75		
Signed syndicate agreements.			
Liability of members of group-account participants:			
<i>Number of bonds</i>			
The Chase National Bank....	\$556,000		
Harris Trust & Savings Bank, Chicago, Ill.....	556,000		
Bank Northwest Co., Minneapolis, Minn.....	100,000		
Total.....	1,212,000		

COMMITTEE EXHIBIT No. 116, NOVEMBER 9, 1933

[Private and confidential]

## SINCLAIR CONSOLIDATED OIL CORPORATION

SYNDICATE AGREEMENT B (1,000,000 SHARES), OCTOBER 25, 1928

Agreement made and entered into as of this 25th day of October 1928, by and between Arthur W. Cutten of 209 Lake Shore Drive, Chicago, Ill. (hereinafter called the "Manager") party of the first part, and the subscribers hereto, severally (each of whom is hereinafter called the "subscribers") parties of the second part, and all of whom together constitute the syndicate;

Whereas the parties hereto desire to form a syndicate for the purpose of buying and/or selling shares of the common capital stock of the Sinclair Consolidated Oil Corporation, now listed and dealt in upon the New York Stock Exchange,

Now, therefore, in consideration of the premises and the sum of \$1 by each party to the other in hand paid, the receipt whereof is hereby acknowledged, the subscribers hereby agree with one another and with the manager as follows:

1. The subscribers hereby form a syndicate for the purpose above expressed, and each subscriber for himself and not for any other, agrees to subscribe to an interest in said syndicate represented by the number of shares set opposite his name, and authorizes the manager to purchase and/or sell for the syndicate account from time to time shares of the common capital stock of the Sinclair Consolidated Oil Corporation upon the floor of the New York Stock Exchange, provided only that the manager shall not have a net commitment at any one time for the syndicate account exceeding 1,000,000 shares of said common capital stock. All stock bought by the manager pursuant to the authority hereby given, shall be carried by him in the syndicate account or accounts which he shall open on the books of any firm or firms, members of the New York Stock Exchange, which the manager may select. Each subscriber hereto shall participate in such purchases and/or sales, and in the profits and/or losses and reasonable expenses of the syndicate, in the proportion that the number of shares subscribed for by him bears to the total of 1,000,000. The manager may call upon the subscribers or any of them, from time to time, for payment for all or any part of the stock purchased for the syndicate account, and each subscriber agrees to pay promptly the full amount of such call or calls up to the full amount of his individual liability as indicated by the interest in the syndicate subscribed for by him hereunder. Each subscriber shall, at the request of the manager, at any time or from time to time during or upon the termination of the syndicate, take up and pay for in full, at the cost thereof to the syndicate, his proportion of any stock held for the syndicate or for which it may be committed, or, at the option of the manager, shall margin to the manager's satisfaction, his proportionate part of any stock held by the syndicate, and shall meet his other syndicate obligations, if any, upon call by the manager. Stock so taken up by the participants during the life of the syndicate shall be for carrying purposes only, and shall be subject to recall by the manager at any time.

2. In case of the failure of any subscriber to make such payments as and when called, the manager may sell the rights and interests of the defaulting subscriber in and under this agreement and any stock represented thereby at public or private sale, at any time thereafter, without further advertisement or notice, and after deducting all interest or other costs and expenses, the residue shall be applied on any liability or indebtedness of such defaulting subscriber, and if there be any deficiency he shall pay and discharge the same. Any overplus shall be paid over to such defaulting subscriber. The manager may purchase on any such sale, the rights and interests of any defaulting subscriber for the benefit of the nondefaulting subscribers, and may call for and apportion any assessment to pay for the same.

3. The manager shall have the sole direction, management, and entire control of the business and transactions of the syndicate, and any stock purchased by him for the syndicate account may, in his discretion be loaned by him or by any stock exchange house carrying a syndicate account. He shall have full power to buy and/or sell said common stock upon the New York Stock Exchange for the account of the syndicate in his uncontrolled discretion, but, as above provided, he shall not have a net commitment for the syndicate account at any one time exceeding 1,000,000 shares of said stock. The manager may become a subscriber and in that event shall share in the assets, profits, losses, and expenses hereof, on the same basis as any other member. He shall have the exclusive control of the money and assets of the syndicate and may deposit the same with any firm or firms, members of the New York Stock Exchange, or in any New York bank or trust company selected by him, and use the same in the operation of the syndicate. He may deal for the syndicate account with any other group or syndicate of which he is a member and/or manager, and no contract with any such other group or syndicate shall be affected by reason of the fact that the manager is also the manager of such other group or syndicate and/or a member or participant therein.

4. The manager may borrow for the syndicate account such amounts as he may deem necessary, not to exceed the total amount due and unpaid from syndicate subscribers, and may pledge all or any portion of the stock so purchased, or this agreement and the several payments to be made hereunder by the subscribers to secure any loan or loans made for the syndicate account. He may for and on behalf of the syndicate, contract with any bank and/or trust company and/or New York Stock Exchange firm, for any loan or loans necessary to carry on the operation of the syndicate, and may himself advance or loan money to the syndicate, charging for such advances the current interest rate charged by stock exchange firms to their customers.

5. As soon as subscriptions are obtained to the syndicate aggregating 1,000,000 shares of stock, the syndicate shall become operative without further notice.

6. The syndicate shall continue for a period of 180 days from the date hereof, but the manager may, in his discretion, extend the same for a further period or periods not exceeding in the aggregate 180 days. He may in his discretion close the operation of the syndicate at any time. At the expiration of the syndicate, the manager shall prepare a statement of the syndicate operations, and after paying all the costs and expenses of the syndicate and settling all of its obligations, any money and/or stock belonging to the syndicate remaining shall be distributed pro rata among the various subscribers, after first deducting from any net profits made by the syndicate 10 percent thereof, which shall be retained by the manager at the expiration of the syndicate as his compensation for managing the syndicate. The acceptance by the subscribers of any statement rendered by the manager at the expiration of the syndicate, together with any payment in either stock or money or both, shown to be due by said statement, shall operate as a full release of the manager from any and all liability hereunder.

7. The manager shall not be liable for any error in judgment or for any mistake of law or fact nor shall he be liable, save for his own gross negligence or willful default, nor liable for any act or acts done or performed in good faith under any of the provisions of this agreement.

8. Each subscriber ratifies, assents to, and agrees to be bound by any action of the manager assumed to be taken under this agreement, and agrees to perform his undertakings herein as stated in this agreement to the full extent of the number of shares subscribed for as his participation herein, but in no event or under no circumstances shall he be called upon to pay or be liable for any amount beyond the interest in the syndicate subscribed for by him plus interest thereon. The failure of any subscriber to perform any of his undertakings hereunder shall not affect or release any other subscriber.

9. Any notice which the manager or any lender may have occasion to give to any subscriber shall be sufficient for all purposes if given in writing mailed postpaid to the address of such subscriber set opposite his signature hereto.

10. Nothing contained in this agreement or otherwise shall constitute the subscribers partners with or agents for one another or for the manager, or render them liable to contribute in any event more than the interest in the syndicate subscribed for by them, plus interest thereon.

11. In case of the resignation or incapacity to act of the manager, a successor or successors shall be appointed in writing by a majority in amount of the subscribers.

12. This agreement shall be binding upon and enure to the benefit of the heirs, executors, administrators, successors, and assigns of the parties hereto, and it may be executed in several counterparts, each of which when so executed shall be deemed to be the original, and such counterparts shall together constitute but one and the same instrument.

In witness whereof, the manager, party of the first part, and the subscribers, parties of the second part, have subscribed this agreement as of the day and year first above written.

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*Manager.*

Subscriber, Harry F. Sinclair, 45 Nassau Street, New York City, 50,000 shares.

H. F. SINCLAIR.

## COMMITTEE EXHIBIT No. 119, Nov. 9, 1933

*Sinclair Consolidated Oil Corporation stock purchase group H. F. Sinclair and subparticipants*

	Shares	Amount of liability	Distribution of profit
H. F. Sinclair.....	135,517	\$4,065,510	\$1,403,387.55
W. L. Connelly.....	333	9,990	3,448.48
R. Costello.....	333	9,990	3,448.48
Nellie Kline Crawley.....	1,000	30,000	10,355.80
Mason Day.....	3,300	99,000	34,174.14
Miss Josephine Farrell.....	2,000	60,000	20,711.60
J. F. Farrell.....	8,300	249,000	85,953.14
J. J. Larkin.....	1,600	45,000	15,583.70
J. H. Markham, Jr.....	16,700	501,000	172,941.86
H. H. Rogers.....	8,300	249,000	85,953.14
E. W. Sinclair.....	8,000	240,000	82,846.40
Mrs. H. F. Sinclair.....	5,000	150,000	51,779.00
G. T. Stanford.....	6,687	200,000	69,042.12
R. W. Ragland.....	1,000	30,000	10,355.80
P. W. Thirtle.....	2,000	60,000	20,711.60
Frank Walls.....	1,000	30,000	10,355.80
A. E. Watts.....	3,300	99,000	34,174.14
H. P. Whitney.....	50,000	1,500,000	517,790.00
Total.....	254,250	7,627,500	2,632,962.75

## COMMITTEE EXHIBIT No. 120, NOVEMBER 9, 1933

I, O. M. Gerstung, do hereby certify that I am the duly elected, qualified, and acting assistant secretary of Consolidated Oil Corporation and as such am familiar with the records and minutes of meetings of the executive committee of the board of directors of said corporation.

I further certify that the following is a true copy of an excerpt from the minutes of a regular meeting of the executive committee of said corporation (then known as "Sinclair Consolidated Oil Corporation") duly held on October 24, 1928:

"A regular meeting of the executive committee of Sinclair Consolidated Oil Corporation was held at the office of the corporation, 45 Nassau Street, New York, N.Y., on Wednesday, October 24, 1928, at 11 o'clock in the forenoon.

"There were present Messrs J. W. Carnes, Edward H. Clark, C. E. Crawley, J. Fletcher Farrell, S. L. Fuller, W. H. Isom, W. P. Phillips, J. R. Simpson, H. F. Sinclair, Elisha Walker, and A. E. Watts, constituting a quorum.

"Mr. G. T. Stanford, counsel for the corporation, and Mr. P. W. Thirtle, comptroller, were also present at the meeting.

"Mr. H. F. Sinclair, chairman, called the meeting to order and presided, and the secretary recorded the minutes.

"The minutes of the last meeting of the committee held September 26, 1928, were then presented, and on motion, duly made, seconded, and carried, it was unanimously

"Resolved, That the minutes of the last meeting of the committee held September 26, 1928, as presented to this meeting, be and the same hereby are ratified and approved.

"Mr. Walker, at the request of the chairman, stated to the meeting that Arthur W. Cutten and associates had made an offer to purchase, at a price of \$30 per share, all of the corporation's unissued authorized common stock, together with 14,481 shares of the same class of stock now held in the treasury of the corporation, a total of 1,130,000 shares, and further advised the meeting that Blair & Co., Inc., Chase Securities Corporation, and Mr. H. F. Sinclair were interested parties to the transaction.

"Thereupon, Mr. Sinclair relinquished the chair to Mr. Watts and, together with Mr. Walker, retired from the meeting while said offer was being discussed and acted upon.

"Thereupon, after giving due consideration to the matter, on motion duly made and seconded, it was unanimously

"Resolved, That this committee does hereby recommend to the board of directors of the corporation that the offer of Arthur W. Cutten and associates to purchase said 1,130,000 shares of unissued and treasury stock be accepted.

"Thereupon, Messrs. Elisha Walker and H. F. Sinclair returned to the meeting and took part in its further deliberations, Mr. Sinclair again assuming the chair."

Witness my hand and the seal of said corporation this 3d day of November 1933.

[SEAL]

(Signed) O. M. GERSTUNG,  
Assistant Secretary.

COMMITTEE EXHIBIT No. 121, NOVEMBER 9, 1933

I, O. M. Gerstung, do hereby certify that I am the duly elected, qualified, and acting assistant secretary of Consolidated Oil Corporation (the name of which on Oct. 25, 1928, was Sinclair Consolidated Oil Corporation), and as such am familiar with the records and minutes of meetings of the board of directors of said corporation.

I further certify that the following is a true copy of the minutes of the meeting of the board of directors of said corporation duly called and held on October 25, 1928:

"An adjourned meeting of the board of directors of Sinclair Consolidated Oil Corporation was held at the office of the corporation, 45 Nassau Street, New York, N.Y., on Thursday, October 25, 1928, at 11:30 o'clock in the forenoon.

"There were present Messrs. F. H. Bartlett, J. W. Carnes, Edward H. Clark, C. E. Crawley, J. Fletcher Farrell, S. L. Fuller, D. L. Hooper, E. W. Isom, W. H. Isom, J. H. Markham, Jr., W. P. Phillips, E. W. Sinclair, H. F. Sinclair, G. H. Taber, Jr., P. W. Thirtle, E. V. R. Thayer, Elisha Walker, and A. E. Watts.

"Mr. G. T. Stanford, counsel for the corporation, and Mr. Frank Callahan were also present.

"Mr. H. F. Sinclair, chairman, called the meeting to order and presided and the secretary recorded the minutes.

"The minutes of the last regular meeting of the board of directors held October 10, 1928, and of adjournments thereof held October 16, October 18, and October 23, 1928, were presented, and on motion duly made, seconded, and carried it was unanimously

"Resolved, That the minutes of the last regular meeting of the board of directors held October 10, 1928, and of adjournments thereof held October 16, 18, and 23, as presented to this meeting, be, and the same hereby are, ratified and approved.

"The minutes of the meeting of the executive committee held October 24, 1928, were then also presented, and on motion, duly made, seconded, and carried, Messrs. H. F. Sinclair, F. H. Bartlett, and Elisha Walker not voting, it was

"Resolved, That the acts of the executive committee as outlined in the minutes of the regular meeting thereof held October 24, 1928, as presented to this meeting, be, and the same hereby are, ratified and approved.

"The chairman stated that the finance committee of the corporation had been considering the sale of approximately 1,130,000 shares of the authorized common stock of the corporation remaining unissued or in the treasury of the corporation, for the purpose of procuring funds for the proper corporate purposes of the corporation. The chairman also stated that the finance committee deemed it opportune for an increasing expansion in the activities of the corporation and, in that connection, a possible increase in investments in stocks or properties which might be helpful to the corporation and its subsidiaries in their business. He stated that the committee did not have any specific recommendation to make to the board along these lines at the present moment, but that, in view of favorable market conditions, the committee felt that it would be advisable to sell the common stock above mentioned to procure funds in order that the corporation might be in a position to take advantage promptly of any opportunities along these lines and that such action had been recommended by the executive committee. The chairman further stated that, if opportunities did not present themselves for investments in stocks or properties, the corporation could use all or any part of the money realized from the sale of said shares of common stock very profitably within a comparatively short period of time to pay off at maturity and retire a part of the funded debt bearing high interest rates.

"The chairman stated that 125,000 shares of common stock of the corporation had been redelivered to the corporation by reason of the rescission of the contract between the corporation and Mr. Harry F. Sinclair, the counsel advised that the certificates for these shares would be canceled and that such shares would then automatically revert to the status of authorized but unissued shares, making the total of authorized but unissued shares (excluding fractions) 1,115,519 shares. He stated further that of the shares of common stock of the corporation which it had purchased for the purpose of providing stock for sale to employees 14,488 shares were now in the treasury of the corporation and available for sale, making the total of authorized full shares available for sale 1,130,007 shares.

"The chairman stated that Mr. Arthur W. Cutten had been negotiating with the finance committee of the corporation for the purchase by him of 1,130,000 of such shares on the terms and conditions set forth in a form of agreement between Mr. Cutten and the corporation, a copy of which was thereupon submitted and read to the meeting.

"Mr. Elisha Walker thereupon stated that, as president of Blair & Co., Inc., he was familiar with the proposal; that Mr. Cutten had invited his corporation to take a participation in such purchase, which Blair & Co., Inc., intended to take. Mr. Walker stated that it seemed to him a favorable time for the corporation to dispose of the shares and that the terms and conditions seemed reasonable, but that in view of the interest of his corporation he did not wish to vote on the transaction, and he thereupon asked to be excused and withdrew from the meeting and the room.

"Mr. Harry F. Sinclair stated that he also had been invited by Mr. Cutten to take a participation in the purchase of such shares, and he also asked to be excused and withdrew from the meeting and the room.

"Mr. F. H. Bartlett stated that he might be associated with Mr. Cutten in the purchase of such shares and asked to be excused from the meeting, and withdrew from the room.

"Mr. Frank Callahan stated that Chase Securities Corporation would be interested in the transaction, and also withdrew from the room.

"The members of the board of directors remaining at the meeting, constituting a quorum, with Mr. A. E. Watts acting as chairman, proceeded to a discussion of the proposed sale of 1,130,000 shares of the common stock of the corporation.

"During such discussion Mr. Edward H. Clark, because of a previous appointment, asked to be excused from the meeting, and before leaving the room stated that he was familiar with the negotiations pertaining to the sale of 1,130,000 shares of the common stock of the corporation to Mr. Arthur W. Cutten to be acted upon and requested that his vote be recorded in favor of the same.

"Thereupon, on motion duly made, seconded, and carried, the following preambles and resolution were unanimously adopted:

"Whereas on May 11, 1927, the treasurer of the corporation was authorized to purchase shares of the corporation's common stock sufficient in his judgment to cover subscription by employees pursuant to the plan adopted February 10, 1926; and

"Whereas there was purchased and is now in the treasury of the corporation 14,488 shares of said common stock over and above that subscribed for by said employees, pursuant to said plan: Now, therefore, be it

*Resolved*, That said 14,488 shares of the common stock of this corporation be held in the treasury of the corporation for disposition from time to time as the board of directors may determine.

"On motion duly made, seconded, and carried, the following preambles and resolutions were unanimously adopted:

"Whereas certificates representing 125,000 shares of the common stock, without nominal or par value, of this corporation have been returned to the corporation;

"Whereas it has been ascertained that the consideration for the issue of said stock has failed: Now, therefore, be it

*Resolved*, That said certificates for 125,000 shares of the common stock without nominal or par value, of this corporation so returned and now held by the corporation be canceled and that the proper officers of the corporation and/or the Central Union Trust Co., transfer agent, and the Chase National Bank of the city of New York, registrar, be and they are hereby authorized and directed to cancel as outstanding common stock of this corporation said

certificates representing 125,000 shares of said common stock without nominal or par value; and be it further

"Resolved, That the amount of outstanding common stock without nominal or par value of this corporation, as shown by the records of the corporation, be reduced by 125,000 shares and the capital stock liability be reduced accordingly in the proper amount.

"Thereupon, on motion duly made, seconded, and carried, it was unanimously

"Resolved, That the corporation issue 1,115,519 shares of its unissued, authorized common stock and sell same and 14,481 shares of the same class of stock now held in the treasury of the corporation, making a total of 1,130,000 shares, to Mr. Arthur W. Cutten at and for the price of \$30 per share and on the further terms and conditions set forth in said form of agreement between Mr. Cutten and this corporation submitted to this meeting; and further

"Resolved, That the form of agreement between Mr. Arthur W. Cutten and the corporation submitted to this meeting, be and it hereby is, in all respects approved and that this corporation enter into an agreement with Mr. Cutten substantially in such form and substantially upon the terms and conditions therein set forth, and that the president or a vice president of the corporation be, and he hereby is, authorized on behalf of the corporation, to sign and deliver an agreement substantially in said form and containing substantially such terms and conditions; and further

"Resolved, That contemporaneously with the issue at any time or from time to time of said 1,115,519 authorized but unissued shares in accordance with the terms of said agreement, the proper officers of the corporation be and they hereby are directed to give to the New York Stock Exchange official notice of the issuance thereof and take any and all steps and make any and all payments required to effect the listing of said shares on the New York Stock Exchange; and further

"Resolved, That the proper officers of the corporation be, and they hereby are, authorized and directed to do all other acts and things necessary and proper to carry out and perform, on behalf of the corporation, such agreement with Mr. Arthur W. Cutten.

"After the adoption of the foregoing resolutions Messrs. H. F. Sinclair, Elisha Walker, F. H. Bartlett, and Frank Callahan reentered the meeting and took part in its further deliberations."

The meeting then gave consideration to a proposal whereby this corporation, either directly or through one of its subsidiaries, might acquire a controlling interest in Venezuela Petroleum Corporation in exchange for the capital stock of Apure-Venezuela Petroleum Corporation, Zamora-Venezuela Petroleum Corporation, Eastern Zamora Oil Fields, Inc., and Cordillera Petroleum Corporation, owned by Sinclair Exploration Co., a subsidiary of this corporation, and for the indebtedness of said four corporations to Sinclair Exportation Co., the said stock and indebtedness to be transferred to Venezuela Petroleum Corporation in exchange for 1,251,000 shares of its stock, representing a controlling interest in said corporation.

"Thereupon, on motion, duly seconded, it was unanimously

"Resolved, That this board of directors does hereby recommend to the board of directors of Sinclair Exploration Co. that said proposal be accepted and that the proper officers of said Sinclair Exploration Co. be authorized and the proper officers of this corporation are hereby authorized, to conclude an agreement, substantially as set forth in the proposal as outlined by the chairman.

"On motion duly made and seconded, the meeting adjourned until Tuesday, October 30, 1928, at 11:30 o'clock in the forenoon."

Witness my hand and the seal of the corporation this \_\_\_\_\_ day of November 1933.

(Signed) O. M. GERSTUNG,  
Assistant Secretary.

[SEAL]

# STOCK EXCHANGE PRACTICES

FRIDAY, NOVEMBER 10, 1933

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

The subcommittee met at 10 a.m., pursuant to adjournment on yesterday, in the caucus room of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Gore (substitute for Barkley), Couzens, Townsend, and Goldsborough (substitute for Norbeck).

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver, David Saperstein, and David Schenker, associate counsel to the committee; and Frank J. Meehan, statistician to the committee; Eldon Bisbee, Alfred E. Mudge, Joseph B. Lynch, and C. Horace Tuttle of Rushmore, Bisbee & Stern, and also William Dean Embree and A. Donald MacKinnon, of Milbank, Tweed, Hope & Webb, counsel representing The Chase National Bank and the Chase Corporation; Martin Conboy, counsel for Albert H. Wiggin.

The CHAIRMAN. The subcommittee will please come to order.

Mr. PECORA. Is Mr. Harley Clarke here?

Mr. CLARKE. Right here.

Mr. PECORA. You will take the stand, please.

The CHAIRMAN. Just come forward, Mr. Clarke, raise 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 investigation by this committee, so help you God.

Mr. CLARKE. I do.

## TESTIMONY OF HARLEY L. CLARKE, CHICAGO, ILL.

Mr. PECORA. Mr. Clarke, will you give your full name and address to the reporter?

Mr. CLARKE. Yes, sir; Harley L. Clarke, 327 South La Salle Street, Chicago, Ill.

Mr. PECORA. What is your business or occupation?

Mr. CLARKE. I am in the public-utility business; my main business.

Mr. PECORA. In what business were you engaged in the year 1925?

Mr. CLARKE. Public-utility business, but also some other lines of business.

Mr. PECORA. Will you state what they were?

Mr. CLARKE. I was in 1925 president of the International Projector Corporation and others. If you would like to have a list of them I will look them up and give them to you.

Mr. PECORA. When was the International Projector Corporation organized?

Mr. CLARKE. It was organized on November 23, 1925, having its name changed from the Cine Machinery Corporation, which had been organized on September 17, 1925.

Mr. PECORA. Under the laws of what State?

Mr. CLARKE. Delaware.

Mr. PECORA. The Cine Machinery Corporation organized in September 1925 afterwards became the International Projector Corporation?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And were you the president of the Cine Machinery Corporation at the outset?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And did you become the president of the International Projector Corporation at the outset?

Mr. CLARKE. Yes, sir.

Mr. PECORA. What was the original capital structure of the International Projector Corporation?

Mr. CLARKE. The authorized capital consisted of \$7 dividend preferred stock of 50,000 shares and common stock of 200,000 shares. Senator COUZENS. No par value?

Mr. CLARKE. No par value.

Mr. PECORA. How much of that was actually issued?

Mr. CLARKE. 25,000 shares of the \$7 dividend preferred stock and 200,000 shares of the entire capital common stock.

Mr. PECORA. To whom was it issued?

Mr. CLARKE. It was all issued to myself.

Mr. PECORA. For what consideration?

Mr. CLARKE. For the Acme Motion Picture Projector Co., and other companies that I had had before that. But the preferred stock, of course, was not issued to me, but was sold to some bankers for some financing with which to acquire several other companies, among which were the Acme Motion Picture Projector, the Nicholas Power Co., Inc. and the Precision Machine Co., Inc.

Mr. PECORA. Which machine company?

Mr. CLARKE. Precision Machine Co.

Mr. PECORA. Are you sure that you received the entire issue of 200,000 shares of the common stock of the International Projector Corporation?

Mr. CLARKE. In the financing the bankers got 50,000 shares of the stock for and in consideration of their purchasing the preferred stock at 90, and I donated back 25,000 shares. I got 125,000 shares.

Mr. PECORA. You got 150,000 shares, out of which you donated back 25,000 shares; isn't that right?

Mr. CLARKE. Correct.

Mr. PECORA. Who were the bankers?

Mr. CLARKE. Pynchon & Co., West & Co., the Shermar Corporation, and W. S. Hammons & Co.

Mr. PECORA. You refer to Pynchon & Co. What was the business of Pynchon & Co.?

Mr. CLARKE. Investment bankers.

Mr. PECORA. Were they also stockbrokers?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Members of any stock exchanges?

Mr. CLARKE. I believe they were members of all the exchanges.

Mr. PECORA. All the principal exchanges?

Mr. CLARKE. I think so.

Mr. PECORA. Including the New York Stock Exchange?

Mr. CLARKE. I believe so.

Mr. PECORA. Had Pynchon & Co., West & Co., Shermar Corporation and Hammons done any financing for any of your corporations prior to the organization of the Cine Machinery Corporation which afterwards became the International Projector Corporation?

Mr. CLARKE. I believe they had.

Mr. PECORA. Where.

Mr. CLARKE. In the utility business.

Mr. PECORA. You say you believe they have?

Mr. CLARKE. In the utility business.

Mr. PECORA. Are you guessing at it or are you certain of it?

Mr. CLARKE. Well, it is my belief, but I do not know that that group, as a group, did any particular piece of financing, but each one of them had done financing, which is why I answered you that way.

Mr. PECORA. Will you describe the financing that was done by these bankers for the International Projector Corporation after it was organized in November 1925?

Mr. CLARKE. The financing in the beginning consisted of 2½ million of preferred stock, \$7 dividend preferred, which was sold at 90, or for \$2,250,000, together with 50,000 shares of common stock of the company. The proceeds of this sale were used to acquire the Acme Motion Picture Projector Corporation.

And may I ask you, Mr. Pecora, would you like the detail?

Mr. PECORA. What is that?

Mr. CLARKE. Would you like the detail of the amounts paid out?

Mr. PECORA. Yes.

Mr. CLARKE. For \$171,331.67.

Mr. PECORA. That is, that was paid to the Acme Motion Picture Co.?

Mr. CLARKE. Yes; paid for the property.

Senator COUZENS. That is in cash?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Before you go any further with that, to whom was that cash actually paid or who eventually received it?

Mr. CLARKE. Well, there were many stockholders of the company, and bondholders, who were paid off. I haven't the breakdown of that amount, but the large part of it was bonds.

Mr. PECORA. Did you hold any securities of the Acme company that were paid off?

Mr. CLARKE. Yes; I held some of the bonds and held some of the stock.

Mr. PECORA. To what amount?

Mr. CLARKE. I had controlling stock and I had loaned the company money—or rather I had purchased a large percentage of the bonds.

Mr. PECORA. What was the total amount which the International Projector Corporation paid to the Acme Corporation, the Acme Motion Picture Projector Co., for its assets?

Mr. CLARKE. \$171,331.67.

Mr. PECORA. What did the International Projector Corporation get for that?

Mr. CLARKE. The assets of the company, the Acme Motion Picture Projector Corporation.

Mr. PECORA. With that one hundred seventy-one thousand and odd dollars were not the bonds of the Acme Motion Picture Projector Co. retired?

Mr. CLARKE. They were; yes, sir.

Mr. PECORA. How many of those bonds did you hold and what amount did you receive for them out of this one hundred seventy-one thousand and odd dollars?

Mr. CLARKE. I don't recall, Mr. Pecora?

Mr. PECORA. The major part of it?

Mr. CLARKE. Over a hundred thousand.

Mr. PECORA. The major part of it?

Mr. CLARKE. Yes.

Mr. PECORA. What office did you hold in the Acme company at that time?

Mr. CLARKE. I was president of it.

Mr. PECORA. And principal stockholder?

Mr. CLARKE. Yes, sir.

Senator COUZENS. What did you get for your common stock? You said you controlled the company.

Mr. CLARKE. The common stock I could not tell you what I got for it, because it was turned in to the International Projector Corporation for their stock.

Senator COUZENS. It was just an exchange of stock?

Mr. CLARKE. That is right.

Mr. PECORA. When the bankers purchased the 25,000 shares of the preferred stock of the International Projector Corporation for 2¼ million dollars did they receive as a bonus any of the common stock authorized to be issued by that company?

Mr. CLARKE. The preferred stock and the common stock were sold to them in a block, and what allocation of price might have been given to it I don't know.

Senator COUZENS. You heretofore stated that you got 90 for the preferred, so that the others must have been—

Mr. CLARKE (interposing). Ninety for the preferred, and the 50,000 shares—\$2,250,000.

Mr. PECORA. Wasn't that common stock really bonus stock?

Mr. CLARKE. It was sold to them in block.

Mr. PECORA. What were the respective allocations of value apportioned between the two classes of stock?

Mr. CLARKE. I don't know what allocation they might have put on it.

Mr. PECORA. Well, now, you caused the International Corporation to be created, didn't you?

Mr. CLARKE. Yes, sir.

Mr. PECORA. You played a very active part in the negotiations involving the issuance of its preferred stock and its common stock to the bankers, did you?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Why is it you do not know what valuation was allocated to the common stock in that transaction?

Mr. CLARKE. My business was to sell the preferred stock, and if I had to, in order to sell the preferred stock, give some common stock along with it, I did so.

Mr. PECORA. That would then make the common stock a bonus, would it not?

Mr. CLARKE. I would not so interpret it, if it were sold in block. Perhaps it may be so interpreted.

Mr. PECORA. Why did you donate back to the International Projector Corporation 25,000 of the 150,000 shares of its authorized capital common stock which you received?

Mr. CLARKE. Well, for the same reason, in order to enable the company to sell its preferred stock.

Mr. PECORA. How did that enable the company to sell the preferred stock to the bankers?

Mr. CLARKE. Well, it gave the bankers a chance to make some money on the stock if it turned out to be valuable.

Mr. PECORA. Did the bankers ask for a large block of the common stock as a condition to their purchasing the 25,000 shares of the preferred stock?

Mr. CLARKE. It was a condition of the sale; yes.

Mr. PECORA. A condition of the sale that they insisted upon?

Mr. CLARKE. They must have insisted upon it or I would not have done it.

Mr. PECORA. Well, I want to get the facts, that is all.

Mr. CLARKE. Yes.

Mr. PECORA. There was available after the International company issued to you 150,000 shares of the common stock only 50,000 shares for other distribution, was there not?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And the 25,000 shares of preferred stock were purchased by the bankers for  $2\frac{1}{4}$  million dollars and the 50,000 shares of the common stock went with it, plus the 25,000 shares of the common stock which you had donated back to the International Projector Corporation?

Mr. CLARKE. That is correct, Mr. Pecora.

Mr. PECORA. So they got three shares of common for every share of preferred that they purchased—I am referring to the bankers?

Mr. CLARKE. That is correct.

Mr. PECORA. What other assets, if any, than those of the Acme Motion Picture Projector Co. were acquired by the International Projector Corporation out of the proceeds derived by it from the sale of its preferred stock to the bankers?

Mr. CLARKE. Many valuable developments in the art of manufacturing motion-picture machines and in the sound art, which had not been perfected at that time.

Mr. PECORA. Well, what were they? For instance, you have already told us that one hundred and seventy-one thousand and odd

dollars was turned over to the Acme Motion Picture Projector Co. for its outstanding bonds.

Mr. CLARKE. Right.

Mr. PECORA. Now, did the Acme Co. receive any other consideration for any other assets or property?

Mr. CLARKE. No. Stock of the company was turned in to the International Projector Corporation for its stock.

Mr. PECORA. Did the International Projector Corporation assume existing liabilities of the Acme Co.?

Mr. CLARKE. Yes, sir; to the extent of \$197,000.

Mr. PECORA. And were those liabilities paid by the International?

Mr. CLARKE. Yes, sir; out of the financing.

Mr. PECORA. Was any sum of money paid by the International Projector Corporation to the Nicholas Power Co., Inc.?

Mr. CLARKE. Yes, sir.

Mr. PECORA. How much, and for what?

Mr. CLARKE. \$690,777.78.

Mr. PECORA. What was that paid for?

Mr. CLARKE. It was paid to Mr. S. R. Burns, who acted as agent for certain of the stockholders controlling the company for the assets of it, the Nicholas Power Co.

Mr. PECORA. That is, the assets of the Nicholas Power Co.?

Mr. CLARKE. Yes, sir.

Mr. PECORA. What was the business of the Nicholas Power Co., Inc.?

Mr. CLARKE. Manufacturer of motion-picture machines.

Mr. PECORA. And was that also the business of the Acme Co.?

Mr. CLARKE. It was, although they did not make the same kind of a machine. The Acme machine was a small machine developed for the purpose of showing educational pictures in schools.

Mr. PECORA. Now, the six hundred ninety thousand and odd dollars that were paid for the assets of the Nicholas Power Co., Inc., you said were paid to a man named S. R. Burns?

Mr. CLARKE. That is correct.

Mr. PECORA. Who represented the stockholders of the Nicholas Power Co.?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Was there a large number of such stockholders?

Mr. CLARKE. I don't recall. A small number, 12 or 15.

Mr. PECORA. Were you the principal stockholder?

Mr. CLARKE. I was not.

Mr. PECORA. Were you one of them?

Mr. CLARKE. No; I was not.

Mr. PECORA. Did you have any interest whatever in the Nicholas Power Co. at the time its assets were purchased by the International for six hundred and ninety and odd thousand dollars?

Mr. CLARKE. No stock interest. I had made the company a small loan at one time. I don't recall whether it had been paid at that time or not.

Senator COUZENS. Not being a stockholder, why would you make them a loan?

Mr. CLARKE. Because they needed the money and I was anxious to accommodate them, because they were anxious to sell and it took a long time to get the corporation in shape so they could sell.

Senator COUZENS. So you were anxious to acquire it for the International; is that it?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Were you one of the organizers of the Nicholas Power Co.?

Mr. CLARKE. No, sir. It is one of the oldest concerns in the business. It started in the early part of the century.

Mr. PECORA. Did the International at that time also acquire assets of the Precision Machinery Co., Inc.?

Mr. CLARKE. Yes, sir.

Mr. PECORA. What was the nature of the business of the Precision Machine Co.

Mr. CLARKE. Precision Machine Co. manufactured motion-picture machines as well, for theaters.

Mr. PECORA. Were you interested in that company as well?

Mr. CLARKE. I was not.

Mr. PECORA. Did you have any stock interest in it of any kind?

Mr. CLARKE. I did not.

Mr. PECORA. What was paid to the Precision Machine Co. for its assets?

Mr. CLARKE. A total of \$600,000.

Mr. PECORA. And who received that \$600,000.

Mr. CLARKE. Principally Mr. James A. Stillman and Mr. Edwin H. Larkin, and the balance of the stock was acquired by them and paid for by me at an agreed price for the total of all the stock of \$600,000.

Mr. PECORA. This \$600,000 was divided in equal amounts among Mr. Stillman, Mr. Larkin, and yourself.

Mr. CLARKE. The money only passed through my hands.

Mr. PECORA. In whose behalf did you receive it?

Mr. CLARKE. For the balance of the stockholders.

Mr. PECORA. Why was it done that way?

Mr. CLARKE. Because of the difficulty of getting the stock and I did not know these people. It was acquired by Mr. Stillman's and Mr. Larkin's representatives and gotten together.

Mr. PECORA. Did you disburse that \$200,000 to the stockholders whose stock you acquired?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Or in whose benefit you acted?

Mr. CLARKE. Yes, sir.

Mr. PECORA. All of it?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Were any other assets acquired by the International Projector Corporation at the time of its creation?

Mr. CLARKE. \$225,700.65 was set aside for purchase of the Cinema Building Corporation, which was a corporation organized to acquire the factory building which had been previously leased by the Nicholas Power Co., and the deal was later consummated.

Mr. PECORA. What was the property of the Cinema Building Corporation for which \$225,700 was paid?

Mr. CLARKE. The fee and buildings at 90 and 92 Gold Street, New York.

Mr. PECORA. What was the appraised value of that property?

Mr. CLARKE. Oh, I don't recall at the time, but something around three quarters of a million. It had bonds outstanding, you see—mortgages.

Senator COUZENS. When you purchased it you assumed the bonds?

Mr. CLARKE. Yes, sir; the mortgages.

Mr. PECORA. To whom was that \$225,700 actually paid?

Mr. CLARKE. I will get you the names. [After consulting an assistant.] It was an estate, I recall that, the Healy estate.

Mr. PECORA. Were any other assets acquired by the International Projector Corporation at the time of its organization?

Mr. CLARKE. A note of the Precision Machine Co. was assumed and paid, note running to the New York Trust Co. for \$300,000, and Mr. Stillman had an account with the company. A net of \$14,710.74 was paid to him.

Mr. PECORA. Who composed the board of directors of the International Projector Corporation at the outset?

Mr. CLARKE. I haven't got a list of them. I was president of the company and one of the directors. Mr. Burns, who stayed with the company, became a director. Mr. Michel was a director, and some others, but I don't recall.

Mr. PECORA. Well, perhaps this will serve to refresh your recollection: Do you remember Mr. W. E. Green being a director?

Mr. CLARKE. Yes, sir; that is right.

Mr. PECORA. Who is he?

Mr. CLARKE. Mr. Green was the sales manager of the Precision Machine Co.

Mr. PECORA. Do you remember a Mr. B. A. Squire as a director?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Who is he?

Mr. CLARKE. He is a gentleman of Chicago who was interested in the Acme Motion Picture.

Mr. PECORA. And Mr. O. E. Koegel; was he a director?

Mr. CLARKE. He was, I believe.

Mr. PECORA. He is an attorney?

Mr. CLARKE. Mr. Cagle was an attorney working for me at the time.

Mr. PECORA. Was there a Mr. W. C. Michel?

Mr. CLARKE. That was Mr. Michel that I mentioned.

Mr. PECORA. How about Mr. G. H. Trout?

Mr. CLARKE. Yes, sir; he had been the general manager of the Acme Motion Picture Projector Corporation.

Mr. PECORA. That was another one of your corporations?

Mr. CLARKE. Yes, sir.

Mr. PECORA. How about an H. C. Platt? Do you recall him as a director?

Mr. CLARKE. I don't recall him as a director, but he was an auditor there, and no doubt was.

Mr. PECORA. An auditor?

Mr. CLARKE. Yes, sir; I think so; one of the company.

Mr. PECORA. Was not Platt an attorney, a member of the law firm of Meyer, Austrian & Platt?

Mr. CLARKE. I knew Mr. Platt, but I am very sure he was not a director.

Mr. PECORA. What is that?

Mr. CLARKE. I knew Mr. Platt you refer to——

Mr. PECORA. H. C. Platt.

Mr. CLARKE. But I am sure he was not a director of this company.

Mr. PECORA. There was an H. C. Platt a director, was there not?

Mr. CLARKE. There was a Platt, but I don't remember the initials, that worked for one of the companies as an auditor, and might have been a director; I don't know.

Mr. PECORA. Do you remember a director by the name of Harmssen?

Mr. CLARKE. Yes; a Miss Harmssen.

Mr. PECORA. Yes; Miss C. D. Harmssen?

Mr. CLARKE. Yes.

Mr. PECORA. Was she your secretary?

Mr. CLARKE. My secretary at the time; yes, sir.

Mr. PECORA. And she still is your secretary, I believe?

Mr. CLARKE. No; I haven't her as secretary now. She works for a company, but not this company.

Mr. PECORA. Now, at the time of the acquisition of these properties by the International Projector Corporation were any statements of financial condition or balance sheets submitted to the directors of the International Projector Corporation?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Are you sure of that?

Mr. CLARKE. I believe so.

Mr. PECORA. What was that answer?

Mr. CLARKE. I believe so. It would not be natural to do business without them.

Mr. PECORA. Who attended to the negotiations that led to the acquisition of those various assets of the Precision Machine Co., Inc., the Acme Motion Picture Projector Co., and the Nicholas Power Co., Inc.?

Mr. CLARKE. I did.

Mr. PECORA. You represented the International Projector Corporation in those negotiations?

Mr. CLARKE. Yes; the International Projector Corporation was caused to be formed by me.

Mr. PECORA. And you also were interested in the Acme Motion Picture Projector Co.?

Mr. CLARKE. Yes; that one company I was interested in.

Mr. PECORA. And did you have no interest whatsoever in the Nicholas Power Co., Inc.?

Mr. CLARKE. None whatever.

Mr. PECORA. Have you a copy of the formal offer that was made to the Acme Motion Picture Projector Co., or that was made to the International Projector Co. by the Acme Motion Picture Projector Co., for the sale of its assets?

Mr. CLARKE. No; I have not.

Mr. PECORA. What was that answer? I did not hear you.

Mr. CLARKE. I have not, I say. If one exists I assume it would be in the files of the company and not in my private files.

Mr. PECORA. Have you the minute book here?

Mr. CLARKE. No; I haven't the minute book here.

Mr. PECORA. Is the minute book of the company here, can anyone tell me? [A pause, without response.] Mr. Clarke, I show you what purports to be a copy of the minutes of the first meeting of the board of directors of the Cine Machinery Corporation, which was the immediate predecessor of the International Projector Corporation, held September 18, 1925, at which, according to the minutes, an offer from the Acme Motion Picture Projector Corporation was presented and acted upon. Will you please look at it, at this copy, and tell us if you recognize it as being a true and correct copy of those minutes?

Mr. CLARKE. I believe this is a correct copy. I haven't them to verify with, but I believe that is so.

Mr. PECORA. I will ask that this paper be marked as an exhibit for identification.

The CHAIRMAN. Let that be done.

(A paper entitled "Minutes of the First Meeting of the Board of Directors of the Cine Machinery Corporation", was marked "Committee Exhibit No. 122 for Identification, Nov. 10, 1933.")

Mr. PECORA. I will now read from these minutes the portion relating to the offer made to the Cine Machinery Corporation by the Acme Motion Picture Projector Co.:

The president then stated that he had received a proposed plan of reorganization from the Acme Motion Picture Projector Co., an Illinois corporation, wherein this corporation is, in pursuance of said plan of reorganization, to acquire all of the assets of said Acme Motion Picture Projector Co., subject to all of its liabilities in consideration of the distribution by this corporation in pursuance of said plan of reorganization, of 150,000 shares of the common capital stock of this corporation, without nominal or par value, to the shareholders of said Acme Motion Picture Projector Co., a party to the reorganization.

Thereupon, upon motion duly made, seconded, and unanimously carried, the following motion was adopted:

Whereas Acme Motion Picture Projector Co., an Illinois corporation, has made to this corporation the following proposal:

CHICAGO, ILL., *September 10, 1925.*

TO CINE MACHINERY CORPORATION,

(A Delaware corporation):

GENTLEMEN: The undersigned Acme Motion Picture Projector Co. hereby makes you the following offer:

"(a) To cause to be sold, conveyed, transferred, assigned, and set over by proper instruments of sale, transfer, and conveyance, of all of the assets, property, property rights, and effects of every kind and nature belonging to Acme Motion Picture Projector Co. (an Illinois corporation, hereinafter referred to as the 'Acme Co. '), or to which said Acme Co. may be or become entitled and wheresoever situated, including all contracts, licenses, agreements, leases, leasehold interest, trade rights, trade names, trade marks, patents, patent rights, business, bills and accounts receivable, cash on hand and in bank and with bankers, real estate, buildings, machinery, fixtures, merchandise manufactured and in process of manufacture, materials, supplies, books of account, records, files, securities, and the goodwill of the business of said Acme Co., and the right to use the name of Acme Motion Picture Projector Co. either alone or in conjunction with other words, and the rents, issues, and profits accruing and to accrue, of whatever kind and howsoever derived belonging to said Acme Co.

"In consideration of such sale, transfer, and conveyance your company shall issue to or upon the order of the stockholders of the Acme Co. 150,000 shares of the common capital stock of your company without nominal or par value, all full paid and nonassessable which shall constitute all of the issued and outstanding capital stock of your company; and assume, pay, and discharge all of the debts, liabilities, and obligations of the Acme Co. existing at

the date of such transfer and observe, carry out, and perform all of the terms, conditions, and obligations contained in any of the contracts, agreements, leases, licenses, and other instruments of said Acme Co. transferred to your company to the extent that such terms, conditions, and obligations are required to be observed, carried out, or performed by the Acme Co.

"This proposal when adopted by your company shall constitute an agreement between us.

"ACME MOTION PICTURE PROJECTOR Co.,  
"By GEORGE TROUT, *Vice President.*"

Then follows a recital of the adoption of a resolution by the board accepting this offer. Now, Mr. Clarke, had any of these bankers, namely, Pynchon & Co.; West & Co., of Philadelphia; W. S. Hammons & Co., of Portland, Maine; or the Shermar Corporation, previously done any financing for any corporation in which you had been interested?

Mr. CLARKE. I believe they all had. I do not know about the Shermar Corporation. But they had all done financing for corporations in which I was interested, I believe.

Mr. PECORA. You mean all but the Shermar Corporation had?

Mr. CLARKE. I do not believe that that company had, but they might have.

Mr. PECORA. With whom did you conduct the negotiations for any financing that was eventually done by the Shermar Corporation?

Mr. CLARKE. With Mr. Dodge and Mr. Wiggin.

Mr. PECORA. What Mr. Dodge do you refer to?

Mr. CLARKE. Murray W. Dodge and Mr. Albert H. Wiggin.

Mr. PECORA. Did you know that Mr. Murray W. Dodge at that time was connected with either the Chase National Bank or Chase Securities Corporation?

Mr. CLARKE. By "at that time" do you mean in 1925?

Mr. PECORA. Yes.

Mr. CLARKE. Well, I don't recall when the Chase Securities Corporation was organized.

Mr. PECORA. Oh, it was organized in 1917.

Mr. CLARKE. Yes, I did.

Mr. PECORA. Now, do you know in what proportions those four bankers or banking units that composed the banking group, participated in that group?

Mr. CLARKE. I do not.

Mr. PECORA. Did you enter into a formal written agreement with the members of this banking group for the financing?

Mr. CLARKE. I think so.

Mr. PECORA. I show you what purports to be a photostatic reproduction of such an agreement. Will you kindly look at it and tell us if it constitutes a true and correct copy of the agreement?

Mr. CLARKE. Yes, sir. I believe that is a correct copy.

Mr. PECORA. Mr. Chairman, I offer it in evidence, and ask that it may be spread on the record of the subcommittee's proceeding.

The CHAIRMAN. Let it be admitted, and the committee reporter will make it a part of the proceeding.

(The photostat entitled "International Projector Corporation" was marked "Committee Exhibit No. 123, Nov. 10, 1933", and will be found immediately below as read:)

INTERNATIONAL PROJECTOR CORPORATION,  
New York, N.Y., November 23, 1925.

PYNCHON & Co.  
THE SHEERMAE CORPORATION.  
WEST & Co.  
W. S. HAMMONS & Co.

DEAR SIRS: The following documents are annexed hereto and made a part hereof:

1. Balance sheet of the Acme Motion Picture Projection Co., an Illinois corporation, as of June 30, 1925, certified by Messrs. F. W. LaFrentz & Co., and earnings statements of said corporation for the years 1922, 1923, and 1924, and for the 9 months ended September 30, 1925, certified to by the treasurer of said company.

2. Balance sheet of the Precision Machine Co., Inc., a New York corporation, as of June 30, 1925, certified to by Messrs. F. W. LaFrentz & Co., and earnings statements of said corporation for the years 1922, 1923, and 1924, and for the 9 months ended September 30, 1925, certified to by the treasurer of said company.

3. Balance sheet of Nicholas Power Co., Inc., a Delaware corporation, as of June 30, 1925, certified to by Messrs. F. W. LaFrentz & Co., and earnings statements of said corporation for the years ended December 31, 1922, 1923, and 1924, and for the 9 months ended September 30, 1925, certified to by the treasurer of said company.

4. Balance sheet of Cinema Building Corporation, a New York corporation, as of November 15, 1925, certified to by the secretary of said company.

5. Pro forma balance sheet of International Projector Corporation as of June 30, 1925, giving effect to the acquisition of the properties of the Precision Machine Co., Inc., Nicholas Power Co., Inc., and Acme Motion Picture Projector Co.; also the entire capital stock of Cinema Building Corporation and the sale of 25,000 shares of preferred stock and 200,000 shares of common stock of International Projector Corporation, certified to by Messrs. F. W. LaFrentz & Co.

6. Combined earnings statements of Nicholas Power Co., Inc., The Precision Machine Co., Inc., and Acme Motion Picture Projector Co. for the years ended December 31, 1922, 1923, 1924, and the 9 months ended September 30, 1925, all certified to by W. C. Michel, treasurer of International Projector Corporation.

7. Printed letter from a vice president of the undersigned, International Projector Corporation, dated November 30, 1925, and addressed to Messrs. Pynchon & Co., West & Co., and W. S. Hammons & Co.

The undersigned, International Projector Corporation, represents to you that it is a corporation duly organized and existing under the laws of the State of Delaware with an authorized capital stock of 200,000 shares of common stock and 50,000 shares of preferred stock, of which 125,000 shares of its common stock are now issued and outstanding and 25,000 shares of its common stock have been issued and donated back to the undersigned, and are now held in the treasury of the company for general corporate purposes; 50,000 shares of the authorized common stock and the entire 50,000 shares of the authorized preferred stock have never been issued, and except as hereinafter set forth, this corporation has made no contracts and has given no options for the issuance of its 50,000 shares of preferred stock or for its authorized but unissued 50,000 shares of common stock, or for its 25,000 shares of common stock now held in the treasury.

On the 13th day of October 1925 the undersigned corporation acquired all of the assets of the Acme Motion Picture Co. and issued in payment therefor to the stockholders of said Acme company 150,000 fully paid and nonassessable shares of the common stock of the undersigned corporation. Subsequently 25,000 shares of said common stock of the undersigned corporation have been donated to the undersigned to be held in its treasury for general corporate purposes. The undersigned has also agreed as further consideration for said transfer to redeem and retire all of the outstanding bonds of the Acme Motion Picture Projector Co., aggregating \$162,000 par value, and has agreed to assume all of the liabilities of said Acme company.

Prior to the payment by you for the stock of the undersigned which you agree herein to purchase, the undersigned corporation will acquire all the

properties and assets, real, personal, and mixed, of Nicholas Power Co., Inc., and all of the issued and outstanding capital stock of the Cinema Building Corporation, in consideration of the agreement of this company to pay the sum of \$690,777.78 in cash and the assumption by this company of all debts and liabilities of every kind and nature of said Nicholas Power Co., Inc.

Prior to the payment by you for the stock of the undersigned which you agree herein to purchase, the undersigned corporation will acquire all of the assets of the Precision Machine Co., Inc., in consideration of the agreement by this company to assume all the liabilities of the Precision Machine Co., Inc., and of the agreement by the company to pay the Precision Machine Co., Inc., the sum of \$600,000 in cash.

The undersigned, International Projector Corporation, represents to you that the balance sheets and earnings statements described in paragraphs 1, 2, and 3 hereof and attached hereto, are true, and correctly reflect the financial condition of Acme Motion Picture Projection Co., the Precision Machine Co., Inc., and Nicholas Power Co., Inc., as of the dates thereof; that International Projector Corporation will acquire as hereinbefore stated, all of the assets of said three corporations as shown on said balance sheets, and will assume all their liabilities; that the financial condition of said corporations has continued and will continue unchanged from the date of the said balance sheets down to the date of acquisition of all of their assets by the International Projector Corporation, subject only to changes occurring in the ordinary course of business; and that none of said corporations has or will have any liabilities direct or contingent except as noted on said balance sheets except as incurred in the ordinary course of business since the date thereof.

International Projector Corporation further represents that the balance sheet of Cinema Building Corporation attached hereto correctly represents the present financial condition of said corporation and that the undersigned has acquired all of the outstanding capital stock of Cinema Building Corporation, and that Cinema Building Corporation has no contracts or options outstanding for the issuance of any further shares of its stock and that there will be no change in the financial condition of said corporation except such as may occur in the ordinary course of business.

The undersigned, International Projector Corporation, further represents to you that its pro forma balance sheet annexed hereto is true, and correctly reflects the present financial condition of the undersigned at the present date subject only to changes which have occurred or may occur in the ordinary course of business and after giving effect to the payments to be made as herein provided, and to the sale of stock to you, as herein provided.

The undersigned further represents to you that its consolidated earnings statements hereto attached and that the statements contained in the printed circular and signed by a vice president of the undersigned hereto attached are true and correct.

Neither the undersigned nor any of its subsidiaries nor any of the corporations above mentioned, whose assets have been or will be acquired by the undersigned, has any direct or contingent liabilities, except such as are noted on said balance sheets, and neither the undersigned nor any of its subsidiaries, nor any of the above-mentioned corporations, the assets of which have been or will be acquired by the undersigned, has entered into any long-term or other important contracts. No important litigation is pending to which the undersigned or any of the above-mentioned corporations is a party, or in which any of said corporation is adversely interested, except:

Pending appeal before the United States Circuit Court of Appeals for the Seventh Circuit in the three consolidated cases of *DeVry v. Acme Motion Picture Projector Co.* The argument on appeal in these cases has been made and as will appear from opinion of patent counsel hereto attached, affirmance of the decree of the lower court in favor of Acme Co. is confidently expected. The business formerly conducted by the Acme Co. and now being taken over by the undersigned, dependent upon the alleged patents involved in these cases, constitutes about 20 percent of its total business, and the total business of the Acme Co. constitutes about 15 percent of the total aggregate business of all three companies which have been acquired by the undersigned.

No important claims or demands for Federal income or excess-profits taxes, or other important claims or demands is asserted against the undersigned

or any of the above-mentioned corporations and no such claims exist, except as noted or given effect in said balance sheets.

The undersigned, to the best of its knowledge and belief, further represents to you that the motion-picture projector machines heretofore and now manufactured and sold by Nicholas Power Co., Inc., Precision Machine Co., Inc., and Acme Motion Picture Projection Co. have not infringed, and do not now infringe on any patents, and that the undersigned has or will have on the acquisition of the assets hereinbefore mentioned good right to continue the manufacture and sale of such machines without infringing upon any patents, and the undersigned represents that on the acquisition of the above assets it will own and control unconditionally the patents covering the manufacture and sale of said machines except the patent on the heat arresting screen as to which the undersigned will hold an exclusive license.

The undersigned represents to you that the Cinema Building Corporation, all of whose stock is now owned by this company, had a good marketable fee-simple title to the land and building owned by it at 90 Gold Street, New York City, subject only to a mortgage of \$475,000 and that this company has a good marketable fee-simple title to the land and building at no. 1134 West Austin Avenue, Chicago, Ill., formerly owned by the Acme Motion Picture Projector Co., subject only to a mortgage for \$162,000 which is to be paid and satisfied as hereinafter provided.

The undersigned agrees to furnish you, at its expense, the opinion of counsel, satisfactory to you as to the patent situation above mentioned and as to its title to the real estate above described.

Subject to your being satisfied as to the correctness of all representations made by the undersigned herein and to the performance by the undersigned of all agreements herein set forth to be performed by the undersigned and subject to the approval of your counsel as to all legal details pertaining to the transactions herein referred and in particular, without limiting the generality of the foregoing, the proper organization of the undersigned, the acquisition of the assets as herein set forth, the patent situation and titles to real estate, the undersigned agrees to issue, sell, and deliver to you, or to purchasers designated by you, and you agree to cause to be purchased 25,000 shares of preferred stock of the undersigned and 75,000 shares of the common stock of the undersigned (which includes 50,000 share of the common stock now authorized but unissued, and 25,000 shares of common stock now held in the treasury of the undersigned) for the sum of \$2,250,000 in cash, plus accrued dividends on the preferred stock. All of said shares are to be fully paid and nonassessable.

Delivery of the 25,000 shares of preferred stock and 25,000 shares of common stock will be made in the form of allotment certificates, in form satisfactory to your counsel, which allotment certificates will represent the 25,000 shares of preferred stock hereby sold to you and shall state that each share of preferred stock represented by said allotment certificates will carry with it one share of common stock. The allotment certificates shall specify such date as you may designate on which they may be surrendered in exchange for common stock represented thereby. Such allotment certificates will provide for the payment by the undersigned to the holders thereof of any and all dividends payable while the same are outstanding in respect of the shares of stock represented thereby. The form and terms of said allotment certificates shall in all respects be satisfactory to you and subject to the approval of your counsel, and all expenses in connection with the issue and exchange thereof will be borne by the undersigned and the undersigned will in all respects comply with your requests in the matter of the delivery of stock certificates in exchange for allotment certificates prior to the dates originally designated by you. Said allotment certificates together with stock certificates in permanent or temporary form shall be delivered at the office of Pynchon & Co., 111 Broadway, New York City on Tuesday, December 8, 1925, or on such earlier date as you may designate against payment by you therefor in New York funds to the Chase National Bank of the City of New York as hereinafter provided. The allotment certificates and the stock certificates purchased by you hereunder will be registered in such names and be in such denominations as you may designate.

The purchase price is to be paid by you to the Chase National Bank of the city of New York at its principal office, no. 57 Broadway, New York City,

on delivery of the allotment certificates and stock certificates above provided to be held by said bank and applied as follows:

1. The Chase Bank shall pay forthwith the sum of \$171,331.67 to the Continental & Commercial Trust & Savings Bank of Chicago, Ill., the trustee of the mortgage securing bonds of the Acme Motion Picture Projector Co., for the purpose of the redemption of all of the outstanding bonds of the said Acme Co.

2. The Chase Bank shall pay forthwith to or upon the order of S. R. Burns the sum of \$690,777.78 being the purchase price of the assets of Nicholas Power Co., Inc., and of all the outstanding stock of the Cinema Building Corporation.

3. The Chase Bank shall pay forthwith the sum of \$600,000 to The Precision Machine Co., Inc., being the purchase price of all of the assets of said company.

4. The Chase Bank shall pay the balance of the \$2,250,000 so paid by you to Chase Bank, to, or upon the order of the undersigned, and the undersigned shall forthwith apply the same toward the payment in liquidation of the liabilities of Acme Motion Picture Projector Co., the Precision Machine Co., Inc., and Nicholas Power Co., Inc., it being understood that the undersigned proposes to make certain payments and to liquidate certain liabilities of said respective companies which may not be shown on the balance sheets of said respective companies, in order that after making such payments, the financial condition of said International Projector Corporation will be as set forth in the pro forma balance sheet of said corporation referred to in paragraph 5 hereof.

The undersigned will supply you at its own expense with any and all information and documents required to comply with the so-called "Blue Sky" laws of any State in which you may desire to offer said stock and/or allotment certificates for sale and will from time to time, at its own expense, take all steps within its power to accomplish that end.

The undersigned will furnish you with the usual letter or letters, substantially in the form which has been submitted to and approved by you, to be attached to any circular which you may wish to use in connection with offering said stock to the public. This letter or letters will contain such information regarding the undersigned, its property and affairs, as you shall deem advisable and will be signed by a vice president of the undersigned.

The undersigned agrees to pay the reasonable fees and disbursements of your counsel in connection with this transaction.

The undersigned will not, without your consent, within 6 months from the date of this contract, make or procure any public offering of any stocks or bonds of the undersigned.

The undersigned hereby grants you preferential rights to all future financing of the undersigned.

It is agreed that this contract is and delivered in the city of New York and shall be construed in accordance with the laws of the State of New York.

The undersigned agrees that it will as soon as possible cause to be formed a new Illinois corporation to be known as Acme Motion Picture Projector Co., a new New York corporation to be known as the Precision Machine Co., Inc., and a new Delaware corporation to be known as Nicholas Power Co., Inc., the formation of such corporation being for the purpose of maintaining under the control of the undersigned those corporate names after the purchase of the assets of the present corporations set forth above, whereupon such present corporations will be dissolved.

The undersigned further represents that in acquiring the assets of Nicholas Power Co., Inc., the Precision Machine Co., Inc., and Acme Motion Picture Projector Co., it will simultaneously also acquire the entire goodwill of said corporations.

The undersigned further agrees that it will make application at its expense to list either its preferred or common stock and/or allotment certificates or any one or more of them upon such exchange or exchanges as you may designate and at such time or times as you may designate.

The undersigned further agrees that it will supply, at its expense, your counsel with all documents reasonably requested by them in connection with their examination of the organization of the undersigned and with the acquisition by the undersigned of the assets above mentioned and in connection with any application for the listing of the stocks of the undersigned or of Blue Skying

the same, that it will pay your counsel their reasonable fees and disbursements in connection therewith.

If the foregoing is in accordance with your understanding, please indicate your acceptance by signing the form of acceptance at the foot hereof.

Yours very truly,

INTERNATIONAL PROJECTOR CORPORATION,  
By H. L. CLARKE, *President*.

Agreed to:

PYNCHON & Co.,  
By W. F. INGOLD.  
THE SHERMAN CORPORATION,  
By J. F. WEBNERSEACH.  
WEST & Co.,  
By CHARLES B. WIGGIN.  
W. S. HAMMONS & Co.,  
By W. S. HAMMONS, *President*.

Mr. PECORA. Now, Mr. Clarke, the 25,000 shares of preferred stock was sold to the bankers at 90, I believe.

Mr. CLARKE. Yes, sir; along with the common.

Mr. PECORA. Was that preferred stock subsequently sold to the public, do you know?

Mr. CLARKE. Yes, sir; I think it was.

Mr. PECORA. Do you know at what price?

Mr. CLARKE. No; I do not recall.

Mr. PECORA. Did you ever see a prospectus or circular put out by the bankers offering those 25,000 shares of International Projector Corporation preferred stock to the public?

Mr. CLARKE. I believe so.

Mr. PECORA. Will you look at this instrument, which purports to be a photostatic reproduction of such a prospectus, and tell us if you can identify it as a true and correct copy thereof?

Mr. CLARKE. Yes, sir; I believe it is a correct copy.

Mr. PECORA. Mr. Chairman, I offer it in evidence, and ask that it may be spread on the proceedings.

The CHAIRMAN. Let it be admitted, and the committee reporter will make it a part of the proceedings.

(A photostatic reproduction of a prospectus entitled "25,000 Shares International Projector Corporation \$7 Dividend Preferred Stock callable at \$115 per share", was marked "Committee Exhibit No. 124, Nov. 10, 1933", and will be found on page 3210.)

Mr. PECORA. It appears therefrom that those 25,000 shares of preferred stock were offered at \$100 and accrued dividends. That is, allotment certificates calling for one share of common for each share of preferred, sold at \$100. Now, this was the same stock that the International Projector Corporation sold to the bankers for \$90 a share plus 75,000 shares of common which went with the 25,000 shares of preferred?

Mr. CLARKE. Yes, sir.

Mr. PECORA. So that after the flotation and sale to the public of those 25,000 shares at \$100, each share calling for a share of common stock to accompany each share of preferred stock, the bankers still had 50,000 shares of the capital common stock.

Mr. CLARKE. Yes, sir; unless, of course, they gave some away to the brokers to sell it, of which I do not know.

Mr. PECORA. Do you know what was subsequently done with those 50,000 shares of common stock?

Mr. CLARKE. I do not.

Mr. PECORA. Were those shares eventually listed on any public exchange?

Mr. CLARKE. Do you mean International Projector Corporation shares?

Mr. PECORA. Yes, sir.

Mr. CLARKE. Yes; I believe so.

Mr. PECORA. On the New York Curb Exchange, weren't they?

Mr. CLARKE. Yes; I believe so.

Mr. PECORA. Do you know what were the highest market quotations of the common stock originally?

Mr. CLARKE. I do not.

Mr. PECORA. How about the preferred stock?

Mr. CLARKE. The stock went very high because of the progress the company was making and the developments the company had that people seemed to know about.

Mr. PECORA. Do you know what value it reached on the exchange?

Mr. CLARKE. I do not recall, Mr. Pecora; but it went very high, up into the 60s or 70s, I believe.

Mr. PECORA. Do you recall that the common stock reached a value, or a quotation rather, of \$28 a share?

Mr. CLARKE. The common stock?

Mr. PECORA. Yes.

Mr. CLARKE. Oh, yes.

Mr. PECORA. When?

Mr. CLARKE. I do not recall.

Mr. PECORA. Do you know whether any trading accounts or syndicates were formed to deal in the stock of the International Projector Corporation?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Were you a participant in any of those trading syndicates?

Mr. CLARKE. I was.

Mr. PECORA. How many such trading accounts were formed?

Mr. CLARKE. Only one that I know of.

Mr. PECORA. Who were the participants in it?

Mr. CLARKE. Mr. Murray W. Dodge, Mr. William F. Ingold, and myself.

Mr. PECORA. Have you a copy of the agreement by which the trading account was formed?

Mr. CLARKE. I have not. The account was formed for the purpose of handling the stock and protecting the stock.

Mr. PECORA. What do you mean by "protecting the stock"?

Mr. CLARKE. Well, we wanted to market the stock, and the account was formed in I believe December of '28 originally; and it dealt in the major securities of the corporation. That is, the debentures and the preferred stock, principally the preferred stock.

Mr. PECORA. When did you say this trading account was formed? You said in December of '28. Did you mean December of 1928?

Mr. CLARKE. In December of 1928. I have a memorandum of it here—yes, December 15, 1928.

Mr. PECORA. Have you a copy of the agreement?

Mr. CLARKE. I have not.

Mr. PECORA. What were the terms and provisions as best you recall them, of the trading account?

Mr. CLARKE. I do not have it, and I do not recall. It was a 3-3 account. By that I mean equally participated in by the three members of the account.

Mr. PECORA. Who managed it?

Mr. CLARKE. Pynchon & Co. and Mr. Ingold.

Mr. PECORA. Mr. Ingold was connected with Pynchon & Co., wasn't he?

Mr. CLARKE. That is right.

Mr. PECORA. And Murray W. Dodge you say was a participant?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And you were the third participant?

Mr. CLARKE. Yes, sir.

Mr. PECORA. How many shares was this trading account formed to trade in?

Mr. CLARKE. That I do not recall.

Mr. PECORA. Haven't you any data there which would indicate it?

Mr. CLARKE. No; I haven't it. My sole records show the final result of the transactions.

Mr. PECORA. When was the stock listed on the New York Curb?

Mr. CLARKE. I do not know, but I can get it for you.

Mr. PECORA. Will you please do so.

Mr. CLARKE. You mean the International stock, I assume?

Mr. PECORA. Yes.

Mr. CLARKE. All right. [After a pause.] Is there a question pending, Mr. Pecora?

Mr. PECORA. When was the stock listed?

Mr. CLARKE. I have written down a memorandum to get that information for you.

Mr. PECORA. I thought you had the data available here.

Mr. CLARKE. No.

Mr. PECORA. Did Mr. Murray W. Dodge at the time of the formation of this trading account have any interest in the company?

Mr. CLARKE. Not that I know of.

Mr. PECORA. Was he an officer or director of the company?

Mr. CLARKE. He may have been a director. He was a director at one time, but I do not know whether he was at that time.

Mr. PECORA. Who caused the trading account to be formed?

Mr. CLARKE. I think probably I suggested it.

Mr. PECORA. Who financed its operations?

Mr. CLARKE. I did.

Mr. PECORA. Out of your own resources or from moneys you borrowed for the purpose?

Mr. CLARKE. Out of my own resources.

Mr. PECORA. How long did that account operate?

Mr. CLARKE. Until August of 1929.

Mr. PECORA. And what was the extent of its operations?

Mr. CLARKE. I do not know the extent of its operations, but my books reflect the profit that was equally divided which was had by each one.

Mr. PECORA. Haven't you any data or records that indicate the extent of the operations of this trading syndicate?

Mr. CLARKE. No. They were never turned over to me. I never saw them.

Mr. PECORA. What was the outcome of it, a profit or a loss?

Mr. CLARKE. A profit.

Mr. PECORA. Of how much?

Mr. CLARKE. A profit of \$46,648 each.

Mr. PECORA. That was net profit?

Mr. CLARKE. Yes, sir.

Mr. PECORA. You said it was as one of the purposes of the formation of this trading account to protect the market?

Mr. CLARKE. Correct.

Mr. PECORA. Will you elaborate on that and tell us just what you mean?

Mr. CLARKE. Well, I would say it was a protection, to keep people from selling their stock short and buying the stock which was bought at—

Mr. PECORA (interposing). I do not hear you.

Mr. CLARKE. I would say it was a protection to the preferred stockholders and the security holders of the corporation, to have a market for its stock, so that it could not be sold down, and the stock could be freely purchased. We bought in this stock, and later the public were protected, because by so doing we acquired enough stock to control the situation and to pay out all of the security holders. You will recall that in between a debenture issue had been put on the corporation, and the public was entirely paid out.

Mr. PECORA. Had the security holders asked to have the market protected in their behalf?

Mr. CLARKE. No; I don't know that they had. But the business of a corporation is to protect all of its security holders, isn't it?

Mr. PECORA. Do you think it is the business of a corporation to protect its security holders through the organization of trading accounts to trade in its stock in the public market?

Mr. CLARKE. Yes; I do.

Mr. PECORA. Why.

Mr. CLARKE. Well, in this case it turned out to be a good thing for the security holders, because by so doing they were all paid, all in full.

Mr. PECORA. Out of what?

Mr. CLARKE. Out of the financing that was done for the corporation.

Mr. PECORA. Out of the financing that was done for the corporation through the issuance and sale of its securities to the public?

Mr. CLARKE. Of other securities; not its securities.

Mr. PECORA. What other securities do you refer to?

Mr. CLARKE. Well, General Theatres Co. securities later.

Mr. PECORA. Well, that came later.

Mr. CLARKE. Yes, sir.

Mr. PECORA. This trading account was formed at what time?

Mr. CLARKE. In December of 1928.

Mr. PECORA. And operated until the following August?

Mr. CLARKE. That is right.

Mr. PECORA. General Theatres Co. was organized when?

Mr. CLARKE. In July of 1929.

Mr. PECORA. Well, now, when this trading account was formed in December of 1928 it was not formed with a view of protecting persons who eventually became stockholders of the General Theatres Equipment Co., was it?

Mr. CLARKE. No. I spoke of the preferred stockholders and the debenture holders.

Mr. PECORA. What debenture holders were you referring to?

Mr. CLARKE. The \$6,000,000 issue of General Theatres debentures that were put out, which I referred to, was issued in August 1929.

Mr. PECORA. That was the time this trading account ceased to operate, was it not?

Mr. CLARKE. That is correct.

Mr. PECORA. Then you did not mean to say that this trading account was formed to protect those debenture holders if the debentures were not issued until after the termination of this trading account?

Mr. CLARKE. I think I became confused in my dates. I should have confined it to the preferred stock.

Mr. PECORA. Of what company?

Mr. CLARKE. Of the International Projector Co.

Mr. PECORA. And that was the preferred stock that the bankers took at 90 with three shares of common accompanying each share of preferred, and then sold to the public at 100 with only one share of common accompanying each share of preferred, was it not?

Mr. CLARKE. That is right.

Mr. PECORA. What was the range of quotations that the common stock, as well as the preferred stock, of the International Projector Corporation had during the life of this trading account?

Mr. CLARKE. Mr. Pecora, I never looked at stock markets, paid no attention to them whatever, and I don't know.

Mr. PECORA. You were a member of this trading account designed to protect the market?

Mr. CLARKE. That is quite correct.

Mr. PECORA. And you say you never look at the stock market and do not know anything about it?

Mr. CLARKE. I do not.

Mr. PECORA. Do you ignore stock-market operations because you think they bear no relationship to the true value of a company's securities?

Mr. CLARKE. I think they reflect general trends, yes; but I have no interest in buying and selling stock, except some stock that I am interested in. I still have all the stock I ever had in these companies.

Mr. PECORA. Why did you become a member of this trading syndicate and assume any liabilities in connection with it?

Mr. CLARKE. For the reason that I stated to you.

Mr. PECORA. What is that reason?

Mr. CLARKE. We were trading in the preferred stock of the International Projector Corporation and, incidentally, acquired some stock. We might not have acquired stock; we might have lost money. We took a chance.

Mr. PECORA. That is what I am suggesting. You possibly assumed liabilities; you potentially assumed liabilities.

Mr. CLARKE. Correct.

Mr. PECORA. Why did you do that?

Mr. CLARKE. I told you I was interested in this particular market and interested in this particular stock.

Mr. PECORA. I know; but why? Why did you become a member of the trading account?

Mr. CLARKE. We bought stock, acquired stock—

Mr. PECORA. You said you acquired the stock to protect the market among other reasons.

Mr. CLARKE. Quite.

Mr. PECORA. Then you say you had no interest in stock-market values.

Mr. CLARKE. I did not say that, I don't think. I said I had no interest in the stock-market quotations. You asked me prices and I said I had no interest in them.

Mr. PECORA. Don't you know what they were?

Mr. CLARKE. No. I very seldom look at them now.

Mr. PECORA. Have you no data to show the range the stock had in public quotations during the lifetime of this syndicate?

Mr. CLARKE. No, sir; I never did have.

Mr. PECORA. Were you kept informed from time to time by the syndicate managers of its operations?

Mr. CLARKE. I had as much to do with this as anyone. It was a matter of acquiring stock and financed by me, I believe, entirely, and certain stock was acquired and a certain profit made out of the syndicate.

Mr. PECORA. When the account was closed did the syndicate have any stock on its hands?

Mr. CLARKE. It did.

Mr. PECORA. How many shares?

Mr. CLARKE. I don't know. [After referring to memoranda.] We received back out of this syndicate 1,510 shares of International Projector common and 300 shares of General Theatres common.

Mr. PECORA. At the time of the formation of this trading account there were outstanding 200,000 shares of the common stock of the International Projector Corporation, were there not?

Mr. CLARKE. That is correct.

Mr. PECORA. There actually had been issued that amount?

Mr. CLARKE. Correct.

Mr. PECORA. And you had 125,000 of those 200,000 shares, did you not?

Mr. CLARKE. Yes, sir; and I had more after that.

Mr. PECORA. I am talking about the time that the trading account was formed. You were the owner of 125,000 shares?

Mr. CLARKE. Yes.

Mr. PECORA. In other words, you were a majority stockholder.

Mr. CLARKE. Yes.

Mr. PECORA. And any protection which the market received as the result of the operations of this trading account would inure to your benefit principally, would it not?

Mr. CLARKE. Yes.

Mr. PECORA. Was that one of the reasons that prompted you to have this trading account organized and become a member of it?

Mr. CLARKE. I assume so.

Mr. PECORA. It is more than an assumption on your part, is it not? It is the actual fact?

Mr. CLARKE. I would think so.

Mr. PECORA. To your personal knowledge?

Mr. CLARKE. Yes; I would say so.

Mr. PECORA. At that time did you have in mind the organization of another and larger corporation which was designed to acquire the International Projector Corporation on an exchange of stock basis?

Mr. CLARKE. At the time the trading account was formed?

Mr. PECORA. Yes.

Mr. CLARKE. I think not.

Mr. PECORA. Did you at some time during the life of the trading account have in mind the incorporation of a larger corporation which was to acquire the International?

Mr. CLARKE. Well, in fact I had in mind a larger corporation when the business was started in 1925.

Mr. PECORA. And that larger corporation that you had in mind as early as 1925 eventually came into existence as the General Theaters Equipment Co., did it not?

Mr. CLARKE. Correct.

Mr. PECORA. The General Theatres Equipment Co. was born in August 1929 was it not?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And you were one of the organizers of it?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Were you the principal organizer of it?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Did the General Theatres Equipment Co. take over at the time of its organization the stock of the International Projector Corporation?

Mr. CLARKE. Yes, sir.

Mr. PECORA. On what basis?

Mr. CLARKE. The International stock was taken over at a basis of  $1\frac{1}{4}$  for 1 share, for 800,000 shares, and 200,000 shares on a basis of 1 share.

Mr. PECORA. I do not get that.

Mr. CLARKE. On August 1, 1929, General Theatres common was exchanged for International Projector Corporation common.

Mr. PECORA. On what basis?

Mr. CLARKE. On a basis of  $1\frac{1}{4}$  shares of the General Theatres stock for 1 share of International, for a part of the stock, and a part of it was exchanged on the basis of 1 share for 1.

Mr. PECORA. On what basis was the common stock of the International which you owned exchanged for the common stock of the General Theatres Equipment Co.?

Mr. CLARKE. On a basis of  $1\frac{1}{4}$  for 1.

Mr. PECORA. At the time of the exchange do you recall what the market price was of the International Projector Corporation's common stock?

Mr. CLARKE. I do not.

Mr. PECORA. You knew at one time, did you not?

Mr. CLARKE. I might have known at that time. I looked at values rather than at stock-market quotations.

Mr. PECORA. Do you consider that there is a clear distinction between stock-market quotations and intrinsic or actual value?

Mr. CLARKE. Oh, yes; I do.

Mr. PECORA. At the time this exchange was effected in 1929, which was higher, the stock market value or what you considered the actual or intrinsic value?

Mr. CLARKE. Not recalling the stock market value, I cannot give you a comparison.

Mr. PECORA. I did not ask for prices; I asked which of the two was the higher, without giving us the figures.

Mr. CLARKE. I think that unquestionably the value of the property was much greater than its stock market quotations. It was so considered by all of us at the time.

Mr. PECORA. When you say "it was so considered by all of us", who are the persons to whom you are referring in addition to yourself?

Mr. CLARKE. I am referring to the personnel of the corporation.

Mr. PECORA. That does not identify them by name.

Mr. CLARKE. Well, I refer to Mr. W. E. Green, Mr. W. C. Michael, and the other gentlemen.

Mr. PECORA. You are referring now to the members of the board of directors of the International, are you?

Mr. CLARKE. Yes, sir.

Mr. PECORA. They considered, and you considered, too, that the actual intrinsic value of the stock exceeded its market quotations?

Mr. CLARKE. I think it exceeded any market quotations it ever had; but I don't remember the quotations, the exact figures.

Senator GORE. You say the intrinsic value exceeded the market quotations? Was that your statement?

Mr. CLARKE. I think so, Senator.

Senator GORE. What do you take as the criterion when you decide between stock market quotations and intrinsic value?

Mr. CLARKE. Perhaps "intrinsic" is a wrong term; but earning power is what makes value.

Senator GORE. Do you mean actual or potential or prospective or all?

Mr. CLARKE. The actual and prospective.

Senator COUZENS. Why was it that some of these shares were exchanged at  $1\frac{1}{4}$  and the others at 1?

Mr. CLARKE. For the reason that we wished to have control and—

Senator COUZENS. Who wished to have control?

Mr. CLARKE. I did and my associates, and they received one and a quarter shares. All of the others could have had the same had they come in on the exchange, but they did not; and after we had control, we withdrew that offer and made the other offer.

Senator COUZENS. And that was accepted?

Mr. CLARKE. Yes, finally, by most of them. Most of them bought this stuff at little or nothing, as you can see, and they would have made a big profit out of it, anyway, had they sold it.

Mr. PECORA. How many shares of International Projector Corporation stock were exchanged for shares of the General Theatres Equipment Co. on a basis of  $1\frac{1}{4}$  shares of the latter for 1 share of the former?

Mr. CLARKE. Eight hundred thousand shares.

Mr. PECORA. And of that amount how many did you own at that time?

Mr. CLARKE. Something less than 600,000 shares.

Mr. PECORA. How many shares were exchanged on a share-for-share basis?

Mr. CLARKE. Two hundred thousand shares.

Mr. PECORA. Who owned those 200,000 shares—the public?

Mr. CLARKE. I would say so; yes.

Mr. PECORA. Why was not the public given the same ratio of exchange that you were?

Mr. CLARKE. Everyone had the same opportunity for a time.

Mr. PECORA. I am asking you why the public were not given the same ratio of exchange that you received.

Mr. CLARKE. My answer is that they were given the same opportunity.

Mr. PECORA. How was the opportunity afforded to them?

Mr. CLARKE. How was it given to them?

Mr. PECORA. Yes.

Mr. CLARKE. Well, all the stockholders were told they could exchange their shares on that basis and they did not all do it.

Senator GORE. When you got enough stock to control, then the exchange price went down, did it not?

Mr. CLARKE. Yes, sir. We withdrew the offer and made it 1 share for 1 instead of  $1\frac{1}{4}$  for 1.

Mr. PECORA. When was that done, Mr. Clarke?

Mr. CLARKE. You mean, when was the offer withdrawn?

Mr. PECORA. Yes; when was the offer originally made and when was the offer as originally made withdrawn and a new one substituted?

Mr. CLARKE. The original offer was made in August 1929 but I don't know the date; I think, about 60 or 90 days later as to the other.

Senator COUZENS. In what form was this offer made?

Mr. CLARKE. Advice to the stockholders by letter.

Senator COUZENS. By letter?

Mr. CLARKE. Yes, sir.

Mr. PECORA. When did you say it was withdrawn?

Mr. CLARKE. I have not the date.

Mr. PECORA. Can you not get it?

Mr. CLARKE. I recall it was 60 or 90 days later.

Mr. PECORA. Who caused that offer to be withdrawn and a less favorable one substituted?

Mr. CLARKE. I believe I did.

Mr. PECORA. Do you think that was fair to these other stockholders?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Why? Do you think it was fair for the general public stockholders to get share for share and you to get  $1\frac{1}{4}$  shares for 1 share?

Mr. CLARKE. Yes; I do.

Mr. PECORA. Why was it fair?

Mr. CLARKE. They had the same opportunity that I had.

Mr. PECORA. Why was not the opportunity continued?

Mr. CLARKE. Well, the company had to complete its business and go ahead. These people all made a good profit, as I say, if they sold their stock. I think they were very fairly treated.

Mr. PECORA. We are not talking about what they would have made if they had sold. I am asking you now about the exchange of International Corporation stock for the General Theatres Equipment stock.

Mr. CLARKE. You asked me if I thought they had been fairly treated, and I said yes.

Mr. PECORA. How were they fairly treated if they got one share of General Theatres Equipment stock for each share of International Projector Corporation stock that they held, whereas you, who owned a very substantial majority of the outstanding common stock of the International, got one and a quarter shares of General Theatres Equipment Co. stock for each share of International which you held?

Mr. CLARKE. I have stated to you that the reason for withdrawing the offer was because we had acquired control. We did not need this stock. They could have kept it if they wished.

Mr. PECORA. So, having acquired control and giving yourselves one and a quarter shares of General Theatres Equipment for each share of International Projector, the rest of the public was treated—

Mr. CLARKE. There is another reason I recall too.

Mr. PECORA. Give us the other reason.

Mr. CLARKE. The stock which was exchanged on the one and a quarter basis, we agreed to hold the stock and not sell it on the market, which was an advantage to the public stockholders who owned the other stock which had not been exchanged.

Mr. PECORA. What was the advantage?

Mr. CLARKE. If the stock was not on the market and could not be sold for a period of time, if they wished to sell it they would get more for it.

Mr. PECORA. Why does that follow?

Mr. CLARKE. Less stock on the market.

Mr. PECORA. Who were the stockholders who agreed to withhold their shares from the market for a period of time?

Mr. CLARKE. All those who got one and a quarter shares.

Mr. PECORA. Who were they?

Mr. CLARKE. As I say, I owned something less than 600,000 of these shares, and the balance was owned by others.

Mr. PECORA. Who were the others?

Mr. CLARKE. I don't recall.

Mr. PECORA. Were they persons that were associated with you originally in the formation of the International?

Mr. CLARKE. Many of them had been stockholders in the Acme Co., the Precision Machine Co., the Nicholas Power Co., and had been associated with me, and many of them were not associated. There is a considerable list.

Mr. PECORA. The original issue of International Projector Corporation's common stock was 200,000 shares?

Mr. CLARKE. That is correct.

Mr. PECORA. At the time of the exchange of its common stock for the common stock of the General Theatres Equipment Co. there were 1,000,000 shares outstanding of the International, were there not?

Mr. CLARKE. That is right.

Mr. PECORA. How had that increase been brought about?

Mr. CLARKE. By the increased value we had put on the stock because of the earnings of the corporation, and because of the present earnings and its potential earnings.

Mr. PECORA. Do you mean the original stock was split up?

Mr. CLARKE. It was reclassified; yes.

Mr. PECORA. On what basis?

Mr. CLARKE. A basis of 5 to 1.

Mr. PECORA. And that was done because of the earning power of the stock?

Mr. CLARKE. Correct.

Mr. PECORA. What earnings had it developed prior to that split-up?

Mr. CLARKE. It had developed earnings on a basis of values put on it at that time, which I do not recall, of about 5 percent, and it had potential earnings of 12 to 14 percent.

Mr. PECORA. We will not talk about potential earnings, because they are potential and not realized. The actual earnings, you say, were about 5 percent?

Mr. CLARKE. Correct.

Mr. PECORA. Were they not somewhat less than that?

Mr. CLARKE. Were they somewhat less?

Mr. PECORA. Yes.

Mr. CLARKE. I think not.

The CHAIRMAN. Was this equivalent to a stock dividend?

Mr. CLARKE. Equivalent to it; yes.

Mr. PECORA. What were the actual earnings of the International prior to this split-up—the earnings per share?

Mr. CLARKE. You just want it approximately?

Mr. PECORA. Yes; the earnings per share.

Mr. CLARKE. I should say, about \$10.

Mr. PECORA. Ten dollars a share?

Mr. CLARKE. Prior to the split-up you spoke of, speaking of the 200,000 shares.

Mr. PECORA. Have you the statement of earnings for the fiscal year immediately prior to the split-up of the stock?

Mr. CLARKE. No; I have not it here.

Mr. PECORA. Can you get it?

Mr. CLARKE. Yes.

Mr. PECORA. Will you please do that?

Mr. CLARKE. Yes, sir.

Senator TOWNSEND. What was the split-up, Mr. Clarke—5 to 1?

Mr. CLARKE. Yes, sir.

Mr. PECORA. How many shares did you have at the time of the split-up—how many shares of the original stock did you have?

Mr. CLARKE. I had acquired some stock from the syndicate which was added to my 125,000 shares that I had, so I had something in excess of 125,000 shares.

Mr. PECORA. Do you know how much in excess?

Mr. CLARKE. I do not, but it was a very small amount.

Mr. PECORA. When was the split-up actually made?

Mr. CLARKE. I cannot give you the exact date, but it was in the year 1929.

Mr. PECORA. Mr. Clarke, I have before me what purports to be a copy of the application made to the New York Stock Exchange to list the shares of the General Theatres Equipment, Inc., filed in 1929. Will you be good enough to look at it and tell us if you recognize it as being a true copy thereof?

Mr. CLARKE. Yes; I think it is quite correct. It is not a photo-static copy.

Mr. PECORA. No; it is a regular printed form of the New York Stock Exchange.

Mr. CLARKE. Yes.

Mr. PECORA. I offer it in evidence, but on account of its length I do not think it need be spread on the record.

The CHAIRMAN. Let it be admitted, but not spread on the record.

(The document referred to, being copy of application by the General Theatres Equipment, Inc., for listing of its shares on the New York Stock Exchange, filed in 1929, was received in evidence, marked "Committee's Exhibit No. 125, Nov. 10, 1933", and filed with the committee.)

Mr. PECORA. Let me call your attention to a statement appearing on page 23 of this listing application entitled "General Theatres Equipment, Inc., condensed consolidated statement of profit and loss for the year ended June 30, 1929", wherein it appears that the total income of the International Projector Corporation for the year ended June 30, 1929, was \$1,070,514.04 before providing for Federal income-tax payments. Those figures are correct, are they not?

Mr. CLARKE. Undoubtedly they are. Was that before or after depreciation?

Mr. PECORA. Will you see what it is yourself [handing document to the witness]? You see it right there. We are talking about income and not inventory values. That is a correct statement of the earnings, is it not?

Mr. CLARKE. I assume it is; and that would make the earnings on the original stock \$5 a share.

Mr. PECORA. And not \$10 as you said a few moments ago?

Mr. CLARKE. That is correct.

Mr. PECORA. And that is before deduction for taxes, is it not?

Mr. CLARKE. Yes, but it is after depreciation.

Mr. PECORA. That is before deduction for taxes. Why do you refer to depreciation when we are talking about income?

Mr. CLARKE. Because the income is considered after depreciation, as a rule.

Mr. PECORA. You said before that the stock was increased and split up 5 for 1 on the basis of the earnings which you said were about \$10 a share. Now it appears that the actual figures indicate that the earnings, before deduction for taxes, were at the rate of about \$5 per share.

Mr. CLARKE. On that statement that is correct.

Mr. PECORA. That statement is correct, is it not?

Mr. CLARKE. Unquestionably.

Mr. PECORA. Had you forgotten that the earnings were about five dollars a share before payment of taxes?

Mr. CLARKE. I had.

Mr. PECORA. And this income of one million seventy thousand and odd dollars was also before payment of the dividends on the preferred stock, which was at the rate of \$7, was it not?

Mr. CLARKE. Yes; I think so.

Mr. PECORA. Do you know what the actual earnings for the fiscal year ending June 30, 1929 on the common stock of the International Projector Corporation were per share?

Mr. CLARKE. No; I have not the figures. I can get them.

Mr. PECORA. Don't you know that the figure was \$3.42 a share on the original 200,000 shares of the common stock, which is arrived at by taking the income of \$1,070,000 and deducting therefrom Federal taxes and dividend requirements on the preferred stock, which amounted to about \$730,000 in the aggregate?

Mr. CLARKE. Have you the Federal tax which was taken off there Mr. Pecora?

Mr. PECORA. The Federal tax and dividend requirements on the preferred stock amounted to about \$730,000, or rather, after deducting Federal taxes and dividend requirements, the net earnings were \$730,000, or about \$3.42 per share.

Mr. CLARKE. Yes, sir.

Mr. PECORA. Did that justify the split-up of 5 to 1?

Mr. CLARKE. That alone?

Mr. PECORA. Yes.

Mr. CLARKE. I would not think so; no—not alone.

Mr. PECORA. After the split-up of 5 to 1, that left the common stock having earnings of about 73 cents a share, did it not?

Mr. CLARKE. About 74 or 75 cents a share.

Mr. PECORA. What were the earnings for the preceding fiscal year, of International Projector?

Mr. CLARKE. I do not recall without looking it up.

Mr. PECORA. Do you recall that the net earnings for the preceding fiscal year were approximately one half the net earnings for the year ending June 30, 1929?

Mr. CLARKE. That is, for the year ending June 30, 1928?

Mr. PECORA. For the immediately preceding fiscal year, yes.

Mr. CLARKE. No; I do not recall what they were.

Mr. PECORA. What would be the intrinsic value of the stock, in your opinion, on the earning basis that you apparently admit now the stock actually had? I am talking now about the stock after the split-up.

Mr. CLARKE. What would be the value of the stock?

Mr. PECORA. Yes; on the earning basis, estimated on an earning basis, at the rate of 73 cents a share.

Mr. CLARKE. On the basis of 73 cents a share, the stock would be worth \$16 or \$17 a share, but if you permit me to say so, this stock was the same stock that the people had before, only split up into more pieces.

Mr. PECORA. How do you arrive at that value of \$16 or \$17 a share on an earning basis of 73 cents a share?

Mr. CLARKE. How do I arrive at it?

Mr. PECORA. Yes.

Mr. CLARKE. The percentage of earnings.

Mr. PECORA. What percentage do you take?

Mr. CLARKE. About 5 percent.

Mr. PECORA. You mentioned a corporation called the National Theatre Supply Co. in your testimony a little while ago. When was that corporation formed?

Mr. CLARKE. The National Theatre Supply was formed in September 1926.

Mr. PECORA. Who caused it to be organized?

Mr. CLARKE. I did.

Mr. PECORA. What business was it authorized to engage in, or rather, what business did it engage in after it was organized?

Mr. CLARKE. It acquired some 50-odd stores in the United States.

Mr. PECORA. Stores?

Mr. CLARKE. Stores, yes, sir; selling motion-picture equipment, selling all kinds of supplies to motion-picture theaters.

Mr. PECORA. Was the International Projector Corporation permitted under its charter to engage in that same business?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Why did you cause a separate corporation, then, to be organized in order to take over these 50-odd stores that were engaged in selling motion-picture theater supplies?

Mr. CLARKE. For the purpose of obtaining the money to finance this purchase.

Mr. PECORA. Could it not have been obtained by the International?

Mr. CLARKE. Perhaps. I do not know. I never went into that question.

Mr. PECORA. What was the original capital set-up of the National Theatre Supply Co.?

Mr. CLARKE. Authorized and issued capital structure was as follows: There were 5-year sinking fund gold bonds due January 1, 1931, of \$1,500,000. There was \$7 dividend, preferred stock, 20,000 shares. There was common stock, no par, 500,000 shares.

Mr. PECORA. How many?

Mr. CLARKE. 500,000 shares.

Mr. PECORA. Wasn't it 600,000 shares?

Mr. CLARKE. This says 500,000. I think, Mr. Pecora, there may have been 600,000 authorized and only 500,000 issued.

Mr. PECORA. There were 600,000 shares authorized to be issued.

Mr. CLARKE. That is true.

The CHAIRMAN. Did it have any par value?

Mr. CLARKE. No par value.

Senator TOWNSEND. For neither the preferred nor the common?

Mr. CLARKE. For neither the preferred nor the common.

Mr. PECORA. What was this stock issued for? Take, for instance, first the preferred stock, the \$7 cumulative dividend preferred stock.

Senator COUZENS. Take the gold bonds first.

Mr. PECORA. Yes; \$1,500,000.

Senator COUZENS. What were they issued for?

Mr. PECORA. I will ask you first about the \$1,500,000 face value of 5-year gold bonds, as you call them. What were they issued for?

Mr. CLARKE. They were sold at 90.

Mr. PECORA. To whom?

Mr. CLARKE. Sold to West & Co., A. B. Leach & Co., W. S. Hammons & Co.

Mr. PECORA. West & Co. and Hammons & Co. were two of the group of four bankers that financed the International Projector Corporation, were they not?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Do you know at what price those notes, after being sold at 90 to this banking group, were issued to the public?

Mr. CLARKE. I do not.

Mr. PECORA. Did you have any interest in that purchasing group?

Mr. CLARKE. Not in that group, but I did purchase some of the securities.

Mr. PECORA. Did you purchase any of these 5-year notes at 90?

Mr. CLARKE. No.

Mr. PECORA. Did you purchase them at any price?

Mr. CLARKE. No.

Mr. PECORA. You said you had some of the securities. That excluded these notes?

Mr. CLARKE. Yes. The securities that I bought—I bought 5,000 shares of preferred. The bankers bought 15,000 shares, and I bought 5,000, for which I paid the same price.

Mr. PECORA. There were 40,000 shares of the preferred stock authorized to be issued, but only 20,000 were issued, isn't that so?

Mr. CLARKE. I think so. There were only 20,000 issued, anyway.

Mr. PECORA. Of that 20,000, you took 5,000?

Mr. CLARKE. That is correct.

Mr. PECORA. And the banking group took the other 15,000 shares?

Mr. CLARKE. Yes.

Mr. PECORA. Who composed that banking group?

Mr. CLARKE. The same group.

Mr. PECORA. That is, West & Co., A. B. Leach & Co., and Hammons & Co.?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Was the Shermar Corporation in that group too?

Mr. CLARKE. I do not think they were in. I have not any record here to show it.

Mr. PECORA. At what price were those 20,000 shares of the preferred stock issued to you and to the members of this banking group?

Mr. CLARKE. The bankers paid 80 for the stock, and I paid 80 for the stock.

Mr. PECORA. At 80?

Mr. CLARKE. Yes.

Mr. PECORA. Now, you say only 500,000 of the authorized 600,000 shares of common were issued at the outset?

Mr. CLARKE. That is correct.

Mr. PECORA. To whom were those 500,000 shares issued?

Mr. CLARKE. One hundred and twenty thousand shares were sold to the bankers and 380,000 shares were sold to myself.

Mr. PECORA. At what price?

Mr. CLARKE. The bankers paid 25 cents for the 120,000 shares, or \$30,000. I paid \$2.42 for the 380,000 shares, or \$921,179.

Mr. PECORA. You paid \$2.42 a share, and the bankers paid 25 cents.

Mr. CLARKE. Yes.

Mr. PECORA. Why was that difference in price made?

Mr. CLARKE. In order to do the financing.

Mr. PECORA. Why was it necessary to issue a large block at 25 cents a share, and another large block at \$2.42 a share? Why that large difference?

Mr. CLARKE. The \$2.42 was purely an arbitrary figure, in order to raise a certain amount of money in order to purchase these companies.

Mr. PECORA. How many companies were actually purchased with the proceeds derived by the National Theatre Supply Co. from the sale of its stock and other securities?

Mr. CLARKE. About 30.

Mr. PECORA. How many of them did you own or control?

Mr. CLARKE. None of them.

Mr. PECORA. You had no interest in any of them?

Mr. CLARKE. No interest in any of them.

Mr. PECORA. How about any of your associates? Were they interested in any of those 30 smaller companies?

Mr. CLARKE. I think not, to my knowledge.

The CHAIRMAN. Were these 5-year gold debentures paid?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Was an agreement or contract entered into with the members of the bankers' group at the time that the bankers' group purchased these securities of the National Theatre Supply Co.?

Mr. CLARKE. I believe so; yes, sir. I have not a copy of it.

Mr. PECORA. I show you what purports to be a photostatic copy of it. Will you kindly look at it and tell us if you recognize it as being a true and correct copy thereof? [Handing document to the witness.]

Mr. CLARKE. Yes, sir; I believe it is.

Mr. PECORA. You were a party to that agreement, were you not?

Mr. CLARKE. Yes, sir.

Mr. PECORA. I offer it in evidence, but on account of its length I do not think it is necessary to spread it in full on the record. I will make some allusions to it, as may be necessary.

The CHAIRMAN. Let it be admitted, but not entered on the record.

(The document referred to, contract in re National Theatre Supply Co., was received in evidence, marked "Committee's Exhibit No. 126, Nov. 10, 1933", and the same is not printed here for the reasons stated above.)

Mr. PECORA. You will notice from this exhibit, marked "Committee's Exhibit No. 126", that the banking group that took over these securities consisted of 4 participants, and not 3, the fourth one being the Shermar Corporation. Did you observe that when I handed you the exhibit?

Mr. CLARKE. No; I did not. I looked for the signature, and I saw it was my signature, and in order to save time I did not look it over. I will be glad to look at it if you wish.

Mr. PECORA. Yes; look at it [handing paper to the witness]. Had you forgotten the Shermar Corporation was a participant in the banking group?

Mr. CLARKE. I had forgotten all of them until I looked it up.

Mr. PECORA. Who invited the members of this banking group to enter into this financing of the National Theatre Supply Co.?

Mr. CLARKE. I did. I was trying to sell the securities.

Mr. PECORA. You did.

Mr. CLARKE. Yes, sir.

Mr. PECORA. Did you address a letter to the members of this banking group, namely, West & Co., W. S. Hammons & Co., the Shermar Corporation, and A. B. Leach & Co., Inc., under date of September 9, 1926, a photostatic copy of which I show you? [Handing paper to the witness.]

Mr. CLARKE. Yes, sir. This is a correct copy.

Mr. PECORA. I offer that in evidence.

(The document referred to, letter September 9, 1926, Clarke to West & Co. et al, was received in evidence, marked "Committee's Exhibit No. 127, Nov. 10, 1933", and the same was subsequently read into the record by Mr. Pecora.)

Mr. PECORA. The exhibit marked "Committee's Exhibit No. 127" reads as follows:

NEW YORK, N.Y., September 9, 1926.

WEST & Co.  
W. S. HAMMONS & COMPANY.  
THE SHERMAR CORPORATION.  
A. B. LEACH & Co., INC.

GENTLEMEN: In order to induce you to accept a proposal I am making you of even date herewith, for you to purchase from National Theater Supply Co., a Delaware corporation, \$1,500,000 principle amount of 5-year 6½ percent sinking fund gold notes to be dated as of September 1, 1926, and 15,000 shares of its \$7 dividend preferred stock, and 120,000 shares of its common stock, and in consideration of your acceptance of such proposal I hereby agree to pay to you or to such persons as may be designated by you on your acceptance of such proposal the sum of \$50,000 in cash.

Yours very truly,

H. L. CLARKE.

Why did you make that proposal, Mr. Clarke?

Mr. CLARKE. In order to sell the securities.

Mr. PECORA. Was it necessary for you to give them this \$30,000 in cash in order to induce them to accept your proposal?

Mr. CLARKE. I believe that was for some advertising and other expenses. I do not recall—something that came up which I agreed to pay.

Mr. PECORA. How did you come to invite the Shermar Corporation to participate in this purchasing group?

Mr. CLARKE. I invited a lot of them who did not come in.

Mr. PECORA. How did you come to invite the Shermar Corporation, is what I asked you.

Mr. CLARKE. I do not recall how I came to invite them, any more than the others.

Mr. PECORA. Did you know who owned the Shermar Corporation?

Mr. CLARKE. I knew its principal stockholder, yes.

Mr. PECORA. Who was it, according to your knowledge?

Mr. CLARKE. According to my knowledge, Mr. Wiggin.

Mr. PECORA. And he was then the executive head of the Chase National Bank, and head of the Chase Securities Corporation?

Mr. CLARKE. Yes.

Mr. PECORA. Did you attempt to have the Chase Securities Corporation enter into any of these financing plans?

Mr. CLARKE. Yes. I always presented to them anything I had to finance.

Mr. PECORA. Did you present this proposal to, or discuss it originally with the Chase Securities Corporation with a view of inviting their participation?

Mr. CLARKE. Yes, sir.

Mr. PECORA. With whom did you discuss it on behalf of the Chase Securities Corporation?

Mr. CLARKE. I probably talked to Mr. Dodge.

Mr. PECORA. Mr. Murray W. Dodge?

Mr. CLARKE. Yes; and probably talked to Mr. Freeman, and several others. I do not recall.

Mr. PECORA. Did they decline, on behalf of the Chase Securities Corporation, to go into this financing?

Mr. CLARKE. Yes; they unquestionably did, because they were not in it.

Mr. PECORA. Did any of them suggest to you that you invite the participation of the Shermar Corporation?

Mr. CLARKE. I don't recall anybody suggesting it; no.

Mr. PECORA. When did you first hear of the Shermar Corporation?

Mr. CLARKE. I don't recall that, either. I had been doing business with the Chase Bank since 1921 or 1922, I believe.

Mr. PECORA. Did you learn of the Shermar Corporation about that time, when you commenced doing business with the Chase National Bank?

Mr. CLARKE. I don't recall, Mr. Pecora, when I first heard of it.

Mr. PECORA. Do you recall from whom you first learned anything about the Shermar Corporation?

Mr. CLARKE. I do not.

Mr. PECORA. Were you referred to the Shermar Corporation as a possible participant in any of your financing, or the financing of any of your companies, by anybody connected with either the Chase Bank or the Chase Securities Corporation?

Mr. CLARKE. I may have been, but I don't recall it.

Mr. PECORA. Have you a good memory, usually, Mr. Clarke?

Mr. CLARKE. Not for great details, because I am interested in too many things to have a memory retaining details.

Mr. PECORA. Do you recall what any of the officers connected with the Chase Securities Corporation, with whom you discussed their participation in the financing, either of the International Projector Corporation or the National Theatre Supply Corporation, said to you when you invited their participation in the financing?

Mr. CLARKE. I don't believe I do; no.

Mr. PECORA. Can you recall the circumstances under which you originally came in contact with the Shermar Corporation in connection with any financing that it did for any of your companies?

Mr. CLARKE. No; I cannot.

Mr. PECORA. How did you come to go to the Chase Securities Corporation in connection with any of this financing?

Mr. CLARKE. I had been acquainted with the Chase Securities Corporation from financing done for the Utility Corporation.

Mr. PECORA. You knew of their existence?

Mr. CLARKE. Yes.

Mr. PECORA. And you knew it was equipped to undertake financing operations of the character you were interested in, did you not?

Mr. CLARKE. They did not always take the securities I tried to sell them; no.

Mr. PECORA. What is that?

Mr. CLARKE. They did not always buy the securities.

Mr. PECORA. You knew of the existence of the Chase Securities Corporation?

Mr. CLARKE. Yes, sir; certainly.

Mr. PECORA. As an investment company that possessed the facilities and resources for doing financing of the kind that your companies were interested in?

Mr. CLARKE. Yes, sir.

Mr. PECORA. How did you learn that the Shermar Corporation was a corporation in existence equipped to do similar business?

Mr. CLARKE. Probably in the same manner that I learned of the Chase Securities Corporation, A. B. Leach, Paine, Webber, and other people.

Mr. PECORA. Had you heard of the Shermar Corporation generally before you had your first business deal with it?

Mr. CLARKE. I really don't know how to answer you, Mr. Pecora. I would be glad to answer you, but I don't recall when I first heard of them. It was not a corporation that was generally as well advertised as many others, of course.

Mr. PECORA. Was it advertised at all, generally?

Mr. CLARKE. I think most people knew about it; yes. Most people knew that there was such a corporation, I suppose.

Mr. PECORA. Most people knew it?

Mr. CLARKE. I do not say most people—most people who had financing to do.

Mr. PECORA. Are you able to recall how you first heard of it?

Mr. CLARKE. No; if I could I would tell you.

The CHAIRMAN. The committee will now be in recess until 2 o'clock. (Whereupon, at 12:20 p.m., Friday, Nov. 10, 1933, a recess was taken until 2 p.m. of the same day.)

#### AFTER RECESS

The subcommittee resumed at 2 p.m., on the expiration of the recess.

The CHAIRMAN. The subcommittee will resume. Mr. Pecora, you may proceed.

#### TESTIMONY OF HARLEY L. CLARKE, CHICAGO, ILL.—Resumed

Mr. PECORA. Mr. Clarke, have you the form or the terms of the offer which was made to the general body of the stockholders of the International Projector Corporation for the exchange of their stock for stock of the General Theatres Equipment Co.?

Mr. CLARKE. No; I have not.

Mr. PECORA. Mr. Clarke, referring to the stock of the International Projector Corporation after it was split up 5 for 1 and the original issue of 200,000 shares thereby increased to 1,000,000 shares. It was testified to by you during the forenoon session that for the fiscal year ending June 30, 1929, that stock, split-up stock, had earned approximately 73 cents a share during the preceding fiscal year. At what valuation was that stock taken over by the General Theatres Equipment Co. when its stock was exchanged for the stock of the International Projector Corporation?

Mr. CLARKE. The value placed on that stock as a nominal value or a book value was \$28,488,600.

Mr. PECORA. Well, that would give the value of around \$28.50 per share, would it not?

Mr. CLARKE. Yes, sir.

Mr. PECORA. Was that its market value at that time?

Mr. CLARKE. I do not know.

Mr. PECORA. On what date was that exchange effected?

Mr. CLARKE. About the first of August.

Mr. PECORA. 1929?

Mr. CLARKE. 1929.

Mr. PECORA. And the International Projector Corporation was incorporated in 1925?

Mr. CLARKE. Correct.

Mr. PECORA. It had issued at that time securities for a total consideration of  $2\frac{1}{4}$  million dollars, that is, the preferred stock, had it not?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And the common stock was issued 150,000 shares to you in return for assets of subsidiary corporations or other corporations which you had previously organized and sold to the International Projector Corporation?

Mr. CLARKE. Yes, sir.

Mr. PECORA. How much all told had been invested in the International Projector Corporation before its stock was exchanged for the stock of the General Theatres Equipment?

Mr. CLARKE. Mr. Pecora, may I ask you: Does your question refer to only the International Projector Corporation or all the companies that went into the General Theatres at that time?

Mr. PECORA. No; I am confining myself now only to the International.

Mr. CLARKE. Well, \$2,250,000 plus the value of the assets that were turned in originally to the International Projector Corporation.

Mr. PECORA. Well, the value of those assets was  $2\frac{1}{4}$  million dollars; at least that is what was paid for them?

Mr. CLARKE. Not the equity. The equity that was turned in had a considerable value. When Acme Motion Picture Projector Co. was turned into the International Projector Corporation for certain stock, only out of the financing were its bonds paid. The equity remained.

Mr. PECORA. What was the value of all the property that was acquired by the International Projector Corporation?

Mr. CLARKE. At the time it acquired it?

Mr. PECORA. Yes.

Mr. CLARKE. I would say roughly six or seven million dollars.

Mr. PECORA. Six or seven million dollars?

Mr. CLARKE. Yes.

Mr. PECORA. And as a matter of fact what was the book value of its capital stock at the time of the exchange with the General Theatres Equipment? I am referring to the common stock.

Mr. CLARKE. Yes. I haven't the book value of the common stock at that time.

Mr. PECORA. In the listing application that was filed with the New York Stock Exchange in connection with the application to list the shares of the General Theatres Equipment, Inc., at page 19 thereof the total value of its capital stock was carried as of June 30, 1929, at \$4,481,740.80, was it not?

Mr. CLARKE. If that is in the listing application.

Mr. PECORA. Yes. And its surplus is stated to be \$618,875.17, making a total capital and surplus as of June 30, 1929, \$5,100,615.97. You are familiar with those figures, are you not?

Mr. CLARKE. Well, I have not the exact figures in mind. I am familiar with them. That is right.

Mr. PECORA. Well, the figures that are contained in the listing application are correct, are they not?

Mr. CLARKE. Certainly.

Mr. PECORA. You have no reason to doubt them?

Mr. CLARKE. No; not at all.

Mr. PECORA. Of that capital stock there were 25,000 shares of preferred stock, and that had a book value of \$115 a share, a callable value of \$115 a share, did it not?

Mr. CLARKE. Yes, sir.

Mr. PECORA. And that amounted to \$2,875,000, which, deducted from \$5,100,616, leaves a balance representing the book value of the common stock of \$2,225,616? You are familiar with those figures?

Mr. CLARKE. I understood in your calculation that you deducted the call price at \$115 of the preferred stock; is that right?

Mr. PECORA. Yes.

Mr. CLARKE. Well, I assume your calculation is correct, of course.

Mr. PECORA. Yes. Well, then, that left a book value for the million shares of common stock of \$2,225,616, or at the rate of \$2.22 per share as of June 30, 1929? Is that right?

Mr. CLARKE. I assume it is correct. I have not figured it.

Mr. PECORA. Yes. Now, is that the stock that was taken over by the General Theaters Equipment in August 1929, when the exchange was effected at a valuation of \$28.50 a share?

Mr. CLARKE. No; I think not. Because, included in that—let me see—yes; that was the stock.

Mr. PECORA. Yes?

Mr. CLARKE. That is right.

Mr. PECORA. The million shares of the common stock of the International Projector Corporation which had a book value as of June 30, 1929, of \$2.22 a share, were taken over by the General Theatres Equipment Co. in August 1929 at a value of \$28.50 a share? Is that right?

Mr. CLARKE. Yes. That was the nominal value placed on it at the time.

Mr. PECORA. Was that only a nominal value placed on it?

Mr. CLARKE. Yes. The book value. The nominal value.

Mr. PECORA. The book value was the nominal value?

Mr. CLARKE. Yes.

Mr. PECORA. What was the market value?

Mr. CLARKE. I do not know.

Mr. PECORA. Why do you say it was the nominal value? Does book value indicate nominal value in your opinion?

Mr. CLARKE. Yes.

Mr. PECORA. Well, what was the actual value of that stock if its nominal value was \$2.22? What do you consider it was?

Mr. CLARKE. Well, Mr. Pecora, the stock that was exchanged was merely an exchange of stock. There was no money transaction involved in it. And its value carried through as to whatever it was previously plus whatever potential value it might have.

Mr. PECORA. When you referred to \$2.22 as being the nominal value of the stock, what do you mean by nominal value?

Mr. CLARKE. You mean \$28 a share.

Mr. PECORA. No; I mean \$2.22 a share.

Mr. CLARKE. I do not believe I did refer to it that way. I am sorry—

Mr. PECORA. Well, to what stock did you refer to its value as being merely nominal?

Mr. CLARKE. The nominal value or book value placed on the stock of the International Projector Corporation was translated into shares of the General Theatres Corporation.

Mr. PECORA. Well, that is the very stock I am inquiring about.

Mr. CLARKE. That is the same stock. Correct.

Mr. PECORA. When you say that had a nominal value or book value of \$2.22 a share what do you mean by that?

Mr. CLARKE. I think, Mr. Pecora, I did not say that. I agreed with your figures that it was about \$28 a share as put on the books—the nominal value. Now you tell me—

Mr. PECORA. No; I did not. \$28.50 a share was the price at which it was taken over by the General Theatres Equipment.

Mr. CLARKE. Correct.

Mr. PECORA. Now that stock which was taken over at \$28.50 a share actually had what you were pleased to call a book value or nominal value of \$2.22 a share as it stood on the books of the International Projector Corporation which issued the stock. Do you understand that?

Mr. CLARKE. I understand what you are saying, but, as I say, I have not figured out the value. I do not know what it stood on the books at.

Mr. PECORA. When I referred to it as book value of \$2.22 a share, that being the book value according to the figures included in the listing application for listing the stock of the General Theatres Equipment on the New York Stock Exchange, hence I assume those figures are correct.

Mr. CLARKE. I assume so, too.

Mr. PECORA. Now when you referred to them as book value you said that that was a nominal value, did you not?

Mr. CLARKE. I did not so understand it. I understood that you were speaking of the nominal value of the shares of the General Theatres which were exchanged for this stock.

Mr. PECORA. No, I was talking about the book value of the shares of the International Projector Corporation.

Mr. CLARKE. Well, I am sorry that I understood the other way.

Mr. PECORA. Now that, according to the figures contained in the listing application filed with the New York Stock Exchange on behalf of the General Theatres Equipment, had a book value of \$2.22 a share. When I questioned you about it you referred to that value as being a nominal value. What did you mean by that?

Mr. CLARKE. If I may be so bold as to explain again, I referred to the other value as the nominal value. Now the value that you are talking about, of the two dollars and odd cents, of the value on the listing application, I assume that is figured correctly. Would you mind my seeing the application?

Mr. PECORA. Sure. [Handing same to Mr. Clarke.]

The CHAIRMAN. Now you can answer that.

Mr. CLARKE. Yes. The value of the stock on the basis of the listing application on the books, figuring the preferred stock at \$115 as though it were called, leaves a book value of \$2.22.

Mr. PECORA. A share for the common stock?

Mr. CLARKE. That is correct. I understand it had a very much higher market value, but I do not know what it was.

Mr. PECORA. This morning you said you never paid attention to market value of a security because it had no true relation to the actual value.

Mr. CLARKE. That is correct.

Mr. PECORA. Do you want to change your attitude about that now?

Mr. CLARKE. No.

Mr. PECORA. You still stand by it?

Mr. CLARKE. Yes.

Mr. PECORA. All right. Now why was this common stock having a book value of \$2.22 per share taken over within a month and a half thereafter by the General Theatres Equipment Co. at \$28.50 a share?

Mr. CLARKE. Because we felt that was a fair nominal value for the stock.

Mr. PECORA. A fair nominal value for the stock?

Mr. CLARKE. Yes.

Mr. PECORA. Well, what caused it to jump inside of a month and a half's time from \$2.22 a share to \$28.50 a share?

Mr. CLARKE. Because of the developments that the International Projector had made of the motion-picture machines.

Mr. PECORA. Had that development taken place in that month and one half's time?

Mr. CLARKE. No.

Mr. PECORA. When had that development manifested itself.

Mr. CLARKE. Over a period of years. It had been perfected in the last year.

Mr. PECORA. Then why was it not reflected in the book value of the stock?

Mr. CLARKE. There was no occasion for it.

Mr. PECORA. As a matter of fact, were you still a member of any trading syndicate that was trading in the market in the common stock of the International Projector Corporation shortly prior to this exchange in August 1929 with the General Theaters Equipment?

Mr. CLARKE. Yes.

The CHAIRMAN. What was the market value or nominal value or actual value of the equipment company's stock at that time?

Mr. CLARKE. Well, the stock that Mr. Pecora is referring to was placed on the books at around \$28 a share.

Mr. PECORA. \$28.50 a share.

Mr. CLARKE. \$28.50 a share.

The CHAIRMAN. That was the stock of the equipment company, I am talking about.

Mr. CLARKE. Yes; that is right.

The CHAIRMAN. So you estimated the value of the other company's stock at the same as theirs when you made the exchange?

Mr. CLARKE. No; the value was estimated at much higher than the value of the original stock, as reflected by the books. And I think, Senator, you are talking about the General Theatres stock that was exchanged for the International stock, I suppose?

The CHAIRMAN. Yes.

Mr. PECORA. What was the value assigned to the General Theatres Equipment stock at the time of its issuance?

Mr. CLARKE. All of the stock?

Mr. PECORA. The common stock.

Mr. CLARKE. \$63,000,000, the total value.

The CHAIRMAN. How much is that per share?

Mr. CLARKE. There were 2,840,000 shares.

Mr. PECORA. What did you say?

Senator COUZENS. You said in answer to a question that there were 2,840,000 shares.

Mr. PECORA. How many shares were issued in exchange for the million shares of the common stock of the International Projector Corporation?

Mr. CLARKE. One million one hundred and ninety-nine thousand nine hundred and thirty-three.

Mr. PECORA. At \$28.50 a share?

Mr. CLARKE. That is about correct; yes.

Mr. PECORA. What is that?

Mr. CLARKE. That is correct; yes.

Mr. PECORA. Yes. That was issued for the million shares of the common stock of the International Projector Corporation which then had a book value of \$2.22 a share, was it not?

Mr. CLARKE. That is correct.

Mr. PECORA. What was the reason—

Mr. CLARKE (continuing). That is correct, figuring the call price of the preferred stock at \$115.

Mr. PECORA. Well, it is fair to figure the call price at \$115 for that preferred stock, because that was its call price, was it not?

Mr. CLARKE. I would not say so, Mr. Pecora.

Mr. PECORA. What was it? What was its call price?

Mr. CLARKE. \$115.

Mr. PECORA. Why was it not fair, then, to figure it at \$115?

Mr. CLARKE. The stock had not been called yet at that time.

Mr. PECORA. I know, but that call price at \$115 would have to be paid to the owners of the preferred stock before any of the equity stock, that is the common stock, could get a penny out of the assets of the company?

Mr. CLARKE. Yes; if you liquidated.

Mr. PECORA. Yes. So why is that not a fair basis of computation?

Mr. CLARKE. Well, we were not liquidating the company. That is the only answer that I can give you. At that time we were not calling the preferred stock.

Mr. PECORA. Well, did they not actually call that preferred stock at \$115 a share?

Mr. CLARKE. Yes; they did.

Mr. PECORA. And that is what those preferred stockholders got for it from the General Theaters Equipment?

Mr. CLARKE. Yes; that is correct.

Mr. PECORA. Then what is there unfair about that method of calculation for determining the book value of the common stock?

Mr. CLARKE. Well, I was just giving you my opinion, because it is not usually figured that way.

Mr. PECORA. Do you know any better basis for figuring than that which was actually used in retiring the preferred stock?

Mr. CLARKE. No, I do not. I think that is—

Mr. PECORA. Do you still say that that is an unfair way of computing the book value of the common stock by ascribing \$115 a share to the preferred stock?

Mr. CLARKE. Had the company been liquidated and they had sufficient money to pay the liquidating price of this stock it would have only paid \$100 a share.

Mr. PECORA. I will ask the reporter to read that answer.

(The last answer was thereupon read by the shorthand reporter as above recorded.)

Mr. PECORA. But it actually paid \$115 a share, because that was the callable price of the preferred stock?

Mr. CLARKE. It was called. Not liquidated.

Mr. PECORA. It was called. And in order to liquidate the company and pay the common-stock holders the value of their stock you would first have to deduct the price of the preferred stock at \$115 a share, would you not?

Mr. CLARKE. If you were to call the stock you would have to pay \$115 for it. If you were liquidating the company you would only have to pay \$100 for it, which is the basis of my estimate.

Mr. PECORA. What was actually paid for that preferred stock when it was paid?

Mr. CLARKE. It was called at \$115 and \$115 paid for it.

Mr. PECORA. Well then, what is the use of arguing about that, Mr. Clarke, if that was actually done? Why engage in any assumption based upon a value of \$100 a share for the preferred stock when its callable price was \$115 a share and that actually was paid?

Mr. CLARKE. I am not arguing with you about it. I simply gave you my opinion when you asked it.

Mr. PECORA. How is your opinion justified or supported by the known facts?

Mr. CLARKE. I can only answer it, and I see no point to it, because the \$15 on the small amount of stock does not amount to anything—the extra \$15 a share. There is a difference between a liquidating value and a call value.

Mr. PECORA. But the call value is what was actually paid, was it not?

Mr. CLARKE. It was later; yes.

Mr. PECORA. And the holders of the preferred stock were entitled to receive \$115 a share, were they not?

Mr. CLARKE. Yes, sir. And they got it.

Mr. PECORA. That was the callable price, was it not?

Mr. CLARKE. That is right.

Mr. PECORA. So that deducting the callable price which was actually paid of \$115 a share for the 25,000 shares of the preferred stock, making an aggregate of 2,875,000 from the book value of both preferred stock and common stock aggregating \$5,100,616, left a book value for the 1,000,000 shares of the common stock of \$2,225,616, or about \$2.22 a share?

Mr. CLARKE. That is correct.

Mr. PECORA. Now why was that taken over at \$28.50 a share by the General Theatres Equipment?

Mr. CLARKE. Because of the potential value of the stock.

Mr. PECORA. What was that potential value based on?

Mr. CLARKE. Potential earning power of the company.

Mr. PECORA. Why do you say the potential earning power of the company justified a valuation of \$28.50 a share when its actual net earnings for the preceding fiscal year were at the rate of about 73 cents a share? That is estimating the value at 40 times the actual earnings, is it not?

Mr. CLARKE. It is.

The CHAIRMAN. It was done to make it more liquid, was it not? Add liquidity to the proposition?

Mr. CLARKE. As far as I can say, Senator, it did not add or detract anything from it because it was an exchange.

Mr. PECORA. Was it made more liquid by the addition of a valuation of \$20,000,000 of that common stock over and above its book value? Is that what made it more liquid?

Mr. CLARKE. I did not say it made it more liquid.

Mr. PECORA. Well, as a matter of fact, it was, was it not?

Senator GOLDSBOROUGH. What do you mean, in figures?

Mr. PECORA. In dollars and cents. In other words, it was marked up; this common stock which had a book value of \$2,225,000 at the time it was taken over by the General Theatres Equipment Co. was marked up to \$28,500,000, or a write-up of over \$26,000,000.

Mr. CLARKE. And you asked me why, and I said because of the prospective earnings of the stock. If you care to have me explain, I will tell you why.

Mr. PECORA. I asked you to explain.

Mr. CLARKE. This company had been developing for some time a new, entirely new, motion-picture machine. It had also developed the Grandeur Pictures. This company had in its hand one contract at the time that would have given it an additional net of three and a half or four million dollars.

Mr. PECORA. That would have given it?

Mr. CLARKE. Yes. And the only reason the contract was not carried out was because of the inability of the companies to carry it out because of the depression.

Mr. PECORA. So that what would have happened, what it is assumed would happen, never did happen?

Mr. CLARKE. That is true.

Mr. PECORA. And in giving this value of \$28.50 a share to this common stock which had a book value of \$2.22 a share, all these potentialities were taken into account and described in dollars and cents?

Mr. CLARKE. A nominal value was put on it and the same stockholders got the stock. It was purely an exchange of stock. There was no money transaction.

Senator COUZENS. What was the purpose of that?

Mr. PECORA. Yes; why was that exchange effected?

Mr. CLARKE. Well, it was a new company at that time and we had to assign a value to the stock, and that value was assigned.

Mr. PECORA. The value of \$28.50 a share?

Mr. CLARKE. That is right.

Mr. PECORA. And that value was assigned by taking into account a lot of potential things, not actual realities, but things that were hoped for?

Mr. CLARKE. Much more realities many times were taken into consideration in this case.

Mr. PECORA. These potential values were something in the future, were they not, something it was hoped to realize in the future?

Mr. CLARKE. That is right.

Mr. PECORA. Yes; but for the purpose of issuing this stock to the public all those potentialities that it was hoped in the future might be realized were actually capitalized and given a present dollars and cents value of something like 20 million dollars above the book value of \$2,225,000?

Mr. CLARKE. But this stock was not given to the public; it was given to the people who owned the stock, the International Projector stock, prior to that time.

Mr. PECORA. Those people included the public?

Mr. CLARKE. That is true. But no new stock was sold.

Mr. PECORA. At what price was the common stock of the General Theatres Equipment originally issued to the public?

Mr. CLARKE. I don't recall.

Mr. PECORA. Wasn't it \$20 a share?

Mr. CLARKE. I really don't recall. It might have been 20 or 22.

Mr. PECORA. That was the price at which it was issued to the bankers, was it not?

Mr. CLARKE. Yes; \$20 a share it was issued.

Mr. PECORA. What were the officers and directors doing at this time, envisioning the pot of gold at the foot of the rainbow and assuming that they were going to reach it, reflecting that in the market value that was given to the stock?

Mr. CLARKE. I have told you what we anticipated, or at least partly what we anticipated, and it was, in my opinion, a careful and well-considered estimate of the value of the stock.

Mr. PECORA. You had something like 600,000 shares of this common stock at that time of the International Projector?

Mr. CLARKE. Yes, sir; and still have it; that is, the exchange stock.

Senator COUZENS. You never sold any of it on the market at all?

Mr. CLARKE. No, sir. Now, that is not quite true. I sold a few shares, but all the money I got through it I put back into the company. It was a very nominal amount.

Mr. PECORA. Mr. Clarke, did you ever see or discuss with Mr. Wiggin or any other gentleman a memorandum dated July 3, 1929, that appears to have been submitted to him on or about that date by Mr. Murray W. Dodge, copy of which memorandum I now show you?

Mr. CLARKE (after perusing document). I had such a discussion with Mr. Murray Dodge, and this is a private memorandum from Mr. Dodge to Mr. Wiggin, and I assume that I may have discussed some of its features with Mr. Wiggin. I don't recall any conversation.

Mr. PECORA. In order to properly put this in evidence, I ask that Mr. Dodge be sworn, and I will ask him to identify it.

The CHAIRMAN. Mr. Dodge, will you be sworn: You solemnly swear that you will tell the truth, the whole truth and nothing but the truth regarding the matters now under investigation by this committee. So help you God.

Mr. DODGE. I do.

#### TESTIMONY OF MURRAY W. DODGE, MOUNT KISCO, N.Y.

Mr. PECORA. Will you give your full name and address, Mr. Dodge?

Mr. DODGE. Murray W. Dodge, Mount Kisco, N.Y.

Mr. PECORA. In 1929 what was your business or occupation?

Mr. DODGE. Vice president of the Chase Securities Corporation.

Mr. PECORA. How long had you been connected with the Chase Securities Corporation?

Mr. DODGE. Since 1923.

Mr. PECORA. Did you first enter its employ in 1923?

Mr. DODGE. Yes.

Mr. PECORA. In what capacity?

Mr. DODGE. Vice president.

Mr. PECORA. And you continued as vice president up to and including the year 1929?

Mr. DODGE. Yes.

Mr. PECORA. Are you connected with the Chase Corporation today?

Mr. DODGE. No, sir.

Mr. PECORA. When did you terminate your connection with the Chase Securities Corporation?

Mr. DODGE. When the Chase Securities Corporation consolidated its investment business with Chase Harris Forbes.

Mr. PECORA. When was that?

Mr. DODGE. That was in 1931, July. I then became executive vice president of the Chase Harris Forbes Corporation.

Mr. PECORA. Are you an officer of that corporation today?

Mr. DODGE. No, sir.

Mr. PECORA. When did you sever your relations?

Mr. DODGE. May this year.

Mr. PECORA. Are you now connected with any of the securities affiliates of The Chase National Bank?

Mr. DODGE. No, sir.

Mr. PECORA. And have you been since May last?

Mr. DODGE. No, sir.

Mr. PECORA. Do you know a corporation called the International Projector Corporation?

Mr. DODGE. Yes, sir.

Mr. PECORA. Were you ever connected with it?

Mr. DODGE. Yes, sir.

Mr. PECORA. In what capacity?

Mr. DODGE. I was a director.

Mr. PECORA. When? When did you become a director and how long did you serve as such?

Mr. DODGE. My memory is I became a director at its inception.

Mr. PECORA. In 1925?

Mr. DODGE. Or sometime soon after its inception.

Mr. PECORA. At whose suggestion?

Mr. DODGE. The suggestion of Mr. Clarke.

Mr. PECORA. Had you had any previous business dealings with Mr. Clarke?

Mr. DODGE. Yes, sir.

Mr. PECORA. In what matters?

Mr. DODGE. We had done considerable financing for his utility companies.

Mr. PECORA. Had you had any business transactions with Mr. Clarke in matters outside of the financing of public utilities companies?

Mr. DODGE. No, sir.

Mr. PECORA. Did you have any interest as a stockholder in the International Projector Corporation?

Mr. DODGE. At what period?

Mr. PECORA. When you became a director in 1925?

Mr. DODGE. I think I did, yes.

Mr. PECORA. Did you also know a corporation called the National Theatre Supply Co.?

Mr. DODGE. Yes, sir.

Mr. PECORA. Were you an officer or director of that?

Mr. DODGE. No, sir.

Mr. PECORA. Was that affiliated with the International Projector Corporation?

Mr. DODGE. I would not say it was affiliated. It was owned by Mr. Clarke.

Mr. PECORA. Well, to that extent—

Mr. DODGE. To that extent it was affiliated.

Mr. PECORA. Mr. Clarke was the majority stockholder of the International Projector?

Mr. DODGE. Yes, sir.

Mr. PECORA. Do you recall at the time of the incorporation of the General Theatres Equipment Co. that it exchanged some of its capital stock of the International Projector Corporation?

Mr. DODGE. Yes, sir.

Mr. PECORA. Were you an officer or director of the General Theatres Equipment Co. at that time?

Mr. DODGE. At the time of its formation?

Mr. PECORA. At the time this exchange was effected.

Mr. DODGE. I was a director; yes.

Mr. PECORA. Were you an officer?

Mr. DODGE. No, sir.

Mr. PECORA. Did you have any stock interest in it?

Mr. DODGE. Yes, sir.

Mr. PECORA. In your own right?

Mr. DODGE. Yes, sir.

Mr. PECORA. I show you what purports to be a photostatic copy of a memorandum addressed to Mr. Wiggin, dated July 3, 1929, signed with the initials "M. W. D." Will you please look at it and tell us if you know it to be a true and correct copy of a memorandum submitted by you to Mr. Wiggin on or about July 3, 1929?

Mr. DODGE (after examining document). Yes, sir.

Mr. PECORA. I offer it in evidence and ask that it be spread on the record.

The CHAIRMAN. Let it be admitted and spread on the record.

(Photostat of memorandum dated July 3, 1929, from "M. W. D." to Mr. Wiggin was thereupon designated "Committee Exhibit No. 128, Nov. 10, 1933.")

Mr. PECORA. The memorandum reads as follows:

MEMORANDUM

JULY 3, 1929.

To Mr. Wiggin.

Re General Theatres Equipment Corporation.

Consolidation of International Projector, National Theatre Supply, three lamp companies, and Mitchell Camera Corporation. Will also own a half interest with Fox in the Fox-Grandeur Film Corporation, using the new projecting camera of the International Projector Corporation, which, it is felt, will revolutionize the film business. The capitalization of this company will be approximately

\$6 dividend convertible preferred stock, no par value, 60,000 shares, convertible 3 to 1 in common stock; common stock, no par value, 2,075,000 shares.

Of these securities there will be sold the convertible preferred stock at 90, netting \$5,400,000 which will pay for the lamp companies, Mitchell Camera Corporation, and the half interest in the Fox-Grandeur, and give additional working capital. Of the common stock there will have to be sold 300,000 shares at \$20 a share, to retire International Projector preferred stock and National Theatre Supply notes and preferred. The balance of the common stock will be used for exchange for International Projector common stock and National Theatre Supply common stock. The basis of the exchange for the controlling interest in the International Projector, which will include stock held by Clarke and ourselves, will be 1¼ shares of new for 1 of old, and for National Theatre Supply, 1 share of new for 1 of old. International Projector common is now selling at 28.

The original International Projector syndicate which handled the preferred stock was: Pynchon & Co., 35 percent; Shermar Corporation, 25 percent; West & Co., 20 percent; W. S. Hammons & Co., 20 percent. It is proposed that this same syndicate will purchase the 6 percent preferred stock at 90 and the 300,000 shares of common stock at 20. In consideration of this Harley Clarke would give an option on 250,000 shares additional stock at 20. At the present time he is asking that we take a commitment on this stock on 50,000 shares, with an option on 200,000. This is yet to be adjusted. It is proposed on the common stock to form a new syndicate to purchase same at \$25 a share for at least 50 percent of the amount, giving the options to this syndicate at the same price—in other words, before offering to the public through a selling syndicate, to undo 50 percent of the liability.

As to the preferred stock, Mr. Clarke is very insistent that for the good of the whole business the Chase Securities Corporation join in the purchase and offering of this stock. Having in mind your objections to appearance, and after consultation with Halstead Freeman, I have suggested that this preferred stock be changed into a convertible debenture; and Ingold, of Pynchon & Co., and Clarke, had made up their minds to invite Halsey Stuart into this picture. In fact, this morning Ingold had a talk with Stuart, and will probably call me up later in the day. Both Halstead and I feel that with Stuart in the picture it removes all doubt as to this being readily sold, and that under these conditions the offering of this first-class obligation would be dignified and put beyond criticism the appearance of Chase Securities Corporation. I am hoping, therefore, that it will seem proper to you that the Chase Securities Corporation should appear and head this business if Halsey Stuart & Co. are in. The market value of the equity behind this \$6,000,000 will be \$25,000,000, and the earnings will be more than ample, even with the business last year.

If Halsey Stuart come in, they will be offered a 20 percent interest in the debentures, everybody being cut down proportionately, and will also be offered a 10 percent interest in the stock end of it if they want it. I doubt if they would take it.

In the stock syndicate I have agreed that Pynchon & Co., for having originated this deal, taking the sole responsibility of handling the market on the common stock, without any appearance by any of us, shall receive 25 percent of the profits. This was thought fair by Halstead Freeman, West & Co., and Hammons, especially in view of the fact that they have been responsible for the handling of the International Projector market and distributing the stock, which makes possible the profitable operation at these prices.

As between Shermar and Chase Securities Corporation, if the latter take the debentures it might be fair to give Chase Securities Corporation 50 percent of Shermar's participation, without, however, prejudicing Shermar's position in any future financing in the common stock, where no senior financing is involved.

Signed "M. W. D."

The initials "M. W. D." are your initials?

Mr. DODGE. Yes, sir.

Mr. PECORA. And this memorandum was prepared and forwarded by you to Mr. Wiggin?

Mr. DODGE. Yes, sir.

Mr. PECORA. Did you have any conversation with Mr. Wiggin about this memorandum following the receipt by him of it?

Mr. DODGE. I believe, Mr. Pecora, Mr. Wiggin was away at the time.

Mr. PECORA. Away where?

Mr. DODGE. I think he was away on his vacation.

Mr. PECORA. Did you have any conversation with him thereafter about it or did you receive any advices or communication in any form from him in answer to this memorandum?

Mr. DODGE. Yes; Mr. Wiggin approved it.

Mr. PECORA. He approved it?

Mr. DODGE. Yes.

Mr. PECORA. When?

Mr. DODGE. I haven't got the original memorandum, but it was probably approved on the memorandum.

Mr. PECORA. About how long after the date of this memorandum of yours did he approve it?

Mr. DODGE. Almost immediately.

Mr. PECORA. How did he evidence his approval, by writing?

Mr. DODGE. I cannot remember, Mr. Pecora, whether he—he did not write a letter with regard to it. He probably O.K.'d this memorandum and sent it down.

Mr. PECORA. Now, at the time of the incorporation of this International Projector Co. you said you were an officer of the Chase Securities Corporation?

Mr. DODGE. Yes, sir.

Mr. PECORA. Was the Chase Securities Corporation invited to participate in the financing of the International Projector back in 1925?

Mr. DODGE. Yes, sir.

Mr. PECORA. Did it accept the invitation?

Mr. DODGE. No, sir.

Mr. PECORA. Why not?

Mr. DODGE. The company had not had—it was a new company and did not have a sufficient background at that time. It was 2½ million of preferred stock.

Mr. PECORA. What is the company that you are referring to?

Mr. DODGE. The International Projector Corporation that was originally formed. Is that what you are referring to?

Mr. PECORA. Yes.

Mr. DODGE. That is what I meant.

Mr. PECORA. Do you mean by that that it was not a big enough proposition to attract the attention of the Chase Securities Corporation?

Mr. DODGE. No; I would say that it was too new.

Mr. PECORA. Too new?

Mr. DODGE. Yes.

Mr. PECORA. Was it considered by the Chase Securities Corporation seriously?

Mr. DODGE. Yes.

Mr. PECORA. At a board meeting?

Mr. DODGE. No, sir.

Mr. PECORA. By whom was it so considered?

Mr. DODGE. By the officers.

Mr. PECORA. When you say "by the officers" what individuals do you refer to other than yourself?

Mr. DODGE. I should say Mr. Freeman.

Mr. PECORA. Was he then the president?

Mr. DODGE. No; he was vice president. Mr. Tinker, who was then the president, and I presume Mr. Wiggin, too.

Mr. PECORA. And the officers came to the conclusion that you have just stated, that it was too novel a proposition for the Chase Securities Corporation to be identified with?

Mr. DODGE. It was not—I am trying to think of the right word—it was not well-enough seasoned.

Mr. PECORA. Was not well-enough seasoned?

The CHAIRMAN. You mean the corporation itself?

Mr. DODGE. The corporation itself.

Mr. PECORA. It was a new corporation?

Mr. DODGE. It was a consolidation of three projecting machine companies which, as I remember it, had for years been competing, so that none of them really had been very successful. Mr. Clarke conceived the idea, as he told me at the time, of trying to get those three companies together and making them earn good money, which they did.

Mr. PECORA. Did you acquire any individual interest in this unseasoned venture, the International Projector Corporation, at that time, in 1925?

Mr. DODGE. The Shermar Corporation took an interest in the company.

Mr. PECORA. Were you connected with the Shermar Corporation at that time?

Mr. DODGE. No, sir.

Mr. PECORA. How did the Shermar Corporation come to participate in the financing of this unseasoned venture?

Mr. DODGE. As I remember it, Mr. Clarke approached the bankers, who agreed to handle the preferred stock, and the bankers were not satisfied to take the size commitment, \$2,250,000, and they asked if it was possible, as long as the Chase Securities Corporation was not going in and taking it, if we could suggest somebody who would, and the suggestion probably coming from me that the Shermar might be interested in taking a chance with them, my idea being as an officer of the Chase Securities Corporation—and this was agreed to by Mr. Wiggin—that if Mr. Wiggin's company, the Shermar Corporation, was willing to take a commitment in this venture, having the confidence that we had in Mr. Clarke and his statement, he felt it would become a successful company, if it proved to be a larger company the business done in that way would be held by the Chase Securities Corporation.

Mr. PECORA. Do you mean by that that you suggested that the Shermar Corporation take the participation in the original financing of the International Projector Corporation that Mr. Clarke originally sought to obtain from the Chase Securities Corporation?

Mr. DODGE. Exactly.

Mr. PECORA. And your thought was that by so doing if this venture that then was unseasoned should ripen into something worth while, the Chase Securities Corporation would then take it over from the Shermar?

Mr. DODGE. Oh, no; not take the particular piece of business over, but would have a right to come into any future financing.

Mr. PECORA. Did you discuss it with Mr. Wiggin?

Mr. DODGE. Yes, sir.

Mr. PECORA. In 1925?

Mr. DODGE. Yes, sir.

Mr. PECORA. And he decided to have his corporation, the Shermar Corporation, go into the financing group?

Mr. DODGE. Yes, sir.

Mr. PECORA. Now, thereafter was a trading syndicate formed to trade in the common stock of the International Projector Corporation?

Mr. DODGE. How long after?

Mr. PECORA. Well, at any time after.

Mr. DODGE. There were several trading accounts.

Mr. PECORA. There were several trading accounts formed to trade in the common stock of the International Projector?

Mr. DODGE. No. I probably have not made that statement clear. The account which Mr. Clarke mentioned this morning, which was a three-way account, was not an account formed to trade in the common stock of the International Projector Corporation.

Mr. PECORA. What was that account for?

Mr. DODGE. It was a purchase account for the senior securities of that company 3 years after it had been formed.

Mr. PECORA. Let me ask you again: Was any trading syndicate or account formed to deal in the common stock of the International Projector Corporation at any time?

Mr. DODGE. No.

Mr. PECORA. Are you sure of that?

Mr. DODGE. That is according to my memory.

Mr. PECORA. Now, sometime in 1929 somebody conceived the idea of the formation of a company that was called the General Theatres Equipment Corporation; isn't that so?

Mr. DODGE. Yes.

Mr. PECORA. Do you know who that was?

Mr. DODGE. Yes.

Mr. PECORA. Who?

Mr. DODGE. Mr. Clarke.

Mr. PECORA. Did he discuss it with you?

Mr. DODGE. Yes, sir.

Mr. PECORA. Did he discuss it with others and yourself?

Mr. DODGE. Yes, sir.

Mr. PECORA. With whom? Who were the others?

Mr. DODGE. The bankers of the company.

Mr. PECORA. And those bankers were Pynchon & Co., the Shermar Corporation, West & Co., and W. S. Hammons & Co., were they not?

Mr. DODGE. Yes, sir.

Mr. PECORA. And with the exception of the Shermar Corporation the other three bankers were not only bankers but stock brokers, were they not?

Mr. DODGE. Yes, sir.

Mr. PECORA. When was the General Theatres Equipment Corporation formed—after those conferences were terminated—sometime in July 1929, was it not?

Mr. DODGE. Sometime in July. I think it was the 13th or 15th—the 11th. It was incorporated at that time.

Mr. PECORA. At the very outset, and even before the General Theatres Equipment Corporation was formed, some plan had already been discussed and tentatively agreed upon whereby the General Theatres Equipment Corporation was going to take over, among other companies, the International Projector and the National Theatre Supply Co., and you were a participant in the conferences at which that decision was made before the incorporation of the General Theatres Equipment Corporation?

Mr. DODGE. Yes, sir.

Mr. PECORA. And in those conferences was there a discussion of the terms on which these other companies were to be taken over by the General Theatres Equipment Corporation?

Mr. DODGE. Yes, sir.

Mr. PECORA. Was it about that time that you addressed this memorandum which has been marked in evidence as exhibit no. 128 to Mr. Wiggin?

Mr. DODGE. Yes, sir.

Mr. PECORA. Was there not in existence at that time a trading account for the International Projector Corporation?

Mr. DODGE. Not that I know of.

Mr. PECORA. I show you what purports to be a photostatic reproduction of a memorandum dated June 7, 1927, referring to a trading account of the International Projector Corporation. Will you look at it and tell us if you recognize it or are familiar with its contents?

Mr. DODGE. I have never seen that before.

Mr. PECORA. Are you familiar with the contents of it?

Mr. DODGE. I am familiar with it. I think this is a true statement of facts, but it states that the trading account and the syndicate terminated May 5, 1926.

Mr. PECORA. Do you recall that trading syndicate?

Mr. DODGE. It was in connection with the purchase and sale of the \$7-dividend preferred stock of the International Projector Corporation. I thought you asked me if there was any trading account that I knew of in existence at the time of the General Theatres formation in 1929.

Mr. PECORA. I asked you before if you knew of the formation of any trading account to trade in the stock of the International Projector Corporation at any time after it was organized, and you said you did not know of any.

Mr. DODGE. I think that this refers to a trading account in preferred stock.

Mr. PECORA. I ask that that photostatic copy of statement be marked for identification.

Mr. DODGE. I would like to change that, where I say "preferred stock." They were allotment certificates.

Mr. PECORA. Both units of preferred and—

Mr. DODGE. One share of preferred and one share of common.

The CHAIRMAN. Let the paper be marked for identification.

(The paper referred to, being memorandum dated June 7, 1927, referring to trading account of the International Projector Corporation, was marked for identification "Committee's Exhibit No. 129, Nov. 10, 1933.")

The CHAIRMAN. The subcommittee stands adjourned until next Tuesday at 10 o'clock a.m.

(Whereupon, at 3:35 p.m., the subcommittee adjourned until Tuesday, Nov. 14, 1933, at 10 a.m.)

COMMITTEE EXHIBIT No. 124, NOVEMBER 10, 1933

(This exhibit, being a photostatic reproduction of a prospectus of International Projector Corporation, is furnished only for the chairman's copy and will be reproduced in the final committee print.)

NEW ISSUE—25,000 SHARES INTERNATIONAL PROJECTOR CORPORATION \$7-DIVIDEND PREFERRED STOCK, CALLABLE AT \$115 PER SHARE

This preferred stock, of no par value, is entitled to receive cumulative dividends at the rate of \$7 per share per annum, payable on the first days of January, April, July, and October, before dividends are paid on the common stock, and has priority in liquidation or dissolution up to \$100 per share, together with all dividends accrued or in arrears, plus a premium of \$15 per share, if such liquidation or dissolution be voluntary, before any distribution shall be made to the holders of common stock. Callable as a whole or in part by lot or pro rata, at \$115 per share plus all dividends accrued or in arrears

thereon up to the time of redemption. The preferred stock shall have no voting power, except when the dividends to the extent of \$7 per share are in arrears and in such case shall be entitled to elect the majority of the board of directors. Provision has been made for an adequate sinking fund. The issue of additional preferred stock is restricted by charter provision. No preferred stock in excess of the 25,000 shares now offered may be issued unless the net earnings of the corporation, as defined in the charter, for the preceding 12 months are at least four times the total annual dividend requirements of all the preferred stock, including the additional amount proposed to be issued. Shares are full paid and nonassessable.

As provided in the Federal income tax law of 1924, dividends are exempt from normal Federal income tax. They are exempt also from all Federal income taxes when received by an individual whose net income, after all allowable deductions, does not exceed \$10,000. Dividends are not subject to Federal income tax when received by a domestic corporation.

*Capitalization—Giving effect to present financing*

	Shares authorized	Shares outstanding
\$7 dividend preferred stock, no par value.....	50,000	25,000
Common stock, no par value.....	200,000	200,000

**THE CORPORATION HAS NO FUNDED DEBT**

Transfer agent: The Equitable Trust Company of New York. Registrar: The Chase National Bank of the city of New York.

Mr. E. A. Squire, vice president, International Projector Corporation, has summarized his letter of November 24, 1925, to us as follows:

**Organization:** International Projector Corporation is incorporated under the laws of the State of Delaware and has acquired the entire business and assets of the Nicholas Power Co., Inc., and the Precision Machine Co., Inc., both located in the city of New York, and the Acme Motion Picture Projector Co., located in the city of Chicago, all leading manufacturers and distributors of motion-picture projector machines, accessories, and other machines pertaining to this industry. These corporations have been active in the industry since 1907, 1913, 1916, respectively.

**Business:** The Power, Simplex, and Acme motion-picture projector machines, which are manufactured in the respective plants of the corporation are the most widely known in the industry. These machines are sold in every part of the world. The principal business of the corporation is the manufacture of motion-picture projecting machines and accessories for theaters, schools, churches, lodges, and industries. There is a steady and substantial revenue from spare parts and repairs. There are approximately 19,000 motion-picture theaters in the United States alone, and the average number of machines per theater is 2.9. Most of the best known theaters in the larger cities use 4 or 5 machines. The corporation supplies a large part of the motion-picture projector machines used in the theatrical field, and the number of machines sold to schools for the showing of educational film is constantly increasing.

**Assets:** The net assets of the International Projector Corporation, exclusive of goodwill, as appraised by Mr. William D. Pence, consulting engineer, formerly chief engineer of the Interstate Commerce Commission, together with the equity in real estate and buildings as appraised by Mr. E. K. Read of New York and Chicago, are in excess of \$4,700,000, or about \$188 per share of preferred stock issued. Nicholas Power Co., Inc., the Precision Machine Co., Inc., and Acme Motion Picture Projector Co. are well known in the industry and have built up a valuable good-will, which has been acquired by the International Projector Corporation. This goodwill is carried on the books at the nominal figure of \$1.

**Earnings:** The combined earnings of the Nicholas Power Co., Inc., the Precision Machine Co., Inc., and the Acme Motion Picture Projector Co., all the assets and woodwill of which have been acquired by the International Projector Corporation, have been as follows:

Year ended Dec. 31	1922	1923	1924	9 months ended Sept. 30, 1925
Sales.....	\$1,619,004.27	\$2,067,747.17	\$2,326,465.83	\$1,485,549.62
Manufacturing, sales, and administration expenses.....	1,382,816.80	1,698,233.84	1,735,577.18	973,700.57
Selling profits.....	286,187.47	369,513.33	590,888.65	511,849.05
Other Income.....	12,743.10	9,875.89	14,630.64	21,059.76
Total income before interest, depreciation, taxes, etc.....	298,930.57	379,389.22	605,519.29	532,908.81

Annual dividend requirement for 25,000 shares \$7 dividend preferred stock is \$175,000.

**Properties:** The business formerly carried on by Nicholas Power Co., Inc., and the Precision Machine Co., Inc., will hereafter be conducted in a 10-story fireproof building, situated at Gold and Ferry Streets, New York City. This building, and the land on which it is located, are owned by the Cinema Building Corporation, all of whose stock is owned by International Projector Corporation. This building, and the land on which it is located, are independently appraised at \$860,000, and are encumbered with mortgage of only \$475,000.

The business formerly carried on by the Acme Motion Picture Projector Co. will hereafter be conducted in a building at no. 1134 West Austin Avenue, Chicago, Ill., owned by the International Projector Corporation.

**General:** The motion-picture industry has developed during the last 10 years to the fifth largest industry in the United States, and with the continued improvement in the quality of theatrical and educational film, the projection apparatus for showing this film has become of major importance. At the present time about 50,000 machines are in use in theaters. Approximately 20,000 schools have adopted visual education taught by the use of educational film necessitating the use of projector machines. This use is constantly increasing by reason of the persistent effort of progressive educators, who are securing more and better educational film each year. The Simplex, Power, and Acme machines are the leaders in this industry and are now manufactured and sold by the International Projector Corporation.

The information contained herein, while not guaranteed, has been obtained from sources which we believe to be reliable.

All legal matters in connection with the issuance of this stock are subject to approval by Messrs. Davison & Manice, New York City, for the bankers, and Messrs. Mayer, Meyer, Austrian & Platt, and O. E. Koegel, Esq., for the corporation. All legal matters in connection with patents are subject to approval by Paul Carpenter, Esq., of Chicago, Ill.

Seven-dollar dividend preferred stock included in this offering will be deliverable in the form of preferred stock allotment certificates of the corporation. Under the terms of the allotment certificates there will be delivered with each share of preferred stock, one share of common stock, and certificates for preferred stock and certificates for common stock will be deliverable upon surrender of the allotment certificates on or after December 10, 1926, or earlier at the option of the corporation. Such allotment certificates will provide for payment to the holders of dividends on the stock called for thereby.

This stock is offered in the form of preferred stock allotment certificates for delivery if, as, and when issued and received by us and subject to the approval of counsel and to prior sale.

Price per share of preferred stock \$100 and accrued dividend, yielding 7 percent.

INTERNATIONAL PROJECTOR CORPORATION,  
New York, November 24, 1925.

FRASER & Co.  
WEST & Co.  
W. S. HAMMONS & Co.

**GENTLEMEN:** With reference to your purchase of 25,000 shares International Projector Corporation \$7 dividend preferred stock, I am pleased to give you the following information:

#### ORGANIZATION

International Projector Corporation is incorporated under the laws of the State of Delaware, and has acquired the business and assets of the Nicholas

Power Co., Inc., The Precision Machine Co., Inc., both of New York, and the Acme Motion Picture Projector Co. of Chicago, the leading manufacturers of motion-picture projector machines, accessories, and other machines pertaining to that field of industry. These corporations have been active in this essential part of the motion-picture industry since 1907, 1913, and 1916, respectively.

#### BUSINESS

The Power, Simplex, and Acme motion-picture projector machines which are manufactured in the respective plants of the corporation are the most widely known in the industry. These machines are sold in every part of the world. The principal business of the corporation is the manufacture of motion picture projecting machines for theaters, schools, churches, lodges, and industries, but there is a substantial and increasing revenue from spare parts, accessories, and repairs. There are approximately 19,000 motion picture theaters in the United States alone, and the average number of machines per theater is 2.9. Most of the best known theaters in the larger cities use 4 or 5 machines. The corporation supplies a large part of the motion picture projector machines used in the theatrical field, and the number of machines sold to schools for the showing of educational film is constantly increasing. Because of the severe conditions under which motion-picture projectors are operated (i.e., being subjected to practically continuous use and to intense heat and operated at the highest speed known to mechanics, stopping and starting 960 times per minute) spare parts and replacement of the best materials going into these machines is a substantial percentage of the corporation's business.

The educational field for motion pictures by comparison dwarfs the theatrical field. This field, which is now of secondary importance, is believed by those familiar with the business to have the greatest possibilities of expansion, and the use of educational motion-picture film and the necessity of projectors for displaying same is constantly increasing in universities, schools, lodges, and industrial institutions. The rapidity of imparting information and correlating and supplementing textbooks with film has progressed so rapidly that practically every school, city or rural, built during the past 5 years has been equipped with a motion-picture booth for the purpose of later installing projector machines to display educational film. The Acme portable machine is manufactured by this corporation. This machine is most adaptable for use in educational institutions and many large cities, such as Detroit, Mich., Indianapolis, Ind., Newark, N.J., and Dayton, Ohio, now have Acme machines installed in the majority of their schools. There are 260,000 schools, 250,000 churches, and 250,000 lodges, and many other similar institutions in the United States, making this particular part of the business capable of exceptional development. As it is estimated that 85 percent of all our knowledge comes through the eye, visual education has become of such economic value that it is believed motion pictures will be used universally in schools within a few years.

Motion-picture films also play an important part in sales propaganda.

Acme motion-picture projectors have been adopted as standard equipment by departments of the United States Government as well as by many leading industrial organizations, including United States Steel Corporation, National Cash Register Co., Western Electric Co., International Harvester Co., and Canadian Pacific Railway. The American Red Cross and other similar public institutions are also extensive users of Acme machines, and the American Farm Bureau Federation, which also uses Acme projectors, is rapidly increasing its library of farm films.

#### PROPERTIES

The plants acquired from the Nicholas Power Co., Inc., and the Precision Machine Co., Inc., will, upon completion of this financing, be located in a 10-story fireproof building, situated at Gold and Ferry Streets, New York City. This building is owned by the Cinema Building Corporation, all of whose stock is owned by International Projector Corporation. The ownership of this building, independently appraised at \$860,000, with mortgage of \$475,000, constitutes a valuable equity for the latter corporation.

The plant acquired from Acme Motion Picture Projector Co. is located at May Street and West Austin Avenue, Chicago, Ill. This property, valued at \$193,000, is without encumbrance.

*Capitalization (giving effect to present financing)*

	Authorized	Outstanding
\$7 dividend preferred stock, no par value.....	Shares 50,000	Shares 25,000
Common stock, no par value.....	200,000	200,000

The corporation has no funded debt.

## ASSETS

The net assets of the International Projector Corporation, exclusive of goodwill, as appraised by Mr. William D. Pence, consulting engineer, formerly chief engineer of the Interstate Commerce Commission, together with the equity in real estate and buildings as appraised by Mr. B. K. Read of New York and Chicago, are in excess of \$4,700,000, or about \$188 per share of preferred stock issued.

## PATENTS

The patents and claims which International Projector Corporation will own through its acquisition of the business of the three companies manufacturing the Powers, Simplex, and Acme machines, number about 1,500, and were developed at a cost of nearly \$3,000,000. While the average life of these patents is 12 years, new patents are obtained from time to time to cover the improvements and new apparatus which the research departments of the companies develop. This development work, which includes many new features on which patents have been obtained but which have not yet been exploited commercially, assures the continued success of the corporation.

## EARNINGS

The combined earnings of the Nicholas Power Co., Inc., the Precision Machine Co., Inc., and the Acme Motion Picture Projector Co., the assets and business of which have been purchased by the International Projector Corporation, have been as follows:

Year ended Dec. 31	1922	1923	1924	9 months ended Sept. 30, 1925
Sales.....	\$1,619,004.27	\$2,067,747.17	\$2,326,465.83	\$1,485,549.62
Cost of sales.....	974,058.66	1,174,155.73	1,181,778.26	620,410.08
Gross manufacturing profit.....	644,945.61	893,591.44	1,144,687.57	865,139.54
General, administrative, shipping, and selling costs.....	358,758.14	524,078.11	558,798.92	353,290.49
Selling profits.....	286,187.47	369,513.33	590,888.65	511,849.05
Other income.....	12,743.10	9,875.89	14,630.64	21,069.76
Total income before interest, de- preciation, taxes, etc.....	298,930.57	379,389.22	605,519.29	532,908.81

Annual dividend requirement for 25,000 shares \$7 dividend preferred stock is \$175,000.

## TERMS AND DIVISION OF PREFERRED STOCK

The preferred stock is entitled to receive cumulative dividends at the rate of \$7 per share per annum, payable on the first days of January, April, July, and October, before dividends are paid on the common stock and has priority in liquidation or dissolution up to \$100 per share, together with all dividends accrued or in arrears, plus a premium of \$15 a share if such liquidation or dissolution be voluntary, before any distribution shall be made to the holders of the common stock. The \$7 dividend preferred stock is callable as a whole or in part by lot or pro rata at \$115 per share plus all the dividends accrued or in arrears thereon up to the time of redemption. If the dividends on said pre-

ferred stock are in arrears to the extent of \$7 per share, the preferred stock is entitled to vote for the election of a majority of the board of directors. As long as 12,500 or more shares of the preferred stock are outstanding, no dividends on the common stock in excess of \$200,000 may be paid in any year, unless prior to the payment of such further dividends there shall have been paid in that year into the sinking fund for the retirement of the preferred stock, an amount equal to the further dividend proposed to be paid on the common stock.

Without the consent of the holders of at least 80 percent of the preferred stock outstanding, the corporation shall not (1) authorize or issue any stock having priority or preference over the preferred stock as to earnings or assets or (2) issue any additional preferred stock in excess of the 25,000 shares now offered unless the net earnings of the corporation for the preceding 12 months are at least four times the total annual dividend requirements of all the preferred stock, including the additional amount proposed to be issued, (3) create any mortgage or lien upon any of its properties or assets or mortgage or pledge the stock of any corporation a majority of the capital stock of which it owns or permit any such corporation to create any mortgage upon its properties or assets.

## GENERAL

The motion-picture business, developed largely in the last 10 years, is the fifth largest industry in the United States, and with the continued improvement of projecting apparatus, the quality of theatrical film, and its broader use for educational purposes, should continue to hold its position of commercial importance. At the present time, there are about 50,000 machines used in theaters. Approximately 20,000 schools have adopted visual education and this number is continually increasing through the efforts of progressive educators who realize its importance. As many managers of moving-picture theaters have used either the Powers or Simplex machines, exclusively for years, the important position of International Projector Corporation in the industry is well recognized and assures the continuance of satisfactory business. The sales field of projectors for universities, schools, churches, and other institutions has promise of continued expansion with resultant growth in the corporation's profits. Our opinion is based on the intensive study of experts in the business.

Yours very truly,

B. A. SQUIRES, *Vice President.*

PRO FORMA BALANCE SHEET, INTERNATIONAL PROJECTOR CORPORATION, JUNE 30, 1925

(After giving effect to the acquisition of the properties of the Precision Machine Co., Inc., Nicholas Power Co., Inc., and Acme Motion Picture Projector Co., also the entire capital stock of Cinema Building Corporation, and the sale of 25,000 shares of preferred stock and 200,000 shares of common stock.)

## ASSETS

Property, plant, and equipment as appraised:	
Real estate, buildings, and entire capital stock of Cinema Building Corporation representing equity in Cinema Building.....	\$571,626.08
Machinery and equipment.....	965,412.53
Tools, dies, jigs, fixtures, patterns, drawings, etc.....	1,134,093.62
	\$2,671,782.23
Patents and patent rights as appraised.....	750,000.00
Goodwill.....	1.00
Current assets:	
Cash.....	334,032.69
Notes receivable.....	56,338.68
Accounts receivable.....	319,382.79
Inventories.....	621,760.19
	1,331,573.85
Deferred assets: Deposits, claims, and unadjusted accounts.....	90,781.81
Deferred charges: Interest, taxes, insurance, discounts, etc.....	295,897.48
	<u>5,139,985.87</u>

## LIABILITIES

Capital stock-----		4,731,740 80
Represented by an excess of assets over liabilities.		
Preferred stock: 25,000 shares, no par value. <sup>1</sup>		
Common stock: 200,000 shares, no par value.		
Current liabilities:		
Accounts payable-----	77,030.84	
Accrued taxes, commissions, etc-----	6,364.28	
		84,001.12
Deferred credits: Interests received in advance-----		1,252.45
Reserves: For depreciation, doubtful accounts, etc-----		322,991.50
		<u>5,139,985.87</u>

We certify that, in our opinion, the foregoing balance sheet correctly reflects the financial condition of the International Projector Corporation at June 30, 1925, after giving effect to the proposed financing as stated herein.

F. W. LAFRENTZ & Co

<sup>1</sup>The \$7 dividend preferred stock has priority in liquidation or dissolution up to \$100 per share, together with all dividends accrued or in arrears, plus a premium of \$15 per share, if such liquidation or dissolution be voluntary, before any distribution shall be made to the holders of common stock.

X