

821 Fifteenth St., N. W.
Washington, D. C.
March 7, 1942

Mr. Orrin G. Wood
Estabrook & Company
15 State Street
Boston, Mass.

Dear Orrin:

As you undoubtedly know, the NASD is presently involved in a proceeding before the SEC in which the staff of the Commission proposes to raise the question of the legality of underwriting and selling group agreements under the anti-trust laws. It is our intention, of course, to fight to the last ditch to sustain the validity of such agreements. All this arises out of action taken by the Association to discipline certain members for breaking the price and concession terms of the underwriting and selling group agreements which were used in connection with the distribution of an issue of bonds and debentures of the Public Service Company of Indiana which was put out by Halsey, Stuart & Company in December, 1939. I am sure that you are generally familiar with this whole matter but should you want to refresh your recollections about any of the details, I think Hermann Clarke can readily give them to you.

This situation, of course, necessitates our making an antitrust defense of these contracts before the SEC, which, of course, is something of an anomaly but it nevertheless has to be done. We are going to need, therefore, certain testimony from people both within and without the business to show that such restraint as is imposed by these agreements upon competition is wholly reasonable, that the present American system of underwriting and distributing new issues is the evolutionary result of practical necessity, that it is sound economically, that it has functioned effectively and that the outlawing of the system would bring about chaos in business. After discussions with people in the business, examination of texts and other material, we have prepared a suggestive outline of some of the testimony we will want along these lines, in which we set forth a series of questions and under each question, in parenthesis, our understanding of the facts with respect thereto. We thought this perhaps the best way of indicating to a prospective witness the questions we will want to ask and pointing up possible answers thereto. It should be understood, of course, that we are by no means attempting to tell any witness what to say but we thought this procedure the best way of pointing up the problem and getting at the true facts, whatever they may be.

The Executive Committee has directed me to canvass your availability as a possible witness. I am therefore enclosing a copy of the outline to which I have referred and would appreciate it very much if you would go over it at your earliest convenience to see which, if any,

parts thereof you could or would cover and also so that we may have the benefit of your views on the accuracy of the information we have gathered under each of the questions. If you will then let me know when you have gone over this material, I would like very much to come to Boston to sit down and go over it with you. I have to come up to talk with a possible expert witness at Harvard Business School and so I could arrange to see you on the same trip. I would like to make it sometime next week (the week of the 9th), if that is convenient with you.

I know you will think this is a ridiculous procedure for both the Commission and us to be engaged in in times like these, but we haven't been able to get the Commission to drop the thing thus far and so we see no alternative but to go forward and make the best case possible. Needless to say, I personally hate to bother you with the matter but as I indicated at the outset, the Executive Committee is calling the plays and I am merely trying to execute them. I must confess, however, that in your case this isn't too distasteful to me because, whatever your answer may be on your availability, I will at least have an opportunity for a visit with you.

With best regards

Cordially yours,

Murray Hanson

Enc.
MH-a