Table showing chronological promotions and affiliations of investment companies by sponsor groups

FIELD, GLORE & CO.

Date of promotion or affiliation	Contributed capital or approximate size at first year end	Name of investment company	Genesis of affiliation	Period of affiliation	Change of status or present condition	Approximate present size or at change of status
Aug. 3, 1927	$16,296,000 (paid-in).	Chicago Investors Corporation	Organizers, principal underwriters, managers and brokers.	1927-32	Merged into Continental Chicago Corporation Dec. 20, 1932 when name of latter changed to The Chicago Corporation.	$4,098,000 at Nov. 14, 1932.
January 1928	$24,250,000 (paid-in).	Italian Superpower Corporation.	Organizers and underwriters with Bonbright & Co.	1928 to date	American Superpower Corporation acquired 50 percent voting stock interest in 1929 which was sold in 1930 to Atlas Corporation.	$31,096,000 (Dec. 31, 1939, gross assets).
November 1928.	$3,000,000 (paid-in).	Aviation Securities Corporation.	One of organizers and underwriters	1928-31	Atlas Corporation acquired majority control in December 1931 through Chatham Phenix Allied Corporation after purchasing warrants from sponsors. Corporation was dissolved in October 1933.	$1,725,000 (Dec. 31, 1931) (gross assets)
January 1929.	$3,000,000 (paid-in).	Tobacco and Allied Stocks, Inc.	do	1929-to date	No change	$4,997,000 (Dec. 31, 1939) (gross assets).
Feb. 9, 1929	$59,375,000 (paid-in).	Chicago Corporation (old)	Organizers, principal underwriters, managers, and brokers.	1929-30	Merged into Continental Chicago Corporation, Dec. 8, 1930.	$41,332,000 at Nov. 3, 1930.
Aug. 1, 1929	$4,500,000 (paid-in).	F. G. Trading Corporation	Organizers, distributors, managers and brokers. Successor to 38 Wall Street Trading Account.	1929-40	Liquidation plan accepted Dec. 13, 1939. Assets distributed Jan. 18, 1940.	$835,557 at Dec. 31, 1938.
Sept. 11, 1929	$63,750,000 (paid-in).	Continental Chicago Corporation.	Organized jointly by Field, Glore & Co. and Continental Illinois Co. Field, Glore & Co. also provided underwriting, management and brokerage facilities.	1929 to date	Name changed Dec. 20, 1932 to the Chicago Corporation.	$43,151,000 at Dec. 31, 1935.

Investment companies organized by Chas. D. Barney & Co. and the Reynolds Bros.

Date of affiliation	Name of investment company	Net paid-in capital	Genesis of affiliation	Period of affiliation	Change of status or present condition	Size at change of status or at present
May 1927	Investors Equity Co., Inc.	$18,764,000 (paid-in).	Organized by Chas. D. Barney & Co., Reynolds Co., Inc., and others. Chas. D. Barney & Co. were underwriters.	May 1927–May 1932.	Assets sold to Tri-Continental Corporation and to Equity Shares, Inc.	$6,559,000 (assets at valuation of Tri-Continental and Equity Shares, Inc.).
March 1928	Reynolds Investing Co., Inc.	$14,358,000 (paid-in, including paid-in capital of Reynolds Bros., Inc.).	Reynolds & Co. and Chas. D. Barney & Co. were the organizers, underwriters, and managers.	March 1928–December 1937.	Control sold to brokerage firm of Prentice & Brady who actually represented Continental Securities Corporation and the Fiscal Management Group.	$4,900,000 (net assets at Dec. 31, 1937).
December 1928	Selected Industries, Inc.	82,349,000 (paid-in).	Organizers, managers, and distributors together with Stone & Webster and Blodgett, Lehman Bros., Kidder, Peabody & Co., and Brown Bros. & Co.	December 1928–May 1931.	Reynolds Bros. sold interests to Tri-Continental Corporation. Chas. D. Barney & Co. retained its holdings.	48,965,000 (June 30, 1931, gross assets).
February 1929	Reynolds Bros., Inc.	6,500,000 (paid-in).	Organizers and managers. Chas. D. Barney & Co., sole underwriters.	February 1929–May 1930.	Company absorbed by Reynolds Investing Co., Inc. by exchange of shares.	6,548,000.
Do	The Reybarn Co., Inc.	13,307,000 (paid-in).	Organizers, managers, underwriters, and brokers. After June 1932, managed solely by Chas. D. Barney & Co.	February 1929–October 1938.	Liquidated beginning October 1938	3,276,000 (Nov. 30, 1937, gross assets).

Investment companies promoted by the Founders Group

Date of affiliation	Name of company	Net paid-in capital	Genesis of affiliation	Period of affiliation	Change of status	Net assets at end	Net loss from operations
January 1922	American Founders Corporation (formerly Weeks, Lewis & Bull Co. and American Founders Trust).	$112,447,000	Organizers and managers	January 1922–July 1933.	Control transferred to The Equity corporation through United Founders Corporation consolidated into American General Corporation in November 1935.	$17,109,000 (Nov. 23, 1935).	$83,957,000.
Do	International Securities Corporation of America (formerly International Securities Trust of America).	$64,249,000	Organizers and managers. Securities distributed by Harris, Forbes & Co.	do	Same as American Founders Corporation.	$18,411,000 (Nov. 23, 1935).	$21,162,000.
October 1926	Second International Securities Corporation.	$22,337,000	Organizers and managers. Securities distributed by American Founders Corporation.	October 1926–July 1933.	do	7,249,000 (Nov. 23, 1935).	$8,612,000.
January 1928	United States & British International Co., Ltd.	$16,625,000	Organizers and managers. Distributors were Pogue-Willard & Co., Helbert Wagg & Co., Ltd. (British), Ames, Emerich & Co., Tucker, Anthony & Co., and Harris, Forbes & Co.	January 1928–July 1933.	do	3,334,000 (Nov. 23, 1935).	$9,263,000.
February 1928	Founders General, Corporation.	$7,575,000	Wholly owned subsidiary of American Founders Corporation to distribute the securities of the group.	February 1928–July 1933.	do	49,000 (Nov. 23, 1935).	$2,108,000 (profit).
October 1928	American & General Securities Corporation.	$17,000,000	Organizers and managers. American Founders subscribed for all the stock issued and headed the distributing syndicate.	October 1928–July 1933.	do	6,235,000 (Nov. 23, 1935).	$7,563,000.
October 1928	Investment Trust Associates.	$13, 000, 000	Acquired by American Founders Corporation from Combs & Bull.	October 1928–June 1931.	Liquidated and absorbed by United Founders Corporation.	$7,107,000 (June 30, 1931).	$5,083,000.
February 1929	Founders Associates	$578, 000	Organizers and managers	February 1929–July 1933.	Control transferred to The Equity Corporation through United Founders Corporation. Liquidated November 1935.	$174,000 (Nov. 15, 1935).	$278,000.
Do.	United Founders Corporation.	$300, 866, 000	do	do	Control transferred to The Equity Corporation. Consolidated into American General Corporation in November 1935.	$15,348,000	$285,443,000.

July 1929	American and Continental Corporation.	$17,956,000 ($9,956,000 under former sponsor).	Company organized in 1924. American Founders Corporation acquired control, distributed securities and acted as co-manager.	July 1929-July 1933.	Same as American Founders Corporation.	$8,599,000	$2,072,000.
September 1929	United States Electric Power Corporation.	$149,650,000	Co-promoters and managers with Victor Emanuel, Hydro-Electric Securities Corporation, A. C. Allyn & Co., and The Harris Forbes Corporation.	September 1929 – July 1936.	Control transferred to The Equity Corporation in 1933 through United Founders Corporation Liquidated November 1936 at which time no assets remained.	None at November 1936.	142,861,000.
Jan. 1929	United States and Overseas Corporation.	$22,200,000	Organizers with Harris, Forbes & Co., N. W. Harris & Co., and others. Control acquired by General Investment Corporation in October 1930.	Jan. 1929-July 1933.	Control transferred to The Equity Corporation through United Founders Corporation. Liquidated in May 1934 by exchange of its assets for shares held by General Investment Corporation.	$20,966,000 (Nov. 30, 1930).	$2,741,000 (through Nov. 1934).
Sept. 1929	General Investment Corporation. (Formerly The Public Utility Holding Corporation of America.	$78,634,000	Organizers with The Harris Forbes Corporation.	do	Control transferred to International Equities Corporation in August 1936 by American General Corporation, successor to Founders group.	5,400,000 (May 1936).	$70,604,000 (through May 1936).

Investment companies sponsored by J. & W. Seligman & Co.

Date of promotion or affiliation	Name of investment company	Contributed capital or approximate size	Genesis of affiliation	Period of affiliation	Change of status or present condition	Approximate present size or at change of status
Jan. 4, 1929	Tri-Continental Corporation (old Tri-Continental).	$51,767,000 (Feb. 11, 1929).	Organizers and sponsors. At end of 1929, 6 of 16 directors were members of Seligman. Seligman was sole underwriter.	Jan. 4, 1929–Dec. 31, 1929.	Consolidated with Tri-Continental Allied Company, Inc. to form new Tri-Continental Corporation on Dec. 31, 1929.	$40,156,000 (Dec. 31, 1929).
Aug. 15, 1929	Tri-Continental Allied Co., Inc.	$50,432,000 (Aug. 29, 1929).	Organizer, together with old Tri-Continental. Old Tri-Continental provided the management for Tri-Continental Allied. Same board of directors.	Aug. 15, 1929–Dec 31, 1929.	Consolidated with old Tri-Continental Corporation to form new Tri-Continental Corporation on Dec. 31, 1929.	$36,747,000 (Dec. 31, 1929).
Dec. 31, 1929	Tri-Continental Corporation (new Tri-Continental).	$75,925,000 (Jan. 1, 1930).	Organizer. Investment adviser (without compensation until Apr. 12, 1938); supervised and assisted in the management; made 6 persons available as directors, 3 of whom could serve as officers (4 directors at end of 1939 were partners of J. & W. Seligman); acted as brokers; acted as custodian and dividend disbursing agent.	Dec. 31, 1929, to date.	Service agreement between Tri-Continental Corporation and J. & W. Seligman modified Apr. 12, 1938, to provide for compensation to directors and officers appointed by Seligman and granted right to Seligman to assign the service agreement.	$33,051,000 (Dec. 31, 1939).
Jan. 27, 1931	York Share Corporation	$131,000 (Dec. 31, 1931).	Organized by J. & W. Seligman who was also sole underwriter. Held all voting stock.	Jan. 27, 1931–Oct. 1932–Feb. 1933.	Shares of York Share Corporation exchanged in October 1932 for shares of Broad Street Investing Company, Inc., York Share Corporation was liquidated in February 1933.	$64,000 (October 1932).

Mr. SCHENKER. In connection with section 12 there was not much discussion except, as I recall it, Mr. Quinn urged that there ought to be a first degree holding company investment trust.

We say that there is no economic function performed by piling one investment company on another. You get this situation: A person may be paying the management fee in "A" company and paying part of the management fee in "B" company. You get the most complicated capital structures. I would like to read you the pages and pages of description of the rights and duties of the security holders in the Central States Electric situation. I doubt if anybody could figure out what his rights are when you consider that one company is piled on another. I will not elaborate on that subject, but I think the record ought to show the various complications you can get when you start piling one investment company on another. We should like to introduce a series of charts showing the pyramided structures of investment companies in existence as at December 31, 1939. The chart showing the present status of the Tri-Continental Corporation group of companies is found in part I, p. 280 of Senate Hearings on Investment Trusts and Investment Companies.

Senator HUGHES (presiding). The charts will be received.

(The charts referred to and submitted by Mr. Schenker are printed in part 3 of the hearings.)

Mr. HEALY. If the committee please, I would like to offer a compilation of statutory provisions respecting dividends, taken from the 1939 Corporation Manual.

Senator HUGHES. That is interesting.

Mr. HEALY. I suggest that perhaps it does not need to be printed.

Senator HUGHES. It is very short. It might be included in the record.

(The document referred to and submitted by Mr. Healy is as follows:)

STATUTORY PROVISIONS RESPECTING DIVIDENDS FROM 1939 CORPORATION MANUAL

Alabama.—No provision.

Arizona.—From surplus profits arising from business of corporation.

Arkansas.—From net earnings or the surplus of its assets over its liabilities, including capital.

California.—From (1) earned surplus, or (2) net profits earned during preceding period of not less than 6 nor more than 12 months, even though net assets are less than stated value, provided, however, that preference stocks are not impaired and (3) paid in surplus or reduction surplus, on preference shares only. Dividends may not be paid out of unrealized profits or surplus, nor which would render the corporation insolvent. Specific provisions for share dividends.

Colorado.—No dividends while corporation is insolvent or which would render it insolvent or impair its capital.

Connecticut.—From net profits or "actual" surplus, but which will not render corporation insolvent or impair capital.

Delaware.—Out of net assets in excess of capital stock, or in case there are none, out of net profits from the current and/or preceding fiscal year, provided preference stocks are not impaired.

District of Columbia.—Same as Colorado.

Florida.—Same as Arkansas, but not while corporation is insolvent or which would render it insolvent.

Georgia.—Same as Delaware.

Idaho.—From any surplus except that arising from unrealized appreciation in value or revaluation of fixed assets. Stock dividends may be paid from any surplus.

Illinois.—No dividends when corporation is insolvent or net assets less than stated capital, or when payment of dividend would cause such conditions. No dividends out of paid-in surplus except on preferred stock, nor out of unrealized appreciation or revaluation surplus except stock dividends. Special provisions as to stock dividends.

Indiana.—From surplus earnings or net profits or surplus paid in in cash. Stock dividends only may be paid from unrealized appreciation or revaluation surplus.

Iowa.—Same as Colorado.

Kansas.—Only from profits and not while insolvent or which would thereby be rendered insolvent.

Kentucky.—Same as Colorado.

Louisiana.—From surplus except unrealized appreciation surplus or unrealized profits. Must give notice if out of paid-in surplus. Stock dividends from any surplus.

Maine.—No dividends if capital is thereby reduced, until all debts due from corporation are paid.

Maryland.—No dividends when corporation is insolvent or would become so or would diminish amount of capital stock; but a dividend from the surplus or the net profits of the corporation is determined in accordance with good accounting practices shall not be deemed to diminish amount of capital stock.

Massachusetts.—No dividend if corporation is, or thereby is rendered, bankrupt, or insolvent.

Michigan.—From earned surplus or net earnings except from unrealized appreciation or revaluation surplus. Dividends on preferred stock may be paid from any surplus, provided notice is given if paid from other than earned surplus. Special provisions as to stock dividends.

Minnesota.—From (1) earned surplus, (2) paid-in surplus, if accompanied by notice as to source, provided there are no preference shares, in which event only preferred dividends may be paid from paid-in surplus. (3) Earnings for the current year preceding fiscal year whether or not earned or paid-in surplus exists, provided there is no impairment of preference stocks or corporation's solvency. Unrealized appreciation of assets shall not be included as surplus for dividend purpose. Special provisions as to stock dividends.

Mississippi.—Same as Colorado.

Missouri.—Same as Colorado.

Montana.—Same as Arizona.

Nebraska.—From the profits of the business, not reducing capital while there are outstanding liabilities.

Nevada.—Same as Arkansas.

New Hampshire.—No dividend when property is insufficient or will thereby be rendered insufficient for payment of debts. Surplus profits may be capitalized by issuance of stock dividends.

New Jersey.—Same as Arkansas.

New Mexico.—Unless otherwise provided in charter or bylaw, directors each year shall declare a dividend of the whole of the accumulated profits over and above its capital stock plus such sum, if any, fixed by the stockholders.

New York.—No dividend which shall impair its capital, nor while it is impaired, nor unless the value of assets remaining shall be at least equal to the aggregate amount of debts and liabilities, including capital.

North Carolina.—Shall pay out each year all accumulated profit in excess of capital stock paid in plus whatever sum is fixed by stockholders; but no dividend shall be paid except from surplus or net profits or when its debts excees two-thirds its assets (three-fourths in case of public service corporation) or which will impair its capital.

North Dakota.—Same as Arizona.

Ohio.—Out of excess of aggregate of assets over agreegate of liabilities plus capital stock, but not including unrealized appreciation. No dividend when there is reasonable ground for believing that corporation is unable or will be rendered unable to satisfy its obligations and liabilities. If dividend is out of other than earned excess of assets appearing on the books of the corporation, shall be accompanied by notice as to its source.

Oklahoma.—Same as Arizona.

Oregon.—No dividend if insolvent or which would render it insolvent, or out of assets other than net profits or surplus.

Pennsylvania.—From surplus of the aggregate of assets over aggregate of liabilities including capital, but excluding from surplus unrealized appreciation or revaluation surplus. Out of paid-in surplus only on preferred stock and when accompanied by notice as to source. Special provision for stock dividends.

Rhode Island.—From surplus or net profits but capital not to be impaired.

South Carolina.—No dividends unless actually earned or paid out of surplus heretofore earned and not set aside for special purpose.

South Dakota.—Same as Arizona.

Tennessee.—From corporation's net earnings or from surplus of assets over liabilities including capital. Special provision for stock dividends.

Texas.—No dividends when corporation is insolvent or which would render it insolvent. Dividends to be paid out of the profits from the business.

Utah.—No dividends except from surplus profits or which would distribute capital.

Vermont.—No dividends may be paid out of capital.

Virginia.—Dividends out of net earnings, or out of net assets in excess of capital but which will not impair capital. Written notice must be given if paid out of contributed surplus. From surplus but not including unrealized appreciation or revaluation surplus. Special provisions for stock dividends.

Washington.—From surplus, but not including unrealized appreciation or revaluation surplus. Special provisions respecting stock dividends.

West Virginia.—Dividends payable out of net profits or reduction surplus, but not while corporation is insolvent or which would render it insolvent or diminish capital. Special provisions respecting stock dividends.

Wisconsin.—Out of net profits properly applicable thereto and which shall not impair or diminish capital, nor when corporation is insolvent or in danger of insolvency, but may pay dividends out of unrealized appreciation surplus.

Wyoming.—Same as Colorado.

Statutes of the following States make special provision for payment of dividends by wasting asset corporation.—Arkansas, California, Delaware, Georgia, Idaho, Indiana, Louisiana, Michigan, Minnesota, Ohio, Pennsylvania, Washington, and West Virginia.

Mr. HEALY. I would like to file a memorandum of the provisions of the bill relating to capital structure. It is information that is too long to try to reproduce in the record.

Senator HUGHES. It will be filed as an exhibit.

(The memorandum of provisions of the bill relating to capital structure, referred to, was filed with the committee.)

Mr. HEALY. If we may have an hour this afternoon I think we can close. Will that be possible?

Senator HUGHES. I do not know just what to say about that. I do not know what is being considered on the floor. Suppose we take a recess until half-past 2 and see what we can do.

Senator HERRING. Is it your idea that we can finish if we come back at 2:30?

Senator HUGHES. Yes; Mr. Bunker has asked permission to make a statement.

Senator HERRING. I am wondering whether it would not be better to file written statements instead of arguing back and forth. It seems to me that after the Commission finishes its presentation we can leave the matter open for 2 or 3 or 4 days or a reasonable time in which to file any statements they may wish to, and they may be printed in the record. There is such a small number of the members of the committee here, and the subcommittee must have a chance to read this record. You gain very little by reading your statements to one or two Senators.

Mr. BUNKER. I have a statement which is a closing statement for both sides of the industry. It will not take more than 15 or 20 minutes to present it.

Senator HUGHES. We will try to cover both sides this afternoon, beginning at 2:30.

Senator HERRING. We will leave the record open so that if anyone wishes to file a written statement it will be accepted.

(Whereupon, at 1 p. m., a recess was taken until 2:30 p. m. of the same day.)

AFTER RECESS

The subcommittee resumed at 2:30 p. m. on the expiration of the recess.

Senator HERRING (presiding). Any time you are ready, Judge Healy, you may go ahead. We will not wait for Senator Hughes, but I expect him in at any moment.

ADDITIONAL STATEMENT OF DAVID SCHENKER, CHIEF COUNSEL, INVESTMENT TRUST STUDY, SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D. C.—Resumed

Mr. SCHENKER. Senator Herring, I think the record ought to indicate that in the course of our presentation we did not furnish you with all the "horrible" examples that our investigation uncovered. The fact of the matter is, we did not even present, or tell you in detail, of all the numerous cases which are included in our reports already transmitted to the Congress, let alone the numerous cases in addition thereto.

For instance, we did not tell you about Oil & Industries, Inc., which was cleaned out similarly to Continental Securities Corporation, although it did not involve that amount of money.

We did not tell you the story of the Chatham Phenix Allied Corporation, where the officers and directors, in connection with their participation in the erection of the Empire State Building, borrowed $1,000,000 from the investment trust, and then the investment trust, in order to raise money to complete the building, was made to buy $6,000,000 of Empire State bonds. The investment company subsequently had to get out of these bonds with a $5,000,000 loss; and of the $1,000,000 loaned to the officers and directors there is still approximately $250,000 unpaid.

We did not tell you the story of Central Illinois Securities Corporation, connected with the Central Illinois bank.

We did not tell you the story of the companies acquired by Wallace Groves, other than his connection with G. I. C., where he got control of Interstate Equities, then Chain & General, and then Yosemite Holding Corporation. He came out with $1,000,000 profit, while the stockholders took the licking.

We did not tell you the story of the Petroleum Corporation of America, where in my opinion they raised $100,000,000 of the public's money, and every dollar of that money was used to try to effect a combination of Tidewater, Rio Grande, and Sinclair.

In connection with that company, in order to try to help effect that merger, the insiders bought a big block of Prairie Oil & Prairie Pipe stock from the Rockefeller trusts. Immediately these insiders started four accounts running, and ran the market price up about $6,000,000. They then sold this block to this investment trust, which was organized for that purpose. They then had the investment trust buy more Prairie Pipe & Oil stock.

In order to help effect the merger, they had an agreement whereby they agreed to buy $23,000,000 of Tidewater stock from the Standard Oil Co. They had the Petroleum Corporation of America and Interstate Equities, both dominated by the same banking firm, take a substantial commitment. These investment companies paid about $2,500,000 as part of the first payment on that contract. The market