

Mr. Bartholomew, who was taken as a partner by me mainly in order that he might have charge of examining the securities which the company thought of purchasing.

"The average amount per annum which my firm has received in any way in connection with their services for the New York Life Insurance Company has been but a small share of the expenses of my office. My firm, when executing orders for the company in the Stock Exchange, has never charged more than the ordinary commission, and has never received in any transaction anything except regular banker's or broker's commissions.

"I have never known since I have been a trustee of the New York Life Insurance Co. of any purchase by that company of securities of any sort, whether that purchase was made from Loomis L. White & Co., or of others after consultation with L. L. White & Co., where that purchase could have been made for one cent less than the New York Life Insurance Company actually paid. In all their purchases they have had the advantage of my forty years' experience as a broker, and the advantage of all the information, knowledge and experience that the firm of L. L. White & Co. possessed."

Large quantities of these securities were purchased from Drexel, Morgan & Co. and Kuhn, Loeb & Co., of this city. A letter, of which the following is a copy, was addressed to each of these parties:—

DECEMBER 21st, 1891.

Gentlemen:—It appears from the books of the New York Life Insurance Company that the securities described below were purchased from you by said company on the dates and at the prices mentioned.

Loomis L. White, Esq., of Loomis L. White & Co., No. 40 Wall street, this city, informs me that he has received the usual banker's commissions on certain bonds sold by your firm to said company.

I am now engaged in conducting an official examination of the affairs of said company, and one of the charges against the management is that the cost of its investments was greater than should have been, owing to the connection of Mr. White with the company. Will you, therefore, please answer the following questions:—

1st. Did you pay to L. L. White, or L. L. White & Co., a commission on all or any of the securities sold by you to said company as described below, and if so, how much on each sale?

2nd. Were all or any of said securities offered by you directly to the company, or was it necessary to a sale that the offers be made to the company through L. L. White & Co. or a member of the firm?

3rd. If securities were offered directly to the company, and you had no banker's or broker's commissions to pay thereon, would not the company have been enabled to obtain such securities at a lower figure than it has actually paid for them?

4th. Did Mr. White's position as trustee and member of the Finance Committee of said company affect in any manner the cost to the company of the securities sold to it by you?

An early answer will oblige.

(Then follows a list of the securities bought from said firms.)

The following are the replies to this letter:—

NEW YORK, Dec. 23rd, 1891.

MICHAEL SHANNON, Esq.,

Deputy Superintendent State of New York Insurance Dept.,
62 Cedar st.

Dear Sir:—We are in receipt of your favor of 21st inst.

As to your first enquiry whether we paid L. L. White & Co. commissions or not, and if so, how much on each sale, we must respectfully decline to answer. We do not feel that anyone has a right to inquire from us the particulars of our business. We have no doubt that L. L. White & Co. would gladly furnish you themselves with the information, but we do not feel that we have any right to do so.

Secondly: So far as we can remember, none of the securities mentioned by you were offered by us direct to the company; and so far as we know, it was not necessary to a sale that the offers should be made to the company through L. L. White & Co., or a member of that firm.

Third: As the securities were never offered directly to the company, it is impossible for us to say what would have been the consequences had they been so offered; but we would state that it is not our habit to allow to buyers the commission due to bankers and brokers, otherwise, as you will readily see, we should not be able to command the services of bankers and brokers in selling securities.

Fourth: We would state, in all frankness, that Mr. White's position as trustee and member of the Finance Committee did not affect in any manner the cost to the company of the securities sold to it by us.

Having thus answered in detail your enquiries, you will allow us perhaps to state that we think Mr. White's position as trustee and member of the Finance Committee was of great benefit to the company in the purchase of securities, and that he well earned any commission that he received, in our opinion. We think any unprejudiced person looking at the securities purchased, the price paid, and the present value, to say nothing of the personal examination made by him, warrants the opinion we have expressed.

Yours respectfully,

(Signed)

DREXEL, MORGAN & Co.

NEW YORK, Dec. 23rd, 1891.

MICHAEL SHANNON, Esq.,

Deputy Sup't. Insurance Department, State of New York, 62
to 64 Cedar Street, City.

Dear Sir:—We have your communication of the 21st inst., the contents of which have had our attention.

We reply to your questions as follows:—

1. We have never paid any commission to Mr. Loomis L. White personally, but we have, in instances where the firm of L. L. White & Co. have acted as brokers between us and the New York Life Insurance Co., paid them commissions as follows:—

On sale made July 2nd, 1886, of \$200,000 Northwest 6% bonds, and \$500,000 St. Paul, Minneapolis and Manitoba 6% bonds, a commission of not quite 3/8%.

On a sale made November 8th, 1886, of \$1,000,000 St. Paul, Minneapolis and Manitoba 4 1/2% bonds, a commission of 1/2%.

On a sale made, April 23rd, 1887, deliverable July 15th, of \$250,000 Northwest 6% bonds, a commission of 1/2%.

On a sale made, March 29th, 1889, of \$400,000 Chateaugay Ore & Iron Co. Guaranteed bonds, a commission of 1/2%.

On a sale made, Feb. 16th, 1891, of \$2,000,000 Northwest Debenture 5% bonds, 1/2% commission was paid to Messrs. L. L. White & Co.

To question No. 2 we reply: That, as a rule, our offers of securities to the New York Life Insurance Co. were made through Messrs. L. L. White & Co.; but we at no time understood that it was necessary to a sale that the offers should be made to the company through Messrs. L. L. White & Co.

To question No. 3 we reply: If the securities had been offered direct to the company, we should in all probability have obtained a higher price, as it is not usual to pay commissions to principals. Whenever Messrs. L. L. White & Co. acted as brokers between us and the New York Life Insurance Co., they endeavored to make as favorable a bargain as could possibly be made, and, as we take it, the New York Life Insurance Co. saved considerable money by reason of the intervention of Messrs. L. L. White & Co.

Question No. 4 is already replied to in our answer to question No. 3.

Very respectfully,

KUHN, LOEB & Co.

Messrs. Drexel, Morgan & Co. and Messrs. Kuhn, Loeb & Co. are bankers of the very highest standing in this community, and their opinions on financial questions are entitled to great weight. But still we are inclined to think that the views of Mr. White on the question of purchasing securities for the New York Life are apt to be colored somewhat by the fact, that on the completion of a purchase he is to receive a commission of, say, 1/2 of one per cent., and as an illustration of this we desire to call your attention to one transaction which occurred this year. On November 19th last, Mr. Banta called on me, and said that he had been informed that the Equitable Life Assurance Society had purchased, in the early part of the year, from Messrs. Kuhn, Loeb & Co., \$2,000,000 worth of the 5% thirty year Debenture Bonds of the Chicago & Northwestern Railroad Company at the price of 101 and interest, and that the New York Life Insurance Company had purchased at the same time from the same parties a like amount of the same bonds, paying therefor 103 and interest, and that on this transaction Messrs. Kuhn, Loeb & Co. paid Mr. Loomis L. White the sum of \$10,000. As the Equitable is subject to the examination of the Insurance Department, an examination was made of the record of its Finance Committee so far as it relates to this transaction, and also of the records of the Finance Committee of the New York Life, and it was ascertained that the purchases were made by the two companies within two days of each other at the prices named above. It is stated by the Equitable people that they had an advantage over the New York Life in this matter, because one of their directors is also a director in the Chicago & Northwest R. R. Co., and through his influence they were enabled to get the bonds at the lowest rate.

These bonds were first brought to the attention of the New York Life Insurance Company by Mr. White, and, as the minutes of the trustees state, they were purchased by the officers of the company after consultation with Messrs. White and Strong, and the purchase was confirmed by the Finance Committee at its meeting a few days later. As the difference in the prices paid by the two companies is so great, amounting to \$40,000, it would seem that Mr. White's long experience in the business was not of great value to the company in this instance.

The examination of securities offered to the company, when properly done, entails a great amount of labor, and is absolutely necessary for the protection of its funds. The adoption of a rule that such work should be done by an officer of the company, specifically prohibited from receiving any compensation for his services in such matters other than his salary, is worthy of serious consideration. In the case above noted where the company took one-half of the whole amount of bonds issued by the railroad, an officer charged with this duty would perhaps insist on the company being accorded as favorable terms as any other purchaser, whereas it would be to the interest of Mr. White to have the purchase made as soon as possible.

There is another question connected with Mr. White's position with the company which should be carefully considered,