

CHAPTER IV

EXPANSION IN THE MIDST OF DEPRESSION

IN 1920 the president of the St. Paul road began negotiations looking to the acquisition of other roads. The deals were in effect completed during 1921. They added two small railroads to the St. Paul system. In securing these roads, the funded debt on which interest charges were to be paid was increased by considerably more than twenty million dollars. At the time, the St. Paul had just passed through several years when no net profits had been earned and no dividends had been paid. Each ensuing year showed a deficit, totaling \$25,000,000 for the four years 1921 to 1924. The largest of these deficits, some \$13,000,000, occurred in 1921, the year when the additional lines were acquired. This was the big depression year of the first half of the decade. Prevailing conditions were noted in a letter written at the time by the agent for the syndicate which sold one of the two roads to the St. Paul. The letter was to the syndicate manager and said: "The one thing I urge is haste, as the business atmosphere in New York is not conducive to making men go ahead on anything that involves additional obligations."

President Bryam and others felt that the acquisitions were justified as rounding out the St. Paul property and making it a better railroad unit. There was considerable dispute on the point. Whatever the conclusion, the process of improving the property in this way made it more difficult for the company to escape re-

ceivership. The Interstate Commerce Commission reported, with respect to the burdens involved in the acquisition of the Terre Haute railroad, the larger of the two here in question: "Our accountants, after a thorough examination of the whole situation, testified that the total financial burden as of June 30, 1925, which had fallen upon the income of the St. Paul as a result . . . was nearly \$11,000,000." The Terre Haute line added to the operating deficits of the St. Paul, and in addition, as the Commission reported, "during the four years following the acquisition of the Terre Haute by the St. Paul, the latter was forced to make a total expenditure for additions and betterments, less retirements, to the property of the Terre Haute of \$3,839,710.33." These expenditures reduced the reserves needed to tide the St. Paul company over the years until business had improved and the company could earn enough to pay interest charges out of its operating profits.

The other of the roads acquired was the Chicago, Milwaukee & Gary, called, for short, the Gary. The Commission reported that "undoubtedly the Gary was another drain upon the St. Paul which was incurred at a most inopportune time. . . . Coverdale & Colpitts [the consulting engineers used by the company and its bankers] estimated in their report to the directors that the total loss after interest, resulting from the operation of the Gary in the three years following its acquisition on January 1, 1922, was \$930,000; and \$5,700,000 would be required for construction to utilize it fully."

If, as President Byram claimed, addition of the Terre Haute and Gary made the St. Paul system a better one, the improvement was caviar to the owners of the St. Paul. The additions helped to relieve them of a position which they might otherwise have continued to hold in a railroad system perhaps not so rounded out, but still theirs, and with their bonds undisturbed.

President Byram had at that time not fully realized, however, that receivership was in the offing. Questioned in the court proceedings as to whether that contingency had not been discussed between him and Mr. Wetmore, the banker who sold him the

Terre Haute property, Mr. Byram said: "no; oh, Lord, no, we never thought of a receivership then." The banker's recollection was to the contrary, however. He testified that he discussed this danger both with his associates and with Mr. Byram, on several occasions and for hours at a time. The deal was made, not for cash, but on the promise of the St. Paul to pay, and the banker was therefore concerned about the solvency of the road. He testified that ". . . during those negotiations . . . the credit of the Chicago, Milwaukee & St. Paul Railway was slipping and slipping every day, and I was watching it with a great deal of anxiety, naturally, because I was in a position where I had to go out and recommend to these bondholders [of the Terre Haute] that they turn over the control of their property to the Chicago, Milwaukee & St. Paul, and at the same time fearing that that property was going into the hands of a receiver." While he was negotiating the deal, he referred, in conversation with President Byram, to "the credit standing of the Chicago, Milwaukee & St. Paul in such a precarious position as it is today."

The Interstate Commerce Commission questioned both the acquisition of this additional mileage at a time when the St. Paul was in such a precarious position, and the terms of the deals by which the mileage was secured. The business was done by the St. Paul road's guaranteeing the interest and principal on the bonds of the two lines, thus increasing the St. Paul's interest burdens at a time when it already had more than it could bear.

There was improvidence also in the failure to negotiate well in the two transactions, at a time when almost every business circumstance gave the advantage to the St. Paul as a buyer. This was illustrated in the acquisition of the Terre Haute. The Chicago banks which owned the Terre Haute acquired it, along with much else, in 1905, when they took over some smaller banks whose impending failure threatened to arouse suspicion of banking solvency throughout Chicago. Among the assets of the broken banks which the salvaging bankers found when they took "that little pilgrimage they made that night in December 1905," as Mr. Wetmore described it, were the securities of the

Terre Haute road. "We had been struggling with that property . . . for ten or eleven years . . . we had been sweating blood." The bank officer charged with running this railroad property finally suffered a complete physical break-down and Mr. Wetmore had to run the road. He had to endure "the sweating of six or seven long, weary years. . . ." He later testified: "We had to squirm along, do the best we could."

The banks did their utmost to get rid of the property. Mr. Wetmore told the Commission that they made "every effort in the world. Tried to get everybody. The New York Central, the Pennsylvania, the Big Four, the Chicago Grand Trunk. We could not get any of them to even turn around and look at it. They would not pay any attention to it." *

Mr. Byram testified that "it was suited to our use and was not suited to the use of any other property."

Mr. Wetmore said in the court proceedings: "It is difficult to get rid of an old dog, that is the reason I was working on the lines to get these things in good condition so that the people that toted them along ten years could sell them."

The Interstate Commerce Commission arrived at the conclusion that "the Terre Haute did not occupy any strategic position which would enable it to secure its own terms. . . . It was a distress property controlled by . . . bankers who wanted to liquidate and who had written the securities off the books of their banks as losses."

When the Chicago bankers were negotiating with Mr. Byram the outlook for the Terre Haute was dark. In ten years an average of only one and one-half per cent per year had been paid in interest on the Terre Haute income bonds—that is, bonds on which the interest did not have to be paid during the year unless the earnings of the road were sufficient to permit payment. The Terre Haute company itself wrote to its security-holders in

* Mr. Wetmore later said that two other roads evinced some interest in the Terre Haute after he began negotiations with the St. Paul, but his own estimate of the possibility of a deal with these other roads, both financially strong, is probably indicated by the fact that he continued to negotiate with the St. Paul, though he gravely feared it was close to bankruptcy.

May 1921 that "early in January, 1921 . . . a decided and quick slump in your company's business occurred, and has continued since," that the deficit for the period would be half a million dollars, that the "company will not have sufficient earnings for the next year and a half, and perhaps longer, to pay any interest . . . on its income bonds," and that payments thereafter for a considerable period would not exceed two and a half per cent per year. It was in such circumstances, and in the midst of a country-wide depression, when buyers of commodities, securities, and properties were having things pretty much their own way, that Mr. Byram and Mr. Wetmore negotiated.

Mr. Byram, who acknowledged in the Commission's investigation that the Terre Haute transaction was larger by many millions than any financial matter he had ever before handled, seems to have been given a rather free hand in negotiating for the St. Paul. The Commission reported that "the directors apparently left it to Byram. They could recall little or nothing of the whole transaction. . . . The St. Paul's bankers testified that they knew nothing of the proposed acquisition."

The Commission also said that "Byram, totally inexperienced in such matters, entered into negotiations with the bankers who controlled the Terre Haute. Most of the negotiations were with the chairman of the bankers' committee, Frank D. Wetmore, one of the most prominent bankers of the country. Upon examination in this proceeding Byram's mind was a blank as to all phases of whatever negotiations he had with the bankers. . . ."

The trading which went on between Mr. Byram and Mr. Wetmore related principally to the price at which the six million dollars' worth of Terre Haute income bonds were to be valued in determining the extent of the St. Paul's obligation to pay. The St. Paul was paying, not in cash, but in the form of an undertaking to guarantee principal and interest to the owners of the income bonds. These bonds were selling on the market at 33 to 35, and were valued, in Mr. Wetmore's reports to his own board, at 25 cents on the dollar. Mr. Byram agreed that the St. Paul should guarantee them, principal and interest, at 100

cents on the dollar.

Evidence was found in the files of Mr. Wetmore's bank permitting the inference that he had been willing to value the bonds at 70 cents on the dollar in exchange for the St. Paul obligation to pay. Later the technical form of the acquisition of the Terre Haute was changed, and apparently the hundred per cent valuation was agreed to in the midst of the confusing discussion of legal forms. Such a view of the facts was called erroneous by Mr. Wetmore when he testified before the Commission six years later, but he was not successful in disposing of the documents in the files of his own bank indicating his willingness to value the income bonds at 70 in exchange for St. Paul obligations.

Indeed, he himself said in the course of his testimony: "I appreciated immediately the advantage of this proposition [the new basis for the trade] as compared to the original proposition."

The inference that Mr. Byram increased, or was induced to increase, the price which the St. Paul was to pay (in the form of its long-term obligation) from 70 to 100 is further borne out by a letter which Mr. Wetmore wrote at the time. Mr. F. J. Lisman, a New York banker, had picked up some of the income bonds in the market and, without knowledge of what had taken place between Mr. Wetmore and Mr. Byram, was writing suggestions to Mr. Wetmore for bettering the deal. Mr. Wetmore replied: ". . . after talking the matter over with him [Mr. Byram] at some length the prospects of the present plan developed and I, of course, promptly lined up with his ideas, they being so much more advantageous to the income bondholders. . . . Our present deal is so much more advantageous that I would hesitate to reopen the question with Mr. Byram. . . ."

Within six months after the deal was made, the market price of the Terre Haute income bonds had doubled.

Mr. Wetmore also persuaded Mr. Byram to purchase the stock of the Terre Haute company. It was, to quote Mr. Wetmore's testimony, "kicking around the market at somewhere around one dollar per share," but the St. Paul contracted to buy at ten

dollars per share.

Few of the St. Paul directors knew of the evidence tending to show that the sellers had offered better terms to the St. Paul than it made. A New York banker on the St. Paul board testified that the matter came before the board for ratification just after he had been elected to it, and that a fellow director "sitting next to me at the table . . . leaned over and said: 'This has been approved by the executive committee, and you need not worry about voting for it.'"

Having acquired the Terre Haute, the St. Paul was induced to buy the Gary line. This was known in the railroad world as the "orphan." One of the St. Paul directors described it as "one of those poor little roads," another as "two tails without a middle." The middle section had never been completed, and the Gary bridged the gap by using the tracks of a small railroad owned by the United States Steel Corporation. For this purpose the Gary had made a contract with the steel company's line. The terms of this contract were so onerous that the Gary road was hamstrung. Its board of directors reported to the Interstate Commerce Commission that "the road as now constructed has proven a failure." The agent who sold it to the St. Paul testified that "with that contract, with the gap in between there, and that short road, it was an almost impossible proposition."

As late as November 1921, a few weeks before President Byram closed the deal to acquire the road, he told Mr. Percy Rockefeller that "the property is worth nothing so long as that contract is in existence, either to its owners or to anyone else." The contract was still in existence when the road was purchased by the St. Paul.

Mr. Byram was asked to explain what had led him to change his mind in so short a period of time. He replied that the sellers had reduced the total of bonds to be guaranteed by the St. Paul in an amount sufficient to cover the cost of completing the road, so that the use of the tracks of the Steel Corporation's road would be made unnecessary. The St. Paul was, however, in no position to finance such construction work. The road was

laboring under the same lack of cash that stood in the way of its buying Terre Haute bonds in the market a few months earlier, when the negotiations for that line were under way. In the receivership proceedings Mr. Byram was asked why he hadn't picked up the bonds in the market at much lower prices, and the reply was:

"We didn't have anything to buy them with, your Honor. . . . We had no credit; we had no money. In case we had been able to buy the bonds we had no cash to pay for them. . . . There was no use talking of buying them at any price."

In brief, when Mr. Byram acquired the Gary road, with the thought that he could build across the existing gap, he was acquiring a luxury not adequately usable unless the St. Paul made expenditures which it was unable to make. The cure for such an impasse would be a reorganization at the expense of the St. Paul bondholders.

The Gary road was owned by a St. Louis syndicate, managed by the St. Louis Union Trust Company. This trust company had been trying for years to sell the Gary. Ten years earlier, when Mr. Percy Rockefeller attended a dinner in St. Louis, some of the men at the party tried to interest the St. Paul road in the Gary, by talking to him about it. But Mr. Earling, then president of the St. Paul, declined to have anything to do with the proposal. The head of the St. Louis trust company later told an agent that "they were very anxious to get rid of this old syndicate." The trust company wrote to the members of the syndicate that "the management . . . has struggled for the past ten years with an incomplete and ill-equipped property, the business of which has been so restricted by the ill-advised trackage contract . . . as to make its profitable operation as an independent carrier impossible. . . . The deficit has been assuming large proportions. Every possible effort has been made . . . to lease or sell the property. . . . Tentative trades with several different trunk lines have failed."

Mr. Perkins, the emissary of the St. Louis trust company, talked to President Byram, but got nowhere. Then a new name

appeared in the matter. The testimony of President Byram, while under examination by Mr. Miller, the attorney for independent bondholders, introduced the name into the Commission's investigation.

Mr. Miller: With whom else did you talk?

Mr. Byram: All of my negotiations were with Mr. Perkins.

Mr. Miller: Did you talk with anybody else?

Mr. Byram: I think I talked with Mr. Pryor.

Mr. Miller: Who is Mr. Pryor?

Mr. Byram: Mr. Pryor is the man who lives here in New York, Mr. S. F. Pryor—formerly lived in St. Louis and is acquainted down there.

Mr. Miller: What was his interest?

Mr. Byram: Well, I don't know, except that he seemed to be the medium through which the trust company's representative and myself were brought together.

Mr. Miller: How did you come to meet Pryor?

Mr. Byram: He spoke to me about it.

Mr. Miller: He approached you?

Mr. Byram: Yes.

Mr. Miller: He had approached you before you talked with Perkins, or after?

Mr. Byram: I think it was after.

Mr. Miller: Did he profess to have an interest in the securities?

Mr. Byram: Not that I know of.

Mr. Miller: Did he profess to represent anybody who did have an interest in the securities?

Mr. Byram: No.

Mr. Miller: What did you understand his interest to be?

Mr. Byram: I thought, as near as I could tell, through his acquaintance with the St. Louis people, because of his having lived there.

Mr. Pryor had some years earlier gone from St. Louis to New York to become a chief executive of the Remington Arms

Company. He was put in that position by Mr. Percy Rockefeller's brother-in-law, who had a half interest in that company. Mr. Percy Rockefeller also had an interest in it. The latter testified that he and Mr. Pryor "are associated in a number of business enterprises together." In fact at the time of Mr. Byram's testimony Messrs. Rockefeller and Pryor had personal offices together in the Standard Oil building at 26 Broadway, where Mr. Byram had often visited, and the office of the Remington Arms Company was "in the same building, around the corner of the hall."

The St. Louis trust company had conceived the idea of having Mr. Pryor try to sell the Gary road. The president of the trust company admitted that Mr. Pryor had no peculiar qualifications for the work. The circumstances of his selection were related by Mr. Pryor when he was on the witness-stand. He said that in June 1920, when he was visiting in St. Louis, "I called as usual on my old friends with the St. Louis Union Trust Company." The head of the bank "asked me to undertake the sale and suggested that he pay me a commission if I succeeded. I told him that I would be glad to do what I could without any thought of a commission. . . . I had the desire to help my former business associates. . . ." The Gary syndicate "was almost a directory of the responsible citizens of St. Louis." He felt that his emotion was at the time, "if you should define it that way, altruistic."

When he got to New York, he spoke to Mr. Rockefeller about it, and the latter told him to see Mr. Byram. Mr. Rockefeller also advised Mr. Byram to look into the matter. Shortly afterwards Mr. Pryor learned that Mr. Winchell, an oil man, "a lifelong friend of mine," was also trying to sell the road, and was to receive a ten per cent commission. Mr. Pryor had a talk with him, and, as Mr. Pryor agreed when he was examined, his relation to the deal ceased to be altruistic and became acquisitive. His friend and he "agreed that if there was any commission, it would be split between us equally."

An effort was made during the Commission's investigation to ascertain just what Mr. Pryor did to earn his fee. Mr. Perkins,

the representative of the St. Louis syndicate, said that all the negotiations were conducted between himself and Mr. Byram, and that he did not know what Mr. Pryor had done. Both the chairman of the board of directors and the president of the St. Louis trust company, which was the syndicate manager, were examined, and neither could throw any light on the matter. Mr. Pryor was put on the stand and examined by the Commission's attorney, Mr. Fisher, as follows:

Mr. Fisher: You were to go back to Mr. Byram and as you saw him you would ask him about it and he would tell you he wanted to find out whether the . . . Union Trust Company of St. Louis would build this gap, and you would tell him that you had taken it up, and they did not see how they could, and would that be the end of the discussion? . . . Every time you did see him, was that the character of the conferences?

Mr. Pryor: Yes, sir, that was the character of the conferences.

Mr. Fisher: Did these conferences assume any other or different character?

Mr. Pryor: No.

Mr. Fisher: That is the way it was down to the time when you understood Mr. Byram had indicated that he would take the property over?

Mr. Pryor: Yes, sir.

Subsequently Mr. Pryor was asked by Mr. Grady, the special attorney for the State of Wisconsin, to amplify his evidence, as follows:

Mr. Grady: Will you say just what you did toward bringing about the sale of this property from the time that it was first mentioned to you, or you first solicited the sale of it, whichever the fact in that regard may be.

Mr. Pryor: I have just recited that.

Mr. Grady: And you told us now everything that you have ever said to Mr. Byram that brought about the sale of this

property?

Mr. Pryor: All that I can recall.

Mr. Grady: And that consists of telling him that you thought it would be a valuable piece of property as constituting a connecting link between the railroads?

Mr. Pryor: Yes, sir.

Mr. Pryor denied that he had had much to do with Mr. Rockefeller on the matter. But it appeared that Mr. Rockefeller talked to Mr. Byram on the subject and wrote to him. Mr. Byram could not remember the nature of the talks, and Mr. Rockefeller was unable to be more definite.

The agents of the Interstate Commerce Commission found correspondence between Messrs. Rockefeller and Byram in the railway company's files. One letter showed that the St. Louis trust company sent a communication to Mr. Byram, not by writing him at either his Chicago office or his New York office, but by sending the letter to Mr. Pryor in New York. Mr. Pryor sent it to Mr. Rockefeller to be forwarded to Mr. Byram in Chicago. Mr. Rockefeller did so, but sent along also a letter from himself to Mr. Byram. Questions were asked to determine why a letter from St. Louis to Chicago should have taken this circuitous route.

Mr. Fisher: You do not answer my question. I asked you whether you can suggest to us any other reason for following that course of procedure through you than the reason that that would tend to influence Mr. Byram's mind favorably towards Mr. Pryor's proposition. . . .

Mr. Rockefeller: It was pure convenience . . . I certainly never did anything to in any way influence Mr. Byram's mind in the transaction . . . I was simply a transmitter, nothing more.

Mr. Fisher: Did it never occur to you that it was a curious course for Mr. Pryor to take, instead of sending to Mr. Byram a letter which Mr. Pryor wanted him to get? . . .

Mr. Rockefeller: Owing to relationship and seeing each other

at frequent intervals, we often asked each other to pass along information.

The attorney for the St. Paul company interrupted, and after some discussion and remarks in the presence of the witness the Commission's attorney objected, saying "there can be no other purpose of an interjection of this kind than to attempt to coach the witness." The questioning was resumed.

Mr. Fisher: So you did not understand you were asked by Mr. Pryor to be the instrumentality through which a letter of some kind, sealed, was to go to Mr. Byram?

Mr. Rockefeller: I would not say instrumentality—simply—

Mr. Fisher: The contact?

Mr. Rockefeller: The vehicle.

Mr. Fisher: The vehicle. Instead of using the vehicle of the United States mails, or having his own office send it over to Mr. Byram's office in New York or Chicago, why, the vehicle that was selected was you, was it not?

.....

Mr. Rockefeller: . . . Mr. Pryor wanted the letter to get to Mr. Byram, and he thought Mr. Byram would get it from my office, because I would have means of finding out where he was at that time.

.....

Mr. Fisher: You do not think you were being used to kiss through this Gary purchase, do you? Did you at that time?

Mr. Rockefeller: I knew of no motive to use me at that time.

Mr. Fisher: Well, you assumed that for some reason, even if it was only personal friendship between Mr. Pryor and his former associates in St. Louis, Mr. Pryor was really quite desirous of getting through the Gary sale?

Mr. Rockefeller: Naturally Pryor would want to help his old associates out there.

Mr. Fisher: So you knew he really had some real motive for putting through that sale if he could?

Mr. Rockefeller: I never considered there being any ulterior motive of any kind except friendship.

Mr. Fisher: What did you think later when you found out that Mr. Pryor was actually receiving a financial consideration?

Mr. Rockefeller: I was very much surprised about it.

Later Mr. Rockefeller testified: "I never knew what the terms and conditions of the purchase were. . . . I never did, because I did not think it would be proper to be in the negotiation in any way." Thereupon he was asked this question: "So that you did have some question in your mind of the propriety of co-operating with Mr. Pryor, did you?" And the answer was: "I never considered anything that I was in connection with to be improper." And he added, in reply to a further question: "If I had co-operated, I would have considered it improper."

At the time of these negotiations Mr. Rockefeller was no longer on the St. Paul board. But he attended the meeting of the board which considered the Gary deal, and he advocated the purchase. Mr. Byram assumed that throughout the affair Mr. Rockefeller's interest was on the side of the St. Paul and not on the side of the seller. Mr. Byram did not even know that Mr. Pryor was to get any commission. When proceedings before the investigating body began to touch upon the Gary purchase Mr. Byram went through the correspondence and noted on a copy of Mr. Rockefeller's letter to him (the one as to which Mr. Rockefeller had acted, according to his explanation, as a mere transmitter for Mr. Pryor): "P.A.R. not on the board." Mr. Byram was asked why he had made this notation, and his answer was: "Well, I don't know." Months later, in the court proceedings, he explained that he made the notation "because I felt that Mr. Rockefeller would probably be subjected to more criticism than he has been if he mentioned the Gary railroad while he was a director of the St. Paul." From other testimony given by Mr. Byram it appeared that Mr. Rockefeller, subse-

quent to his resignation from the board, had remained a more important factor in the company's affairs than most of its directors, and that Mr. Byram had continued to consult him on all matters connected with the St. Paul.

The commission which was paid to Mr. Pryor was in the form of Gary company bonds, guaranteed by the St. Paul company. Mr. Pryor received \$150,000 of these bonds. After it had been disclosed that Mr. Pryor had received this commission from the seller, efforts were made to ascertain whether Mr. Rockefeller had any interest in the matter. Excerpts from the testimony follow:

Mr. Fisher: Did you ever have any interest of any kind in the Gary securities?

Mr. Rockefeller: Never did, no.

.....

Mr. Grady: You never had any . . . interest in the contract involving a commission for the sale of the Gary road?

Mr. Rockefeller: No.

Mr. Grady: And your relations with Mr. Pryor and Mr. Winchell [Mr. Pryor's friend, who split the fee] were such that you in no way participated in any profits that were made?

Mr. Rockefeller: I never knew that Mr. Winchell was in the situation.

Mr. Grady: Or with Mr. Pryor. You had no profit-dividing arrangement of any kind in any of his business enterprises?

Mr. Rockefeller: No.

Mr. Grady returned to the subject later, as follows:

Mr. Grady: You don't know what they did with these bonds? Did they ever tell you, Mr. Winchell or Mr. Pryor?

Mr. Rockefeller: I did not know that Mr. Winchell was in the situation.

Mr. Grady: When did you learn that for the first time?

Mr. Rockefeller: It would be in 1922.

Mr. Grady: I say since that time, did you ever talk with either of them about it?

Mr. Rockefeller: I have never discussed it with Mr. Winchell.

Mr. Grady: You have talked with Mr. Pryor about it?

Mr. Rockefeller: Yes, sir.

.....

Mr. Grady: What did he do with them?

Mr. Rockefeller: He turned them over to the Owenoke Company.

Mr. Grady: What is the relationship of a business character that exists between Mr. Pryor and yourself, beyond officing together and being associated in certain business enterprises that you have mentioned? Have you any other business connection with Mr. Pryor?

Mr. Rockefeller: Mr. Pryor and I are both interested in the Owenoke Corporation.

.....

Mr. Grady: In that corporation is Mr. Pryor equally interested with yourself and Mr. Adams?

Mr. Rockefeller: Mr. Pryor and Mr. Adams and I each own one third of the stock.

Mr. Grady: And was this \$150,000 of bonds turned over to that corporation in which you had a third interest?

Mr. Rockefeller: Yes, it was.

Mr. Grady: And you have profited, to the extent of one third of that \$150,000.

Mr. Rockefeller: I don't say that I have profited by it.

.....

Mr. Grady: The corporation did not buy them?

Mr. Rockefeller: No, they were turned over.

Mr. Grady: It paid nothing for them?

Mr. Rockefeller: They were turned over by Mr. Pryor.

Mr. Grady: As corporate property?

Mr. Rockefeller: Yes.

Mr. Pryor was questioned, and said that he had felt he had not done his part in this three-man corporation, and that his two associates had done their part. "I was very desirous of doing something for my old friends, men who were like fathers to me . . . When I got the message . . . that the matter was practically closed, I thought to myself at the time: 'There is a good chance for me to do something for Owenoke, which I have not been able to do.'" He was asked why, if he had so long wanted to do something for Owenoke, he had not sold any securities on which he had a profit and turned the profits over to the corporation. He replied: "I think one could hardly expect me to do that."

Mr. Rockefeller testified that when Mr. Pryor reported that he had turned the bonds over to Owenoke, Mr. Pryor "asked me if it would be any embarrassment, and I said it is no embarrassment as long as I know that the transaction was an entirely innocent transaction." Mr. Pryor testified that Mr. Rockefeller "said that he thought it was rather altruistic on my part."