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December 31, 1932.

Dear Frank:

Thank you so much for your reassuring and confident note.

There is no mystery about the Insull situation. It is all very simple and the outline of it I can give you very briefly.

First, it is necessary to say that Mr. Insull was one of the pioneers in the power and light field; had built up a great technical and management organization in Chicago, and had probably done more to advance the technical art in the operating end than any other utility manager in the United States. He had done this because he was a great believer in the art, a great believer in the possibilities of the United States, and therefore, for nearly forty years was willing to make experiments in operation more daring than anyone else in the field. It was he who installed the first steam turbine which, as the basic prime mover, accounts for the wide distribution and low price of electricity today. He had always been successful; had commanded the confidence of everbody in the industry, and of all people in the central west.

With this background, Mr. Insull came to me in December of 1928, and said that some speculators such as Mr. Eaton of Cleveland and Mr. Lowenstein, the Belgian chap who later jumped out of an airplane crossing the English Channel, were trying through the speculative market to get stocks enough in the Insull companies to displace the Insull management; that as a result of this, his organization was very nervous, particularly since Mr. Insull was getting to be an old man and his normal expectancy in active business was short. Mr. Insull said that in order to insure his organization, he conceived

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the idea of putting his holdings and his family holdings of his operating companies in a single company, and then using that base as security to issue stocks to the public with which to acquire enough more shares of the operating companies so as to protect the management from raiders. Mr. Insull said that nothing would give greater assurance to the morale of his organization than to have me take some interest personally in this holding company. That would be the best assurance against the nervousness as to his possible death.

These companies were among the largest customers of the General Electric Company, buying in the normal course of business many millions of dollars a year, and naturally I said that I would go along if it would be an assurance to his operating organization. He asked me if I would invest $50,000. in the stock, and I told him I would. He said that the plans were not completed but when they were, he would send on the papers and call the money. I went to Europe a few weeks later on the Young Plan, making provision to have my office take care of the matter in my absence. The papers came on, were signed, my $50,000. was paid, and I became a stockholder in the Insull Company. Later on, during that year and the succeeding one, additional allocations of stock were made as they were to all stockholders, and naturally I took my share. I was not a director of the Company; I had complete confidence in Mr. Insull; I did not enter the company for profit. Naturally, I could not sell my shares even if I wished to without violating the fundamental purpose which Mr. Insull had in mind. So I paid practically no attention to it.

What actually happened after the boom broke was that this company had acquired a good many shares at the high prices of the boom period but had only issued its own stock against them so it was safe. When the

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values of the operating companies went down, after the bubble burst, Mr. Insull, still very confident of the true values of his properties, began to buy shares of the operating companies and borrow from the banks. The more the prices went down, the more Mr. Insull bought and borrowed until he could borrow no more. Then in December 1931, he came to me, and for the first time explained his situation as to his borrowing from the banks and said that one of the banks wanted its loan reduced by two million dollars and that if he could borrow that sum from the General Electric Company, he would provide ample collateral to secure the loan and endorse the note himself personally. Mr. Insull was then confident if he could get the two million dollars he could save his companies and the public who had invested. I took it up with the directors of the General Electric Company, explained the situation to them, and they thought it wise to authorize the loan lest a break in the Insull situation would cause an impairment of the credit of utility companies everywhere in the country and thereby greatly diminish their purchasing power from the General Electric Company. The loan was made. The bottom of the depression not having been reached, the loan was insufficient to save the structure so that sometime during April of the succeeding year receivers were appointed and the crash came involving tremendous losses, not because the properties are not very valuable, but because nobody in these times is able to buy at any price such large blocks of stock as would be forced on the market through the foreclosure of the bank loans. I lost my total investment the same as others.

In this particular situation, even looking back on it, I do not know how I could at the time have done different. As Chairman of the General Electric Company, I naturally had to go along with Mr. Insull on his invitation. Personally, I had no doubt of his integrity; in fact, that is

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not in question now. The trouble with him was that his optimism which had carried him successfully for a generation became his ruin in the end.

I am not quite sure what the point of The Nation's criticism is. I should judge it to be that they hold me responsible for not following the affairs of this Company more closely and seeing to it that Mr. Insull was not permitted to endanger the investors. Well, if I had been a director of the company or even if my name had been used in connection with the sale of its stock, there might be some point to that, but in the absence of either, it was utterly impossible for me to control the activities of the company had I known what they were and been wise enough to foresee the crash. As a stockholder, however, it never occurred to me then, and does not now, that I had any particular duty in the matter, and in any event, I paid no attention to it. I did not even look at the statements because whether they were good or bad made no difference. I could not have sold my shares.

That is the whole story, and I should be very glad indeed to have your very frank reactions on it. I say yours largely because it would not occur to anyone in the financial group that there could be any question as to the propriety of the action. I am just wondering whether I am so far impregnated with their ideas by association that I may have lost some perspective which a person like you could bring.

Again with thanks for your letter and best wishes for the New Year, believe me as always,

Sincerely yours,
(Signed) OWEN D. YOUNG

Dr. Frank Oliver Hall,
4 West 76th St.,
New York, N. Y.

P.S. I am dictating this letter on the train to Albany, and as I am staying in Van Hornesville for the next few days, I am asking my Secretary to sign it.

ODY:LM

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