Memo on Insull Affair:

Lunched with Case to talk over Insull affair. We really have no talk on that but he turns over to me for examination the stenographic report of the hearing before the Sub-Committee and the Committee on Banking and Currency - Senate. This examining was conducted by Mr. Pecora and Mr. Young must have been a little surprised by his stating that the General Electric was a Company which generates, transmits and sells electric power. He was corrected. He goes on to ask about Y's. relations with Insull. Y. tells him that he has known him many years and that the General Electric had always had extensive dealings with him.

He tells of Insull's request in December of 1931 for a loan of $2,000,000.00 for which he offered him security and personal endorsement. This loan was made for six months. Y. thinks that he/Dawes has made Insull many loans in the past. Of course this has been the practice of the G. E. to loan to Utility Companies. They have made none to Insull since 1915. He says his business amounted to many millions a year. Says he always paid promptly. Swope and Young agreed to the loan. They took it up with three members of the Executive Committee - bankers all of them. It was made on the 22nd of December and later ratified by the Board. There were three loans, two of $500,000.00, one of a million. The collateral put in each case seems to have been large - well over the amount. All of the

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notes were endorsed by Insull. In February after '32 Insull wanted Young to help persuade the New York banks to agree to a standstill. They refused on the grounds that they had no adequate information as to the current activities of the Insull company and did not feel at liberty to rely on information from the Chicago banks. Young told the committee that he thought the banks were justified in this and he went to Chicago to see if he could get information from Insull and the Chicago banks. The result was that he secured an accountant satisfactory to the New York banks to look into their condition. The amount of the loans here were something over 50 million dollars. The accountant's examination was that Young advised a receivership. The banks agreed to this. The question of debentures comes up in the testimony but Young says there was no mention of debentures. made as to whether short term loans are not allowable even if there are debentures. These loans were for 6 months only.

There are passages too long to digest. Of importance one is explaining Young's idea of the structure that in its helplessness This is the remark on which the Hearst paper basis its critical editorial - seems entirely right to me. He was not a stockholder; he had nothing to do with the set-up. Interesting to note what he says about his belief that Insull had built up something

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that he could not understand himself. Had always to be prompted as well as Young's explanation of the stock transaction.

Riddle thinks he can get me a copy of all this testimony and it should be followed up.

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