

14.90  
D 611  
1950

STATE OF NEW JERSEY



REPORT OF THE SPECIAL COMMITTEE

REGARDING THE

STATE DISABILITY BENEFITS FUND

TO THE LEGISLATURE

JANUARY 31, 1950

974.90

D 611

1953

copy 1

STATE OF NEW JERSEY



*N.J. Legislature.*

REPORT OF THE SPECIAL COMMITTEE

REGARDING THE

STATE DISABILITY BENEFITS FUND

TO THE LEGISLATURE

JANUARY 31, 1950

---

MacCrellish & Quigley Co  
Printers  
Trenton, New Jersey

March 29, 1950.

*The Honorable, the Speaker, and the Members of the General Assembly of the State of New Jersey,*

*State House, Trenton, New Jersey.*

GENTLEMEN—Under date of January 31, 1950, the Citizens' Committee, now discharged, consisting of James Kerney, Jr., Carrol M. Shanks and myself, filed a report with you, dated January 27, 1950, regarding the State Disability Benefits Fund.

On page 21 of the original typewritten report and on page 14 of the printed copies of that report reference is made to a finance committee of three, appointed by the Treasurer on July 1, 1948, "consisting of Harper, Marsh and deValliere." The fact is that the committee consisted of Hoffman, Marsh and deValliere. This was brought to our attention by Mr. Harper on March 22, 1950.

Our Committee requests that its report as filed be corrected in accordance with the above, so that the name Hoffman appears, instead of the name Harper.

Thanking you to have this correction made, I am

Respectfully yours,

AUGUSTUS C. STUDER, JR.,  
*For the Committee.*

*To the Honorable, the Speaker, and the Members of the General Assembly of the State of New Jersey:*

By a resolution of the General Assembly of the State of New Jersey, adopted March 24, 1949, an independent non-partisan commission of three citizen members was created, consisting of the undersigned.

Paragraph 2 of the resolution directs that:

"2. The commission shall study the methods, practices and procedures employed in the purchasing of bonds as investments for the State disability benefits fund, between August 1, 1948, and January 5, 1949, and shall make such recommendations as it may in the public interest deem necessary or desirable with respect thereto. The commission shall report its findings, conclusions and recommendations to the Legislature as soon as it can complete its studies."

After having taken their oaths of office, your Commissioners met on May 3, 1949, at the State House in Trenton and held their first hearing. It was then announced that all hearings would be public and they were. It was also announced that the strict rules of evidence would not apply. Fifteen hearings were held, all in 1949, and on the following dates: May 3d, May 6th, May 16th, May 18th, May 27th, June 3d, June 8th, June 20th, June 23d, June 29th, July 14th, July 18th, September 23d, October 19th and December 7th.

The following witnesses were examined:

John J. Dickerson	Norman E. Hardy
James B. Sautter	Stanton M. Weissenborn
Thomas J. Cahill	Saul Schwamm
Jack B. Hanauer	Nat Tollner
Robert C. Hendrickson	Francis L. Golden
J. Lindsay deValliere	Isadore A. Stern
Harry C. Harper	Milton Mann
Harold G. Hoffman	Richard F. Saffin
Lloyd B. Marsh	Jacob Friedland
William Enos Wetzel	Albert B. Hermann

Of those witnesses, eleven testified upon two or more occasions. Seventy-nine exhibits were marked in evidence and considered by your Commissioners.

Saul Schwamm, of Schwamm & Company, refused to come to the State of New Jersey, as the result of which it was necessary to examine him in New York, which was done on two occasions, namely, May 27, 1949, and December 7, 1949.

The fund in question, to which your Commissioners' attention was directed specifically, is known as the New Jersey State Disability Benefits Fund. It was created by Chapter 110, P. L. 1948, and Chapter 109, P. L. 1948, amending and supplementing the Unemployment Compensation Law of the State of New Jersey, Chapter 21 of Title 43 of the Revised Statutes of New Jersey. The fund at that time consisted entirely of employees' contributions.

Section 22, subdivision (c) of the act creating the fund provides as follows:

"(c) A board of trustees, consisting of the State Treasurer, the Secretary of State, the Commissioner of Labor, the executive director of the commission, and the State Comptroller, is hereby created. The board shall invest and reinvest all moneys in the fund in excess of its cash requirements, and such investments shall be made in obligations legal for savings banks," etc.

The officials who acted as trustees during the period in question were:

State Treasurer .....	Robert C. Hendrickson
Secretary of State .....	Lloyd B. Marsh
Commissioner of Labor .....	Harry H. Harper
Executive Director of the Commission .....	Harold G. Hoffman
State Comptroller, now the Director of the Division of Budget and Accounting .....	J. Lindsay deValliere

Prior to the adoption of the resolution appointing this Commission, another resolution broader in scope was introduced by Assemblyman Friedland, seeking the appointment of a bipartisan commission to investigate the matters involved herein. That resolution contained a number of questions to be asked and also called for the appropriation of \$10,000.00 to be used in connection with the investigation. The resolution under which your Commissioners acted contained no appropriation. The Friedland resolution was considered by your Commissioners and most, if not all, of the questions contained in it were asked by them.

The resolution appointing your Commissioners was passed after a report had been made to His Excellency, the Governor, by the then State Treasurer, John J. Dickerson, who was appointed as such on January 6, 1949. That report was dated March 10, 1949. It concerned itself only with the sale of certain New York State Housing bonds to this fund. In it Dickerson stated that the profits of one of the dealers, Schwamm & Company, were in excess of \$185,000.00. With reference to that profit he said:

"In my opinion this profit was exorbitant and may well be termed unconscionable."

The other dealer who sold similar bonds was J. B. Hanauer & Company, of Newark. A copy of Dickerson's report is in evidence.

Inasmuch as Dickerson's report to the Governor provoked this investigation, the matters referred to in it will be dealt with first in this report.

The particular bonds sold to the fund by Schwamm & Company and J. B. Hanauer & Company were New York State 1.60% Housing bonds. There is no question as to the quality of the security of those bonds. However, government bonds were obtainable in the market at a higher yield and for shorter maturities.

In evidence are exhibits setting forth what purports to be a list of all transactions made by the fund over the

period in question. It shows one hundred and seventy-nine (179) transactions, totalling \$71,846,000.00 par value, which included purchases, sales and repurchases. The bulk was in government bonds. Of the total, \$13,253,000.00 face value was invested in municipal bonds purchased from bond dealers. Your Commissioners have directed their attention to these latter investments, because of the closeness of the market quotations on government bonds, which precluded any opportunity for excessive profits to be made in connection with sales of government bonds.

As a part of their work your Commissioners have caused these exhibits to be supplemented by the names of the dealers with the fund over the period in question, the prices paid for the bonds purchased for the fund and in all but two insignificant instances, the prices paid by the dealers, as furnished by the dealers themselves, for the bonds which they sold to the fund. From these your Commissioners have had a computation prepared with reference to the profits made on all municipal bonds sold to the fund over the period in question. It is attached to this report as Exhibit A. The statements of profits used in this report are based upon that computation.

Exhibit A shows that over the period in question the profits made by the dealers in connection with their sales to the fund amounted to \$330,520.04. Only 28 dealers sold municipal bonds to the fund. Of the 28 dealers, there were 13 who had but one transaction each with the fund. The combined profit of these 13 dealers amounted to \$7,521.62. It was made on sales of \$1,568,000.00 par value of bonds. It represented 2.3% of the total profit on 11.8% of the total business done by the fund. Exhibit A shows that Schwamm's profit amounted to \$230,453.22 on \$4,329,000.00 par value of bonds, or 69.7 of the total profit made on only 32.7% of the total business done by all the dealers. The remaining 30.3% of the profit, or \$100,066.82, was made by the other 27 dealers on 67.3%, or \$8,924,000.00 par value of the total bonds purchased. Because of this, and from a



resumé of Schwamm's transactions with the fund, which follows, your Commissioners agree with Dickerson that Schwamm's profit was unconscionable and exorbitant.

Schwamm's first transaction with the fund was \$250,000.00 par value Port of New York Authority  $1\frac{3}{4}\%$  bonds. The exhibits show he advertised some of those bonds for sale publicly during the period from September 1, 1948, to September 13, 1948, at a price of 83. On September 14, 1948, he offered them to the fund at  $86\frac{1}{2}$ , which the fund accepted on September 16th. His profit was 5.68% per bond, or \$14,207.86 on that transaction. His justification for this increase in price was that while he had advertised a small block of \$25,000.00 bonds for sale, he, in this instance, sold a large block of bonds to the fund. Your Commissioners are not convinced by this explanation. The evidence shows that Schwamm "went short" \$240,000.00 of these bonds and on September 16th also sold another block of \$250,000.00 Port of New York Authority  $1\frac{1}{4}\%$  bonds to the fund, at a price of 75, at no advance over his advertised price for a smaller block of those bonds. In that instance he again "went short" \$230,000.00 of the \$250,000.00 bonds. Schwamm's profit on the latter transaction was \$3,851.50, or 1.54% per bond. Enos Wetzel, who became associated with the Treasurer's Department in a consulting capacity after Dickerson became Treasurer, estimated and testified that both lots of bonds were sold above the market, in the sum of \$11,926.00.

Another sale which Schwamm made to the fund was a block of \$222,000.00 Detroit Housing Authority 2% bonds due 1981-1983. Two hundred thirty-five thousand dollars of those bonds had been advertised, at prices to yield 3.05%, by a syndicate of five other dealers for about two weeks prior to Schwamm's offering to the fund. During that period the five members of that syndicate had been able to sell but \$13,000.00 of those bonds. Schwamm bought the remaining \$222,000.00 from the syndicate owners, or some of them, at a reduced price, namely 3.10% less  $\frac{7}{8}$ ths of 1%, on October 6, 1948. He offered them to the fund the next

day, October 7th, at 2.80%, an overnight advance from the advertised price of about  $4\frac{5}{8}$ ths points. Including the reduction in price at which he purchased them, Schwamm made \$14,273.67, or 6.42% per bond. On October 7, 1948, the day when Schwamm offered these bonds to the fund, there were public offerings of other Detroit Housing Authority bonds of shorter maturity, at a better yield.

His only other transactions, beside the New York State Housing bonds, were a sale of \$87,000.00 Jersey City Housing Authority 2% bonds, in connection with which he made \$5,985.32, or 6.86% per bond on bonds which he had bought five days previously, and a sale of \$115,000.00 Wilmington Authority 2% bonds. These he offered to the fund on October 11th, but did not purchase them himself until October 19th. His profit was \$6,849.55, or 5.95% per bond.

Schwamm's remaining transactions were all in the New York State Housing bonds. They totalled \$3,405,000.00 in amount, comprising seven transactions in varying amounts, upon which his total profit was \$185,285.32, or 5.44% per bond. They were obtained by Schwamm & Company from the Bank of the Manhattan Company.

In an effort to determine what Schwamm had done, what service he had rendered and what risk he had taken to earn the \$185,285.32 profit, your Commissioners examined Schwamm on two occasions, Thomas J. Cahill, Assistant Cashier of the Bank of the Manhattan Company, on two occasions and they also had correspondence with the Bank of the Manhattan Company. Much of this testimony was in dispute. Schwamm testified first that the bank sought him out as a purchaser of the bonds. Cahill testified that Schwamm came to the bank in the first instance to obtain the bonds. Schwamm maintained that he never knew the total amount of the bonds which the bank desired to sell. A letter from the bank was to the contrary and indicated that it was Schwamm's idea to obtain the bonds from the bank in several transactions. Schwamm was uncertain in his first testimony as to whether he had the bonds in question on option from the bank during the time they were

offered by him to the fund. A letter from the bank to your Commissioners was to the contrary and specifically detailed the several options which it had given to Schwamm. Schwamm's own correspondence, in part, was in agreement with the bank. Schwamm was unwilling to admit that there was no risk in connection with these transactions and insisted that whether or not he had taken any risk was not an element. After repeated questioning, when examined for the second time, he finally admitted that he had had no risk.

Schwamm said that all of his transactions with the fund were with Deputy Treasurer Sautter. Sautter denied that. Schwamm would not admit knowledge of a forthcoming issue of similar bonds by the State of New York at the time he obtained the New York State Housing bonds from the Bank of the Manhattan Company, which he sold to the fund. In evidence are numerous articles from *The Daily Bond Buyer*, a New York publication, with reference to the forthcoming issue of New York State Housing bonds. Those articles appeared from September 28 to October 29, 1948. Schwamm's offerings of the New York State Housing bonds to the fund were dated from September 20, 1948, to October 21, 1948.

Nineteen days after the fund's confirmation to Schwamm of its last purchase of the New York State Housing bonds, a new \$50,000,000.00 issue was sold by the State of New York. At the request of your Commissioners for such a computation, Wetzel testified that if all the New York State 1.60% Housing bonds purchased by the fund had been bought on the offering scale of prices for the \$50,000,000.00 new issue, the cost to the fund would have been lower, in the amount of \$263,788.50.

The testimony does not disclose that any of the trustees knew of the forthcoming issue of New York State Housing bonds at the time they were purchased by the fund. The Bank of the Manhattan Company was the fiscal agent of the State of New York. Cahill, Assistant Cashier of the

Bank of the Manhattan Company, testified that his bank would have sold direct to the State.

Your Commissioners desired to have Sautter present when Schwamm was examined for the second time, in December, 1949, but at that time Sautter's counsel stated that Sautter was ill and had been ordered south for an indefinite period, making his further appearance impossible for some time to come. Accordingly, your Commissioners concluded to hold no further hearings and to proceed with the filing of this report.

Regarding Schwamm's sales of New York State Housing bonds to the fund, the evidence shows:

His first transaction was on \$500,000.00 offered September 20, 1948. According to the bank's testimony and correspondence, he controlled the bonds under an "option to buy," which option cost him nothing. He exercised his option by purchasing the bonds from the then owner, Bank of the Manhattan Company, on September 21st and confirmed the bonds by letter to the fund on September 21st. The fund did not confirm the purchase of the bonds from Schwamm until September 22d. Schwamm's profit on the transaction was \$28,076.20, or 5.61% per bond.

The second transaction was for \$528,000.00 of bonds. He had an option on these bonds, also. He offered them to the fund, bought them from the bank and confirmed them to the fund, all on September 23d. The fund sent no confirmation letter to Schwamm. Bonds of similar maturities were publicly offered at prices cheaper than Schwamm's offerings to the State on that date. Schwamm's profit on this transaction was \$35,727.30, or 6.77%.

Upon execution of the foregoing option, he received from the bank an option to purchase an additional block of \$599,000.00 of bonds, which again was offered to the fund, purchased from the bank and confirmed by Schwamm to the fund, all on one day, September 27th. Again the fund sent no letter of confirmation to Schwamm. On September 27th

similar bonds were again publicly offered at cheaper prices. Schwamm's profit on this transaction was \$40,612.20, or 6.78% per bond.

He then received a fourth option from the bank and offered the fund \$625,000.00 additional bonds on September 28th. These he purchased from the bank on October 1st, according to the testimony. The evidence shows no confirmation letter from Schwamm to the fund. On September 28th there were public offerings of similar bonds at lower prices. Schwamm's profit on this transaction was \$42,503.70, or 6.80% per bond.

For the next offering of \$191,000.00 bonds, the evidence shows no offering letter covering these bonds from Schwamm to the fund. Both this lot of \$191,000.00 and the previous lot of \$625,000.00 were confirmed to Schwamm by the fund on October 14th. Schwamm's profit on this transaction was \$12,905.40, or 6.76% per bond.

Between the previous offerings and the next, which Schwamm made on October 19th, Hanauer & Company offered to the fund on October 15th \$1,000,000.00 par value of these bonds, due 1981-1991, at prices to yield 2.05%. Schwamm's offering of October 19th was for \$665,000.00 par value, due 1983-1984, at about 1.96%. Unexplained in the testimony is why the trustees were willing to pay Schwamm more for similar bonds than they were paying to Hanauer, for on November 22d the fund wrote a letter and confirmed the purchase from Hanauer of the \$1,000,000.00 bonds offered October 15th at 2.05% and on the same day wrote and confirmed purchase from Schwamm of \$665,000.00 bonds to yield about 1.96%, as offered on October 19th, a difference of about 2%. Also unexplained was how these bonds purchased from Schwamm at about 1.96% were ultimately paid for by the fund at 2.05%, with the exhibits failing to show any record of change in price, either in Schwamm's offering letter, or in the fund's confirmation letter to Schwamm. The exhibits, in fact, disclosed no confirmation letter from Schwamm at all. Schwamm's profit on this transaction was \$17,621.83, or 2.65%.

Another unexplained transaction, his last one in these bonds, was the appearance of two offering letters from Schwamm, both dated October 21, 1948, for \$297,000.00 of New York State Housing bonds, due 1982, one offering being at a price of about 1.96% and the other at a price of 2.05%. Both of these offerings were signed for acceptance by the trustees, but, fortunately, only the 2.05% acceptance was delivered to the fund. The exhibits disclose no confirmation letter from Schwamm to the fund.

All of the New York State Housing bonds with a maturity of 1988 and longer were callable in 1987, although this was not disclosed in the Schwamm offerings. Lack of mention of call features in other bonds sold by Schwamm to the fund was also disclosed by the evidence.

Exhibit A shows that Schwamm's average profit per bond was 5.32%, about four and one-half times greater than the average profit realized by the other 27 dealers, amounting to 1.12% per bond.

Schwamm & Company's total profit for the calendar year 1948 was \$363,160.85. That appears from a copy of the gross receipts tax return which that firm was obliged to file with the Comptroller of the City of New York for the calendar year 1948, which copy is in evidence. From Schwamm & Company's offerings to the fund, covering a period of about six weeks, the firm made \$230,453.22, leaving \$132,707.63 for the balance of its profit for the remaining part of 1948. Schwamm did not know how much, if any, of that balance resulted from transactions with other State funds. That information was not obtained by your Commissioners, because it was outside the scope of the resolution appointing them.

Dickerson testified that he had three conferences with Schwamm in an effort to have him remit a part of his profit to the fund, but without success. Failing that, Schwamm was permitted by Dickerson to repurchase a portion of the New York State Housing bonds sold by him to the fund, which resulted in a small profit to the fund. Dickerson said



only he and Schwamm were present at those conferences. Sautter said he was present at one of them, in January, 1949.

J. B. Hanauer & Company, the other dealer mentioned in the Dickerson report, sold par value of \$1,293,000.00, or 9.8% of the total municipal bonds sold to the fund and made thereon \$25,718.73 profit. It sold two lots of New York State Housing bonds, one to this fund and one to the Veterans' Fund. The sale to this fund was in the face amount of \$1,000,000.00, but only \$960,000.00 of them were delivered. The records show no information regarding this undelivered portion of \$40,000.00. Hanauer testified that his profit was slightly less than 1½ points, but that, your Commissioners conclude, was his average profit on his sales to this fund and the other fund.

Hanauer made a sale to the fund of \$50,000.00 Port of New York Authority 1¾% bonds, at a price estimated by Wetzel to be 3½ points above the existing market. His profit was approximately \$2,312.50, or 4.62% per bond.

An unexplained transaction was an offering by Hanauer under date of August 16, 1948, of \$76,000.00 Cape May County Bridge Commission 2¾% bonds, due October 1, 1969, at 100, which was accepted by the fund and upon which Hanauer reported a loss of \$380.00. On the same date, August 16, 1948, Warren A. Tyson & Company, of Philadelphia, offered \$150,000.00 par value of the same bonds to the fund, at the same price, although the bonds which Tyson sold to the fund were purchased by it from Hanauer at 98, or \$3,000.00 cheaper than the fund paid Hanauer for the bonds he sold to it directly.

Boland, Saffin & Company sold par value bonds to the fund, in the sum of \$2,034,000.00 and did 15.4% of the municipal bond business with the fund. The profit thereon was in dispute. Richard Saffin of that firm testified. The son of Deputy Treasurer Sautter has been a salesman in the employ of this firm for a period of several years. Saffin sold a block of \$323,000.00 State of New Jersey 2½% bonds to the fund, which were part of a syndicate under-

writing of a \$5,000,000.00 issue, in which his firm participated. Two other members of the underwriting group also sold bonds of that issue to the fund, namely, Hornblower & Weeks and Schmidt, Poole & Co. Each of the latter two reported having made a profit. Saffin reported that his firm had sustained a loss of \$10,755.93 on the sale made by it. When questioned as to whether or not his firm did, in fact, take a loss on the sale, Saffin insisted that it had taken a loss. Accordingly, your Commissioners wrote to Shields & Company of New York, which headed the State of New Jersey Bond Syndicate, for information. From the reply of Shields & Company, your Commissioners conclude that the two other firms of the underwriting group, namely, Hornblower & Weeks and Schmidt, Poole & Co., purchased bonds from their syndicate group at reduced prices and sold to the fund at the reduced prices, nevertheless, reporting a profit. Boland, Saffin & Company purchased their bonds from the syndicate at a reduced price, also, but sold to this fund at the full list price. As the result of this correspondence and the computation of your Commissioners, it appears to them that Boland, Saffin & Company did make a profit on that sale, in the sum of approximately \$4,603.93, not including its syndicate profit.

A somewhat similar situation occurred in connection with the sale to the fund by Saffin's firm, of \$230,000.00 Kearny, New Jersey, 2.30% bonds, on which Saffin claimed his firm had sustained a loss of \$2,440.23. Two other members of the same underwriting syndicate, namely, Goldman, Sachs & Company and MacBride, Miller & Company, also sold similar bonds to the fund, but reported having made a profit thereon. From letters received from Goldman, Sachs & Company, which headed the Kearny Syndicate, your Commissioners estimate that the Saffin firm made a profit instead of a loss, as reported.

Tollner & Company, according to the testimony, sold seven lots of bonds to the fund, totalling \$160,000.00, at prices which Wetzel stated were \$2,157.00 above the cur-

rent market. The original offering letter from Tollner & Company was never produced and could not be found in the records of the fund. The firm of Tollner & Company was composed of one Nat Tollner and his wife. Tollner's sister married Saul Schwamm's brother. Tollner testified that he changed his name legally from Twersky to Tollner early in February, 1947. The firm of Tollner & Company was unknown to Sautter prior to making the above offering to the fund. Nat Tollner was associated with Schwamm & Company as manager of its municipal bond department for some years, under the name of Tollner, before he changed his name legally to Tollner. At the time his firm made its sale to the fund he was employed by Schwamm & Company. Tollner & Company's office was in Schwamm & Company's office at 50 Broadway, New York City. Tollner & Company was not listed at that address. There was no distinguishing part of Schwamm's office to signify that the firm of Tollner & Company was doing business there. The firm was not listed in the telephone book. The bonds which it sold to the fund had been purchased from Schwamm & Company at a time when Tollner was employed by Schwamm & Company. Schwamm testified that he did not know that Tollner & Company was doing business with the fund. Tollner was made a partner of Schwamm & Company on February 11, 1949. His sale to the fund was under date of November 29, 1948.

Isadore Stern, of Stern & Company, of Newark, testified twice. After his first testimony and a study of the records, he was recalled, as the result of which his profit figures, either as testified to by him originally, or stated by him publicly, were changed, so that, instead of having sold "\$650,000.00" worth of bonds to the fund, the correct figure was \$699,000.00 and his total profit, instead of "\$6,500.00, or \$5,500.00," was recorded as \$12,176.21.

Since closing the testimony, your Commissioners have found among the exhibits another sale by Stern & Company, which might properly come within the scope of this investigation and so reference is made to it. It is an offering

on October 27, 1948, of \$41,000.00 Knoxville Housing Authority 1¼% bonds. Elsewhere among the exhibits it appears that these bonds were delivered to the fund by Stern & Company on or about January 27, 1949, and paid for by check No. 185. They do not appear on the list of purchases by the fund, furnished to your Commissioners for their consideration. This transaction raises a question as to whether or not other dealers may have made sales to the fund prior to January 5, 1949, which were not delivered until after that date.

There is an additional transaction which may or may not come within the scope of this investigation. Nevertheless, reference is made to it. It is an offering by Stern & Company under date of October 27, 1948, of \$70,000.00 Knoxville Housing Authority 1¼% bonds, 1971-1975, at prices to yield 2.70%, about \$73.94. It also does not appear on the exhibit of purchases furnished to your Commissioners. On the offering letter this item is crossed out with a large "X" in ink, opposite which the word "Cancelled" appears in pencil. From a voucher among the exhibits it appears that these identical bonds were delivered to the fund by Stern & Company on March 31, 1949, and paid for by check No. 244. This delivery price was to yield 2.55%, about \$76.57. This item is referred to, because the original offering is within the period fixed in the resolution appointing your Commissioners. The date of the cancellation does not appear, nor does it appear by whom, or why, this offering of October 27, 1948, was cancelled.

In order to determine the methods, practices and procedures employed, all of the trustees and Deputy Treasurer Sautter were examined. They and Dickerson also gave testimony as to the system in effect over the period in question for the purchase and sale of investments. Dickerson, Hendrickson and Sautter also gave evidence regarding the system in effect by other funds for some years past.

The evidence shows that practically the same procedure which was followed by this fund was followed with respect

to other funds, namely, that Sautter would meet with the dealers, receive their offerings, submit them to the Treasurer and then to the other trustees.

At the hearing held on May 16, 1949, when the five trustees were examined in the presence of each other, the testimony as to the system of purchasing bonds for this fund was substantially in agreement. It was that in the first instance Sautter, as Deputy Treasurer, considered all offerings for fund investments and then "screened" them to determine their desirability as purchases. The original offering letters by the dealers were then submitted by Sautter to Hendrickson for his approval and then taken by or sent by Sautter, or someone on his behalf, to the other trustees for their approval. This approval was indicated, either by the signatures or the initials of the respective trustees, or some of them, upon the offering letters. When this had been done, letters of confirmation of purchase were sent to the sellers, over the name of Sautter as Deputy Treasurer. In later testimony it appeared that, in fact, those letters were neither written nor sent by Sautter and his signature was affixed thereto by a rubber stamp. Following that, the Attorney-General was requested to give an opinion as to whether or not the particular offerings were legal investments for the fund in question and upon receiving that information, checks ultimately were issued on vouchers approved by the Treasurer or Deputy Treasurer, in payment of the bonds. The opinion of the Attorney-General had nothing to do with the desirability of the investment as such. It merely passed upon the legality of the issuance of the bonds and their legality as an investment for the particular fund.

Hendrickson was State Treasurer during the period in question. He testified twice. He said, among other things, that he had been Treasurer from 1942 through 1948, with an absence of two and a half years while in the army. During the time he served as Treasurer, he invested approximately \$200,000,000.00 of State funds. He said the system in effect when the bonds were purchased by this fund was

virtually the same which had been used for many years under preceding administrations, both in the Treasurer's office and the Governor's office. He said he made it a practice never to meet the bond dealers, that Sautter was charged with that responsibility, that Sautter selected the offerings, that Sautter was the equivalent or the same as a vice-president in charge of municipal securities in a large bank, that it was his duty to look after the investments and that he, Hendrickson relied almost entirely upon Sautter's final judgment. Hendrickson said the source of the fund of \$50,000,000.00 came from moneys on deposit in Washington to the credit of New Jersey, which had accumulated from unemployment compensation contributions of employees; that when the act creating the Disability Benefits Fund was approved, he, as Treasurer, by virtue of the act, requisitioned \$10,000,000.00 of that money from the Federal Government and later the balance of \$40,000,000.00. Inasmuch as these moneys under the act creating this fund can be used to purchase investments legal for savings banks, the trustees were called together by Hendrickson as Treasurer and it was decided to invest a certain percentage of the funds in government securities, a certain percentage in New Jersey municipal bonds and another percentage in out-of-State or "foreign" bonds. This percentage was, roughly, 50% governments, 25% New Jersey municipals and 25% "foreign" bonds. The percentage, strictly, was never adhered to.

The evidence shows that only one meeting was held by the trustees and that was on July 1, 1948, in anticipation of drawing down the moneys from the Federal Government on August 1, 1948, or thereabouts. No meetings of the trustees were held from August 1, 1948, through January 5, 1949. At that one meeting, held on July 1, 1948, a finance committee of three was appointed by the Treasurer, consisting of Harper, Marsh and deValliere. The testimony shows that they never functioned as such.

Hendrickson, Hoffman, Sautter and Dickerson all criticized the legislation in question and the system pertaining.

Hendrickson said he thought it was a mistake to set up a board of trustees and suggested a law designating some one person, an expert, charged specifically with the responsibility of administering the funds and making the investments. Hoffman, among other things, criticized the system, said it was not good and recommended changes. Sautter said there never should have been a commission of five, that it was unwieldy and recommended a committee of three business men to act with a consultant. This recommendation was made for the first time to your Commissioners. He had never made it to the trustees. Sautter also said that there were bonds purchased by the Treasurer, which he, Sautter, had never screened, as well as bonds bought by the Treasurer, which Sautter had previously screened and rejected. Sautter also criticized the over-all system regarding all of the funds, by saying that under the present set-up it was possible for one fund to sell bonds to a dealer who would in turn sell them to another fund, at a profit, without either fund knowing about it.

Hoffman testified on July 18, 1949, that nearly every dollar's worth of bonds bought by the State had been bought by the Treasurer's office, that the trustees had nothing to do except sign; that in most cases they signed after the bonds had been purchased and, in some cases, after delivery to the State. At that hearing Hoffman produced a batch of photostats of offerings and confirmations which came to him for his approval and which he had caused to be made after he signed, but before he returned them to the Treasurer's office. He stated that he could show transactions where all of the trustees had approved a purchase and the State Treasurer had elected not to make the purchase; that he was not satisfied with the practice pertaining and "although we (the trustees) may have been negligent in our duties somewhat on that (the practice pertaining) we have all been nothing more than dummies in all these transactions." He also said: "The State Treasurer has elected to be the final say and has taken upon himself the veto power. In some cases he elected to assume all the powers of the board of trustees."

Hendrickson was recalled on September 23, 1949 and given an opportunity to comment on Hoffman's testimony of July 18th. He was shown the photostats which had been produced by Hoffman and marked as a single exhibit, C-62. That exhibit consisted of forty-three photostats, all but three or four of which were "confirmations of sales," in the first instance, as distinguished from "offerings to sell." The questions and answers in that respect were as follows: (Vol. XIII, p. 26)

"Q. Can you tell us why those were purchased on confirmations in that group rather than on offerings?  
A. Well, I think there might be three explanations for that. First of all, we had other funds in which we invested State's moneys—I mean, other funds which were invested in securities, and those other funds were not subject to a Board of Trustees such as this fund or subject to the approval of the complete board. Sometimes we would—I don't think this happened often as I recall, but on occasions we would accept an offering for one fund and then find that for some reason we didn't have the funds available to take it up, and I think that there were occasions here when the offerings were submitted to other funds, perhaps not often, and taken in this fund. That would account for an occasional confirmation approval by the trustees, if that is clear to the Commission.

"Q. Then it was not the fact that there was a fixed system of an offer and then a confirmation, but in many instances—  
A. Well, I was going to carry on my explanation. There were other cases where offerings came in on the telephone, as I recall it, and they would usually come to Mr. Sautter and he would talk to me about them. There wasn't anything in writing. And then I would approve them. I suppose he would talk to other members of the trustees, and there was a confirmation by telephone actually, of the offering, and then the written confirmation would come through, and that would be circulated for final approval; for formal approval I should say. That is the only explanation I can give the Commission for the signatures and initials on the confirmations rather than on the offerings. Then, there is another expla-

nation; I think in many instances the dealers probably established a practice just on their own of submitting the thing in the form of a confirmation rather than an offering, but I never considered that we were bound by anything until those things were approved and initialed. When I say 'we,' I mean the State."

The testimony in Vol. XIII, p. 27, was as follows:

"Q. At the hearing on July 18, Governor Hoffman, among other things, said, on page 16 of the record: 'Nearly every dollar's worth of bonds bought by the State have been bought by the Treasurer's Office. The members of the trustees have had practically nothing to do except sign and in most cases sign after the bonds have been purchased and in some cases even after delivered to the State.' Would you care to comment on that? A. Well, I can't entirely agree with the distinguished Governor. I always felt that all these offerings, in the form of offerings or confirmations, before their approval were thoroughly discussed with all the trustees. I just assumed that that was so, and I would have welcomed at any time, as far as I was concerned, because I was morally responsible for the whole situation—I would have welcomed at any time any objections to any purchases or any criticism of any purchaser from the trustees. I never felt that they were just mere figureheads."

The testimony in Vol. XIII, p. 29, was as follows:

"Q. Governor Hoffman went on to say at page 18: 'I can show you transactions where five members of the Board of Trustees, every member of the board has approved a purchase and the State Treasurer has elected not to make the purchase.' And he said at page 20— 'A. That probably happened in some instances,'

"Q. Why would that be? How would you overrule the others? A. Probably something came to my attention about the bond, some facts that made me think we should not go through with this transaction.

"Q. How would you communicate to the others that it would not be consummated? A. Well, I don't think in those instances there was ever anything said about

the thing, that the decision had been made not to take the bonds. Whether Mr. Sautter may have carried—I know we would discuss the matter in detail, but whether he carried the message back to the other trustees or not I can't say at this time. But I always felt that where information had come to my attention which indicated that a purchase was not in the best interests of the State, as State Treasurer I had authority to decide that we had better not take the bonds. There was never any question raised about any of these issues that we didn't take."

In Vol. XIII, p. 36, the following appeared:

"Q. Senator (Hendrickson), acting as a trustee, I take it you had no more authority than any of the other trustees? A. No, I hadn't."

In two known instances vouchers for payments were honored without the signed approval of either the Treasurer or the Deputy Treasurer. One was dated September 29, 1948, to Schwamm & Company, for \$465,097.50. The other was dated September 30, 1948, to Schwamm & Company, for \$527,750.47.

The evidence showed substantially that deValliere, Harper and Marsh depended upon Sautter as to the desirability of the bonds purchased for the fund.

Harper testified, among other things, that he knew nothing about any of the municipal bonds which were purchased by the fund and that he made no inquiries about them when he was asked to approve their purchase. He also said that when authorizations were presented to him he made no investigation of the dealers who were making the offerings.

Marsh testified that he never approved an offering unless it bore the Treasurer's name first, or at least the names of two members of the committee and that at no time did he ever approve a purchase without talking to Sautter, unless it had Senator Hendrickson's approval on it. However, the evidence showed some offerings first signed by Marsh.



Mr. deValliere testified substantially that investment offerings were brought to him by Sautter. If they were municipals, he inquired as to whether or not Mr. Darby's office had been consulted. (Darby was Director of the Division of Local Government). If they were "foreign" bonds, he inquired whether they were an obligation of the municipality involved. He made his inquiries of Sautter personally.

All five trustees voluntarily submitted their income tax returns for the year 1948. An examination of them shows nothing which in any way indicates that any of them profited from the profits of Schwamm, or any other dealer. All five trustees swore that they had not profited, directly or indirectly, from any of the profits or commissions made by any dealer and that they knew of no contributions made to campaign funds from such profits. The testimony fails to show anything to the contrary.

Schwamm's income tax return and his partnership information return were asked for, but were not produced. The information return of the partnership of Tollner & Company and of Tollner, individually, were also asked for, but not produced. Regarding his inability to produce his firm's income tax return, Schwamm said his firm operated on a "split" fiscal year basis, that the fiscal year ended at the end of January, 1949, and that its return is not due until March of 1950. Tollner wrote to your Commissioners stating that his firm's fiscal year did not end until September 30, 1949, and that his returns are not due until March 15, 1950.

Sautter was the Deputy Treasurer during the time in question. He held at the will of the Treasurer. He had been associated with the Treasurer's office for upwards of twenty years. Before he came to the Treasurer's office he was City Treasurer of Paterson.

He testified five times. Your Commissioners desired to question him further, but that became impossible because of his continued ill health and absence from the State.

He had been Deputy State Treasurer since 1940. In screening the offerings he used the Dun & Bradstreet Service and the Blue List Service. The Blue List Service is a daily publication in which dealers list securities for sale at a price. That price does not necessarily reflect the market at which the securities can be purchased, but it is some guide to the buyer.

When he first testified, Sautter said he "screened" the offerings in consultation with no one, that he was the bond man of the State who went through the offerings made, that he selected the ones he considered best from his experience and submitted them to the trustees and that it was primarily his knowledge, experience and judgment which picked the offerings which went to the trustees. He said he had no conversation with any of the trustees and that none of the trustees ever spoke to him about any offerings before he sent them on for their approval. He said he had dealt with most of the dealers for years. However, he admitted that he never heard of Tollner & Company prior to its offering. He also said he had made no inquiries as to the reputations of the brokers, supposing them to be, as he said, "All O.K." He had dealt with Schwamm & Company for probably seven years and he had known Saul Schwamm seven or eight years. He never talked with Schwamm about the profits he was making on his sales to the fund or the State, or with any other bond houses. He said if he were getting the bonds at a price which he considered fair, he did not regard their profits as any of his business.

He admitted having heard rumors of the pending New York State sale of another large issue, but he never went to the source to find out if the rumors were true.

He said there would have been no necessity of having such a profit realized by Schwamm, or anyone else, if Government securities had been bought and he thought no one knew the profit Schwamm was making. He thought two signatures of the three members of the Finance Committee were sufficient to confirm a sale.

He said he knew his son worked for Boland, Saffin & Company as a salesman, but all the bonds sold to the fund by that firm were sold by Saffin. He saw nothing wrong in the fact that his son was employed by the Saffin firm. He was first employed in the Treasurer's office in 1928, at a salary of about \$4,000.00 a year. In 1939 that was increased to \$7,500.00. From 1939 he received \$9,480.00 a year. He said he had never profited by sales to the fund. He thought Schwamm always brought an offering letter for the bonds he sold. The New York State Housing bonds he bought with the idea of having them go up and selling them. He could not see how they would go any lower. He said there was no question about the bonds going up.

He was confronted with two articles which appeared in the *Newark Evening News*, in which he was quoted as saying the bonds were bought at an average discount of 15% from their face value and that the fund stood to gain about \$1,014,000.00 during the life of the bonds. He would not say whether or not he was properly quoted in those articles.

Arnold Martin, a reporter for the *Newark Evening News*, who wrote the articles, was questioned and photostatic copies of the articles were offered in evidence. Martin confirmed what Sautter had said to him, as reported in those articles.

Sautter was asked whether or not there had ever been any system pertaining by which certain dealers from time to time would be given an opportunity to buy or sell. In answer to this question he said at first there might have been such a system, but subsequently he denied its existence.

He said during his employment by the State he had an outside source of income from investments which he made and that when he came with the State he had capital assets. He accumulated further capital assets during his employment by the State from investments in the market, investing what assets he had when he came with the State. He was asked on June 8th to give an approximation of the

increase in his capital while employed by the State. The testimony was (Vol. VI, p. 36):

"A. I will give you an approximation but wouldn't want to be held to it. Probably in the neighborhood of sixty to sixty-five thousand.

"Q. Sixty to sixty-five thousand? A. Maybe a little more, but I wouldn't want to be held to that figure.

"Q. As an approximation. A. I wouldn't want to be held to that figure.

"Q. Which was made entirely in stocks and bonds? A. That's right."

This he said was the result of his own investing of his own money, which had been the only source of his adding to his capital assets.

Following that hearing, he was subpoenaed to produce copies of his income tax returns for the period of his employment by the State. On June 29th he produced copies of his income tax returns for the years 1945, 1946 and 1947. He had already voluntarily submitted a copy of his return for the year 1948. At that hearing he was represented by counsel for the first time. His 1948 income tax return showed that during that year he sold capital assets which had cost him \$58,742.73 for \$51,252.99, upon which he took a loss of \$8,626.15. He reported total wages from the State of New Jersey, in the sum of \$9,120.00, total dividends in the sum of \$3,885.00 and total interest in the sum of \$5,579.00. He said that after selling the securities upon which he took a capital loss he had \$65,000.00 left, which was accumulated during the period when he was working for the State. He also said that when he came with the State he had "probably in the neighborhood of \$75,000.00, which was made in the market during the boom days, when everybody and his brother was playing the market."

He produced, through counsel, the names of the dealers with whom he traded for his personal account. Several of them were dealers who sold to the fund.

When first examined, Sautter said no trustee had ever asked him to favor Schwamm, either in purchasing or selling. On June 29th he was asked: "Did any friends or associates of any of the trustees ever ask you to favor Schwamm & Company, either in purchasing or selling?" His answer was "Yes." He said on one occasion Milton Mann (an administrative assistant in the Department of Labor) had come to him before the Schwamm purchases and told him that Hoffman wanted to have him buy some bonds from Schwamm. This occurred about two weeks or a month before Schwamm sold to the fund. Despite Mann's contradiction of this, Sautter reiterated it. Regarding that talk with Mann, Sautter said he never told the Treasurer about it, nor Hoffman, nor Marsh, nor deValliere, nor Harper. Hoffman denied that he had ever told Mann that he wanted to have Schwamm favored.

It appeared from the testimony that on occasions when Sautter came to his office he found approved offerings on his desk, signed by two trustees, Hoffman and Marsh. They were Schwamm offerings. He brought that to the attention of Dickerson. He did not always know how they got there. Two or three, he said, were put there by Milton Mann. He said there were occasions when offerings had been accepted in writing, by signature or initials of trustees of the fund, without any consultation with him.

Regarding the methods, practices and procedures employed, your Commissioners find, conclude and report:

The statute in question appointed a board of trustees and directed that the board invest and reinvest all moneys in the fund in excess of its cash requirements. There were occasions where the full board did not act. In a number of instances three and sometimes two signatures were regarded as sufficient to authorize a sale. The transactions of the fund were handled in an unbusinesslike and inefficient manner. The trustees did not apply that degree of diligence to their trust which devolved upon them as trustees. Too much responsibility in connection with the pur-

chases was placed upon Sautter and Sautter was not qualified to assume that burden. The trustees as a body were not sufficiently qualified to pass upon investments as such. There was apparent suspicion and lack of harmony and unity among the trustees, or some of them. The disclosure by Sautter regarding the reason for purchasing the New York State housing bonds indicated a speculative element in that purchase. Sufficient attention was not given to prevailing market prices and the purchase of securities at the best prices obtainable. The system was breached as much as it was observed.

Among irregularities shown by the evidence were: many confirmations of sales, instead of offerings, in the first instance; confirmations in amounts not fully delivered, with no explanation of the failure to deliver; one confirmation by a dealer on a letterhead of the Treasurer's Department; in at least one known instance a confirmation dated October 22, 1948, of a sale made September 29, 1948; in one instance failure by the Treasurer to cause a cancellation of purchase to be sent to a dealer where the Treasurer had elected not to accept bonds authorized for purchase by the trustees; no system whereby any trustee, having signed a confirmation, would know that the purchase would be made; no system whereby any trustee would know that a confirmation signed by him had not been or would not be rejected by the Treasurer; in at least two instances vouchers for payment honored without the signature of either the Treasurer or the Deputy Treasurer; one known instance where the fund paid accrued interest to a delayed delivery date where the dealer (Schwamm) was short the bonds and unable to deliver them; no meeting of the trustees after their organization meeting and no meeting of the Finance Committee.

Your Commissioners suggest that everything possible be done by the State to compel any dealers who may have made excessive profits by selling to the fund to remit such excessive profits and that, pending successful action in that direction, such dealers be barred, if possible, from doing business with this fund, or any other fund of the State.

In the public interest, your Commissioners recommend:

1. That the Disability Benefits Law be changed so that the trustees named therein be relieved of the responsibility of investing the moneys in the fund.

2. That Sautter be relieved forthwith of any of his duties pertaining to the investments of the fund.

3. That legislation be enacted by which the investing and reinvesting of the trust moneys in the fund be placed under the direction and management of a man well qualified in investment matters, not previously connected with any department of the State, preferably a career man, to be appointed by the Governor, but whose appointment should be nonpolitical; that he be subject to removal only for his wrong-doing or neglect; that he be paid a salary commensurate with his duties and responsibilities; that he act upon the advice and with the approval of a board of outstanding citizens, experienced in investment matters, also to be appointed by the Governor and that Labor be represented on that board, all to the end that the trust moneys of the fund be administered solely in the best interests of the beneficiaries and free of the possibility of any political influence or interference.

4. That the fund be administered with full and complete publicity and that at frequent stated intervals a report be made and published in one or more newspapers circulating in this State, as well as in one or more newspapers circulating in New York City, setting forth the purchases and sales made, the dates when made, the investments bought and sold, the prices paid and obtained and the names of the dealers involved.

5. That a copy of this report be sent to the proper tax officials, Federal and State, in the Districts in which Schwamm & Company and Tollner & Company file their partnership information returns and in which Saul Schwamm and Nat Tollner file their individual income tax returns.

6. That a copy of this report be sent to the United States District Attorney for the District of New Jersey.

7. That a copy of this report be sent to the Prosecutor of Mercer County.

8. That a copy of this report be sent to his Excellency, the Governor, for such action as he may deem fit to bring pursuant to Article V, Section IV, subdivision (5) of the Constitution of New Jersey, or otherwise.

Testimony was given before your Commissioners regarding the manner in which moneys of the other funds of the State are administered. Including the Disability Benefits Fund, there are eighteen such funds, totaling upwards of \$300,000,000.00. Without impugning the administration of any of those other seventeen funds, your Commissioners suggest that consideration be given to enacting legislation similar to that which they recommend for the Disability Benefits Fund, centralizing the investing and reinvesting of the trust moneys of all the funds of the State, and to the same end.

The Attorney-General has the testimony and a list of the exhibits. The exhibits themselves, containing a number of records of the State, have been impounded by the Treasurer at the request of your Commissioners.

We express our thanks to Attorney-General Parsons, his deputies, William E. Nowels and Edward J. McCardell, Jr., for their assistance to us in the conduct of this investigation and also to Miss Jane Brown for her efficient stenographic services.

Respectfully submitted,

JAMES KERNEY, JR.,

CARROL M. SHANKS,

AUGUSTUS C. STUDER, JR.,

*Commissioners.*

Dated: January 27, 1950.

# EXHIBIT A

## DISABILITY FUND—JULY 15, 1948, TO JANUARY 4, 1949

Total investments made—par value .....	\$71,846,000
Governments, plus one purchase from Veterans' Fund ....	58,593,000
Balance—municipal bonds purchased .....	\$13,253,000
(Recapitulation below)	

Dealer's Name	Par Value	% of \$13,253 million	Average Profit Per Bond	Dollar Profit
Schwamm & Co. ....	\$4,329,000.	32.7%	5.31	\$230,453.22
Boland, Saffin & Co. ....	1,929,000.	14.6	1.34	25,799.20
Boland, Saffin & Co. ....	105,000.	.8	Loss	(Loss) 5,256.78
J. B. Hanauer & Co. ....	1,293,000.	9.8	1.99	25,718.73
Butcher & Sherrard ....	904,000.	6.8	.38	3,424.06
Stern & Co. ....	699,000.	5.3	1.72	12,012.75
J. B. Ross & Co. ....	497,000.	3.8	1.14	5,688.82
Rogers, Gordan & Co. ....	405,000.	3.1	1.29	5,214.25
Campbell & Co. ....	382,000.	2.9	1.32	5,035.45
Hornblower & Weeks* ...	365,000.	2.6	.18	662.50
Ryan & Morse ....	342,000.	2.6	.61	2,097.20
Dolphin & Co. ....	293,000.	2.2	1.06	3,113.99
Schmidt, Poole & Co.* ...	250,000.	1.9	.25	625.00
Bailey Dwyer & Co.* ....	200,000.	1.5	.63	1,250.00
Burley & Co. ....	178,000.	1.3	1.37	2,435.58
Tollner & Co. ....	160,000.	1.2	2.92	4,669.79
Tyson, & Co.* ....	250,000.	1.1	2.00	3,000.00
Macbride, Miller & Co.* ..	139,000.	1.0	.38	521.25
W. E. Wetzel & Co. ....	105,000.	.8	.64	672.56
White, Weld & Co.* ....	99,000.	.7	Loss	(Loss) 1,514.00
Eisele King & Co. ....	82,000.	.6	.96	784.29
Ira Haupt & Co. ....	82,000.	.6	1.38	1,135.31
Goldman Sachs & Co.* ...	80,000.	.6	.42	337.60
Manning, Shanley & Co.* ..	60,000.	.5	1.41	844.96
J. B. Pollack & Co.* ....	50,000.	.4	2.61	1,306.33
Salomon Bros. & Hutzler	25,000.	.2	(?)	(?)
J. A. Rippel & Co.* ....	25,000.	.2	.75	187.50
F. R. Cole* ....	15,000.	.1	2.00	300.48
C. J. Devine & Co.* ....	10,000.	.1	(?)	(?)
	\$13,253,000.	100.0%	2.49	\$330,520.04

\* Had but one transaction.

## RECAPITULATION OF DISABILITY FUND MUNICIPAL BONDS

	Par Value Sales to Fund	Profit Made Thereon	Profit Per Bond
Total of 28 dealers	\$13,253,000.	\$330,520.04	2.49%
15 other dealers ...	11,685,000. (88.2%)	322,998.42 (97.7%)	2.76%
13 dealers with 1 transaction .....	\$1,568,888. (11.8%)	\$7,521.62 (2.3%)	.48%
Total of 28 dealers	\$13,253,000.	\$330,520.04	2.49%
3 dealers most active	7,656,000. (57.8%)	276,714.37 (83.7%)	3.61%
25 other dealers ...	\$5,597,000. (42.2%)	\$53,805.67 (16.3%)	.96%
Total of 28 dealers	\$13,253,000.	\$330,520.04	2.49%
Schwamm & Co. ...	4,329,000. (32.7%)	230,453.22 (69.7%)	5.32%
27 other dealers ...	\$8,924,000. (67.3%)	\$100,066.82 (30.3%)	1.12%
Highest per bond profit is Schwamm .....			\$53.20
Second highest is Tollner .....			29.20
Schwamm's 1948 profit (N.Y.C. Return) ...		\$363,160.85	
From Disability Benefits Fund .....		230,453.22	
		\$132,707.63	



