Benjamin Graham was one of Wall Street's great innovators. Beginning his career in 1914, he was a master at using a company's detailed—and often overlooked—financial information when determining the value of its common stock. In the process he invented the field of security analysis and became a millionaire before he was thirty-five. In 1934 he co-authored the book Security Analysis: Principles and Techniques, which quickly became the bible of the investment community and is still the standard text at many business schools and universities.

After retiring in the late 1950s, Graham wrote an autobiography, tentatively titled “Things I Remember,” but others that generally do not accompany the theoretical bent: first, a good instinct for what was important in a problem or a situation and the ability to avoid wasting time on inessentials; and second, a drive toward the practical, toward getting things done, toward finding solutions, and especially toward devising new approaches and techniques.

If I was fortunate in the assortment of talents I brought to financial analysis, I was equally fortunate in the epoch in which I entered Wall Street. When I started, investment was limited almost entirely to bonds. Common stocks, with relatively few exceptions, were viewed primarily as vehicles for speculation.

A Prophet on Wall Street

failed to publish it before his death in 1976, at the age of eighty-two. His family recently released the manuscript, and McGraw-Hill will publish it this fall as Benjamin Graham: The Memoirs of the Dean of Wall Street, from which this article is excerpted.

I was destined to spend forty-two years—my entire business life—on Wall Street, beginning as a brokerage-house runner and ending as one of the heads of a substantial investment fund and chairman of two major business enterprises. Over the years I learned a lot from the teaching and example of others, though what I learned never prevented me from making my own blunders, large and small, nor did it contribute very much to whatever success I have achieved. (This judgment probably reflects the unconscious vanity that makes even a veracious and reasonably modest autobiographer conveniently forget what he owes to others.)

What I brought into Wall Street was an academic viewpoint that was self-adjusting to practical considerations. My school training had made me searching, reflective, and critical. I was able to add to these qualities two

When Benjamin Graham entered the New York financial world just before World War I, he recognized a vast potential for profits in undervalued securities.

In this excerpt from his memoirs, he tells how he taught American investors new tricks.

by Benjamin Graham

Nonetheless, a considerable amount of window-dressing began to be arrayed around common stocks, to impart some aura of respectability to what was previously considered a near-relative of the gambling casino. Detailed information on operations and finances was beginning to be supplied by corporations, either voluntarily or to conform with stock-exchange requirements. The financial services had begun to present this material in convenient forms in their manuals and publications. In addition, regulatory bodies, such as the Interstate Commerce Commission (ICC) and various state public-utility commissions, were gathering enormous quantities of data regarding the railroads and gas and electric companies, all of which were open for inspection and study.

But in 1914 this mass of financial information was largely going to waste in the area of common-stock analysis. The figures were not ignored, but they were studied superficially and with little interest. What counted most was inside information of various kinds, some of it relating to business operations, new orders, anticipated profits, and the like, but most of it to the cur-
The expanded New York Stock Exchange building, here in 1922, was a testament to the prosperity of the great bull market, where Benjamin Graham, opposite in 1951, first made his mark.
rent activities and plans of the market manipulators—the famous “they” who were held responsible for all the significant moves, up and down, of every important stock. To old Wall Street hands, it seemed silly to pore over dry statistics when the determiners of price change were thought to be an entirely different set of factors, all of them very human.

But for a variety of reasons—not the least being the improvement in the financial strength of large industrial companies that resulted from World War I—intrinsic value and investment merit were destined to assume increasing importance in common-stock analysis after 1914. As a newcomer, uninfluenced by the distorting traditions of the old regime, I could respond readily to the forces that were beginning to enter the financial scene. I learned to distinguish between what was important and unimportant, dependable and undependable, even what was honest and dishonest, with a clearer eye and better judgment than many of my seniors, whose intelligence had been corrupted by their experience. To a large degree, therefore, I found Wall Street virgin territory for examination by a genuine, penetrating analysis of security values. With my double good fortune—of internal equipment and a favorable tide—I could hardly miss being successful. Nevertheless, my career has had more than one setback.

The real beginning of my career as a distinctive type of Wall Street operator dates back to 1915, with the dissolution plan of the Guggenheim Exploration Company. This concern held large interests in several important copper mines—namely, Nevada, Chino, Ray Consolidated, and Utah—all of which were actively traded on the New York Stock Exchange. When Guggenheim proposed to dissolve and distribute its various holdings pro rata to its shareholders, I calculated that the current market value of the various pieces together would be appreciably higher than the price of Guggenheim shares. Thus there was practically assured arbitrage profit to be had by simultaneously buying shares of Guggenheim and selling shares of Chino, Nevada, Ray, and Utah. The possible risks lay in (1) failure of the stockholders to approve the dissolution, (2) litigation or other trouble occasioning a protracted delay, and (3) difficulty in maintaining a short position in the shares sold until they were actually distributed to the Guggenheim stockholders.

None of these risks appeared substantial to me. I recommended the operation to the firm, which arbitraged a fair number of shares. I also recommended it to others in the office. I recall that Harold Rouse [one of Graham’s superiors in the bond department] proposed that I handle the entire operation for him in return for a 20 percent share of the profits. In that way I effected my first arbitrage, an operation that was to prove one of my special fields of study and action. The dissolution plan went through without a hitch, the profit was realized exactly as calculated, and everyone was happy, not the least myself.

At the beginning of 1920 I was made a junior partner in the firm of Newberger, Henderson, & Loeb, members of the New York Stock Exchange, and my appointment was duly announced in newspaper advertisements. In addition to my salary the new arrangement gave me an interest of 2.5 percent in the annual profits, without liability for any losses. My share in the profits came to about $5,000 per annum during the four years that I enjoyed it.

On January 1, 1926, I transferred my services and my own funds to establish the Benjamin Graham Joint Account. Most of the capital was contributed by old friends, including Fred Greenman [a high school classmate] and many others. The financial arrangements were exactly what I had proposed to an earlier group: I was to be paid no salary but would receive a share of the profits, on a sliding scale up to 50 percent. (Little did I think, in my egregious self-confidence, that six years later I should have to ask that a provision of the original Graham Corporation be revised to pay me a modest salary in difficult times.) The participants were to receive quarterly payments at the annual rate of 5 percent, chargeable against their capital or profits.

The Benjamin Graham Joint Account started with $400,000. Three years later our capital was around $2.5 million, most of it addition from profits. A good deal of it belonged to me as the reinvestment of most of my ample compensation plus the earnings on my
growing capital. Each year new friends were eager to place funds in the account, the fame of which was spreading by word of mouth. I made no effort to attract additional investors; in fact, I refused to accept money from people whom I did not know personally. But the number of my acquaintances kept growing.

Of the many transactions carried out by the account, one is especially memorable. When the Standard Oil monopoly was broken up in 1911 by order of the U.S. Supreme Court, eight of the thirty-one companies emerging from the giant combine were rather small operators of the pipelines, carrying crude oil from various fields to refineries. Little was known about the finances of these concerns. They published only a one-line “income account,” which stated net profits for the year, and a balance sheet in the most abbreviated form possible. Only two Wall Street houses special-ized in the markets for all the Standard Oil subsidiaries. The firms published a monthly bulletin containing news items and figures regarding each subsidiary but nothing about the companies’ finances other than their highly inadequate income and balance sheets.

One day I was looking through the ICC’s annual report for certain data regarding railroad companies. At the end of the volume I came across some statistics concerning the pipeline companies that the tables said were “from their annual report to the Commission.” It occurred to me that those reports might contain information not sent to the stockholders, and that such information might be interesting and valuable. I wrote the ICC and requested a blank copy of the report filed by the pipeline companies. A bulky envelope came back containing a form of some fifty pages, replete with tables covering every detail of operations and financial condition. I was especially interested in a table that required the companies to set forth a list of their investments at cost and market value. All the pipeline companies had listed a large number of investments in their annual statements, but since no details were given it was impossible to know what those investments consisted of.

The next day I took a train to Washington, hied me to the ICC building, entered the record room, and asked to see the annual reports for 1925 of all eight pipeline companies. The reports were duly brought to me, and I soon found that I had a treasure in my hands. To my amazement I discovered that all the companies owned huge amounts of the finest railroad bonds; in some cases the value of these bonds alone exceeded the entire price at which the pipeline shares were selling in the market! I found besides that the pipeline companies were doing a comparatively small gross business with a large profit margin, and that they carried no inventory and therefore had no need what-
The vaunted Standard Oil building looms over Broadway in 1926.

ever for these bond investments. Here was Northern Pipe Line, selling at only $65 a share and paying a $6 dividend—while holding some $95 in cash assets for each share, nearly all of which it could distribute to its stockholders without the slightest inconvenience to its operations. Talk about a bargain security!

Here I was, a stout Cortez-Balboa, discovering a new Pacific with my eagle eye. Imagine! Carl Pforzheimer & Company and other brokerage firms had given years to the study of these Standard Oil companies, and apparently they didn’t know what I knew now, for they surely would not have left the shares to sell at such low levels had they seen the bond portfolios. (After all these years, I’m still amazed that no one in the brokerage business thought of looking at the ICC data.) Not even counting its hoard of cash and bond assets, how could Northern Pipe Line be selling at 65 if it paid a $6 dividend and continued to turn a profit? The answer was that the pipeline stocks were completely out of favor. They had previously earned much greater profits and paid much larger dividends; but the new tankers had taken away much of their business. Wall Street, with its usual disregard of details and concentration on the trend, seemed convinced that these companies had only a dismal future. The high dividend yield—more than 9 percent for Northern Pipe Line—was taken as a warning of trouble ahead rather than as a reason for buying.

I had copies made of the ICC reports for several years back and returned to New York in high excitement. I concentrated on acquiring Northern Pipe Line shares, since this company possessed the largest amount of bond investment in relation to its own market price. By careful but persistent buying I acquired 2,000 shares out of the total small capitalization of 40,000 shares. This made me the largest stockholder of record after the Rockefeller Foundation, which owned about 23 percent of all these companies. It now seemed time to persuade Northern Pipe Line management to do the right and obvious thing: return a good part of the unneeded capital to the owners, the stockholders. Naively, I thought that should be rather easy to accomplish.

I made an appointment to see D. S. Bushnell, the president of the company, at his office in the impressive Standard Oil building at 26 Broadway. It

NORTHERN PIPE LINE WAS HOLDING $95 IN CASH ASSETS FOR EACH SHARE. TALK ABOUT A BARGAIN SECURITY!
was the first time I had ever entered those legendary quarters. Two old men, looking suspiciously alike, were waiting to see me. One was Bushnell, and the other was his brother, general counsel to the company. (It is the custom in all areas of high finance to have more than one company official present at such interviews, in case testimony as to what was said might later be needed.)

I spoke my piece and made my case. I pointed out that the company was doing only about $300,000 in gross business, hence it was absurd for it to be carrying $3.6 million in bond investments that had no relationship to its financial needs. I showed that this $95 per share in surplus cash assets could not be properly reflected in the stock market, which had long been valuing Northern Pipe Line as a declining business, not as a repository of railroad bonds whose existence it did not even suspect. Clearly, the stockholders’ interest was to be reflected in the stock market.

“Why?”

“Because we haven’t any surplus to speak of, so we can’t pay out any more than our earnings. Actually, our distributions are very liberal.”

“Oh,” I said confidently. “That’s easy to arrange. All you have to do is reduce the par value of the stock from 100 to, say, 50 or 25 per share, and then you can pay out the difference or pay out 50 or 75 as a return of capital.”

A new tack was taken by the Bushnells. (They proved much more resourceful in finding reasons to hang on to the stockholders’ pile of gold than in finding ways to increase profit.) “The company can’t afford to do that. It needs all its capital.”

“But why? It can’t mean millions of dollars of capital, practically all in cash assets, to do $300,000 of business.”

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### Analysis of the income account however, would have revealed the following division of the sources of income:

<table>
<thead>
<tr>
<th></th>
<th>1923</th>
<th>1924</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Per share</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Earned from:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pipe-line operations</td>
<td>$179,000</td>
<td>$4.62</td>
<td>$99,000</td>
</tr>
<tr>
<td>Interest and rents</td>
<td>154,000</td>
<td>4.10</td>
<td>159,000</td>
</tr>
<tr>
<td>Nonrecurring items</td>
<td>35,000</td>
<td>0.88</td>
<td>14,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$308,000</td>
<td>$7.70</td>
<td>$224,000</td>
</tr>
</tbody>
</table>

This income account is exceptional in that the greater part of the profits were derived from sources other than the pipe-line.

1. Northern Pipe Line Company.—For the years 1923–1925 the Northern Pipe Line Company reported earnings and dividends as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net earnings</th>
<th>Earned per share*</th>
<th>Dividend paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1923</td>
<td>$308,000</td>
<td>$7.70</td>
<td>$10, plus $15 extra</td>
</tr>
<tr>
<td>1924</td>
<td>214,000</td>
<td>5.35</td>
<td>8</td>
</tr>
<tr>
<td>1925</td>
<td>311,000</td>
<td>7.77</td>
<td>6</td>
</tr>
</tbody>
</table>

*Capitalisation, 40,000 shares of common stock.

In 1924 the shares sold as low as 72; in 1925 as low as 67 ½; and in 1926 as low as 64. These prices were on the whole some-
ized business, about which you can know very little, but which we have done for a lifetime. You must give us credit for knowing better than you what is best for the company and its stockholders. If you don't approve of our policies, may we suggest that you do what sound investors do under such circumstances and sell your shares?"

There it was, the complete story. I was to hear it again, with only minor variations, countless times in my business career. There was a reason why this happened to me so often. My operations consisted largely of buying common stocks that were selling well below their true value as determined by dependable analysis. The most reliable indication of a substantial undervaluation occurs precisely in the Northern Pipe Line kind of situation, in which there were large realizable assets employed at small profit and withheld from the stockholders. It was my policy in their arsenal was the claim that the business was a very special one, that I knew very little about it, and that they were much better qualified than I was to judge what policies were required.

When, in all innocence, I made my first effort as a stockholder in 1926 to persuade a management to do something other than it was doing, old Wall Street hands regarded me as a crack-brained Don Quixote tilting at a giant windmill. No experienced person would waste his time trying to change any corporate policy from the outside, especially not in the stronghold of Standard Oil. "If you don't like the management or what it's doing, sell your stock" had long been the beginning and end of Wall Street's wisdom in this domain, and it is still the predominant doctrine. More than that, an outsider who tried to change anything was deemed either crazy or suspect. Many years before, a crafty character named Clarence Venner had made a lot of money and an unenviable reputation by bringing many suits against management for alleged financial misdeeds of various kinds, some entirely technical. So now if you just asked politely for something to be done, you were rebuffed more or less courteously, but if you persisted and indicated an intention to institute a legal action or ask for stockholders' proxies, your motives were immediately impugned, with broad intimations that the company was being victimized by a "holdup artist, another Venner."

In most of these cases the stockholder pressing for relief had not owned his shares for a long term. The reason for this is simple. If he had bought them in the old days when the price of the stock was high, he would be neither knowledgeable nor vigorous enough to see what needed to be done and to work for it. The only people who were likely to carry the ball for themselves and the other stockholders were knowledgeable professionals who had bought at low prices—i.e., fairly recently—and were aiming at what they considered a legitimate profit in return for their efforts.

Managements rarely failed to emphasize this fact of recent acquisition, suggesting that the troublemaker was a Johnny-come-lately and therefore a

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WALL STREET'S ATTITUDE WAS: "IF YOU DON'T LIKE WHAT MANAGEMENT IS DOING, SELL YOUR STOCK."

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A 1932 chart suggests how tightly bound American banks and corporations were.
mere self-seeker. I have never had any question or qualms about the ethics of my endeavors. What I accomplished benefited not only my own people but all the other stockholders, old and new, who were thereby getting only what they were entitled to as owners of the business.

In the early days the business of Wall Street was largely a gentleman's game, played by an elaborate set of rules. A basic rule was "no poaching on the other man's preserves." This meant that no one who was "in"—a member of what we would now call the Establishment—would think of making any move contrary to any other similarly situated person's vested interests. Banks and brokers always automatically turned over their annual-meeting proxies to management. A corporation or a banking group would never think of making a merger or a purchase offer to the stockholders or some concern without first having worked out the deal with management and having made ample provision to "take care" of same. Since investment bankers wanted to stay in the good graces of corporate managements generally, none could afford to get a reputation for not playing the game. In parallel fashion corporate officials never supported any move that would threaten the jobs or perquisites of the officers of another company, for they

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The Shareholders' Advocate

In 1932 Benjamin Graham found himself in an economic climate that was very different from the one in which he had pulled off his Northern Pipe Line coup five years earlier, but he still concerned himself with the "inflated treasuries" of America's corporations. That spring he wrote a series of articles on the topic for FORBES magazine, which called it "one of the most amazing, far-reaching and important situations which business and financial America has ever witnessed." These passages appeared in the June 15 issue, under the title "Should Rich Corporations Return Stockholders' Cash?"

"The total sale of corporate securities to the public [between 1926 and 1930] exceeded twenty-nine billion [dollars], of which a small part perhaps was turned over to private individuals, but the major portion was paid into the businesses, and either expended in plant additions or added to working capital.

"It must not be forgotten that other enormous sums have also been accumulated in the form of undistributed earnings. After this tremendous influx of cash it is no wonder that corporate treasuries are still bulging, despite all the money that has been spent, or lost, or paid in dividends.

"But what of the people who supplied the bulk of this money; the investor who bought new offerings; the stockholder who subscribed to additional shares? They are not rolling in wealth to-day, nor burdened with a plethora of idle funds. They stripped themselves of cash to enrich their corporations' treasuries; they borrowed heavily in order that these corporations might be able to pay off their debts.

"The grotesque result is that the people who own these rich American businesses are themselves poor, that the typical stockholder is weighed down by financial problems while his corporation wallows in cash. Treasurers are sleeping soundly these nights, while their stockholders walk the floor in worried desperation.

"True, the public has more stock certificates to represent the new shares which it paid for, and each certificate carries ownership in the cash held by the company. But somehow this doesn't help the stockholder very much. He can't borrow from the bank, or margin his existing loans, on the basis of the cash behind his shares. If he wants to sell he must accept the verdict of theticker. If he should appeal to the officers of the company for a little of his own cash, they would probably wave him away with a pitying smile. Or perhaps they may be charitable enough to buy his stock back at the current market price—which means a small fraction of its fair value. . . .

"Let corporations return to their stockholders the surplus cash holdings not needed for the normal conduct of their business.

"The immediate result of such a movement would be to benefit the individual stockholder, by placing funds in his hands to meet his urgent needs or to use as he sees fit. The secondary result would be to improve the price of the shares affected and the stock market generally, as the public is made aware in this forceful fashion of the enormous cash values behind American business to-day. The third result would be to improve the balance of our banking structure, making for a larger proportion of sound commercial loans (especially when business again expands) and permitting the repayment of a certain quantity of frozen security loans."
expected the same courtesies to be extended to them by all the other club members. It was like the preferred treatment always accorded to officers taken prisoners of war. Their officers-captors made them quite comfortable because they expected the same amenities for any of their own officers who might be taken prisoner by the other side.

Before I left the Bushnells' office, disappointed and exasperated, I told the brothers that I would like to come to the next annual meeting to express my views in an oral memorandum to the other stockholders and for the record. They seemed surprised at this suggestion but soon answered that of course I would be welcome to come to the meeting. With that I said good day and left.

The annual meeting was held in early January 1927 in Oil City, Pennsylvania, a town truly in the sticks. One had to take the train to Pittsburgh and then make a rather poor connection for Oil City. I made the overnight journey alone, first in a Pullman berth and then in a rickety local train, on a bitterly cold and snowy day. The company's offices in Oil City were meager but large enough to hold the assembly, five employees and me. I looked in vain for outside stockholders. In the meantime Bushnell's minions scrutinized me as if I were some curiosity from another planet, which I practically was. After some formalities, an employee read a prewritten slip that moved for the adoption and approval of the annual report for 1926. Another employee immediately seconded the motion. I rose and was recognized.

"Please, Mr. Chairman, where is the annual report?"

"We are sorry, Mr. Graham, but the report won't be ready for several weeks."

"But Mr. Bushnell," I asked in bewilderment, "how is it possible to approve a report that isn't ready and available?"

A whispered conference with the other Bushnell.

"We have always handled the matter in this way. Those in favor say 'aye.'"

All the proxies except mine were voted for the motion. After a few more formalities the chairman said that a motion of adjournment was in order. I rose again hurriedly.

"As we agreed in New York, I should like to read for the record a memorandum relating to the company's financial position." Another brief conference.

"Mr. Graham, will you please put your request in the form of a motion?"

I did so.

"Is there any second to this motion?" A pause of a few moments. Silence. I had not thought of this, and had failed to bring anyone with me from New York to back me up.

"But as you are well aware, I made the long trip here just to put this memorandum in the record. You encouraged me, Mr. Bushnell. I think you owe me the courtesy of seeing that my motion is seconded and carried."

Another brief conference, and then:

"I'm very sorry, but no one seems will-

THE BUSHNELL MINIONS
SCRUTINIZED ME AS IF I WERE SOME CURIOSITY FROM ANOTHER PLANET, WHICH I PRACTICALLY WAS.

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The Oil City train station in 1926, just before Graham made his first visit.

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amplified justified and fulfilled my threat. Actually, what I took to be a dismal personal failure in January 1927 turned out to be a great piece of financial luck. For now I had a whole year to prepare a plan and enlarge my financial stake. With increased capital available I
bought more shares of Northern Pipe Line. I committed as much of the partnership's funds as I could risk. I engaged Fred Greenman's highly regarded corporate law firm, Cook, Nathan, & Lehman, as counsel. The senior partner was Alfred A. Cook, a man of great ability and prominence but, I must add, of even greater pomposeness and vanity.

In my financial reading I had come across a fact that was little known at the time. I discovered that a number of states had passed laws requiring corporations to elect directors by cumulative voting. By casting all proxy votes for one director, a shareholder with Alfred Cook asked for a list of stockholders, and we were allowed to make our own copy from the company's records. Evidently the Bushnells thought we had no chance of accomplishing anything; otherwise they might have made us fight a costly legal battle to obtain the list. We prepared a letter setting forth our case. Cook, Greenman, and I worked hard over it, and I must say it was pretty good.

The company replied in its usual lordly way, dodging all the real issues, asserting its superior competence to decide what was best for it and ergo its stockholders, and impugning the motives of us interlopers with not-so-subtle innuendo.

There were not many large share- holders, and we arranged to visit personally all who owned more than a hundred shares. Northern Pipe Line made similar efforts through its employees and the Bushnells. (This was before the days of the large organizations now used by many companies to solicit proxies, even when there is no contest.)

Our most important objective was the proxy of the Rockefeller Foundation, owner of 9,200 shares, or 25 percent of the total. I was able to arrange an interview with Bertram Cutler, financial adviser to the foundation. He listened courteously but said rather decisively that the foundation never interfered in the operations of any of the companies in which it had investments. (This statement as well I was to hear too often in my later career from investment managers who should have taken their true responsibilities more seriously.) I tried to establish that the question at issue had really nothing to do with the operations of the Northern Pipe Line; it was simply a decision to be made by stockholders relating to the use of their surplus capital. But I returned empty-handed.

Greenman and I met Cook at the Recess Club to discuss strategy, particularly in relation to the Rockefeller Foundation's proxy. By chance we espied John D. Jr. sitting at the very next table, having lunch with a youngish man in a sport coat. (He turned out to be Andrew Mellon Jr., son of the multimillionaire financial magnate, art collector, and U.S. Secretary of the Treasury.) We were so struck by this happenstance that for a minute Alfred Cook seriously considered approaching Rockefeller and asking him to discuss our proxy fight and solicit his foundation's support. But we soon dismissed the idea as ill-advised.

Nonetheless, we did surprisingly well in garnering our other proxies. In retrospect I am amazed at our success, for further experience was to teach me that a strong, logical case does not go very far when one is appealing to the mass of feckless stockholders over the heads of and in opposition to a company's entrenched management.
The day of the annual meeting arrived in January 1928. I went again to Oil City, but this time not alone. I had with me three lawyers from Cook's outfit, including the redoubtable Alfred himself, and also Henry Schnader, a partner in a prominent Philadelphia firm, our Pennsylvania counsel. (Schnader was soon to be elected attorney general of his state.) We also had a goodly store of proxies, enough to give us what we wanted. To be sure that nothing miscarried, we arrived in Oil City a day in advance and installed ourselves in the best (or perhaps only) hotel. A pourparler with the Bushnells resulted in an agreement to go over the proxies that evening, to save time at the meeting.

The management group was surprised and discomforted to see how many of their own proxies had been superseded by later-dated ones given to us. After all this time I still remember old Bushnell's involuntary exclamation of pain when we established our right to one particular proxy for three hundred shares. "He's an old friend," he gasped, "and I bought him lunch when he gave me his proxy."

Before the meeting started the next morning, the management asked for a conference. We had proxies for more than 15,000 shares, enough to entitle us to two directors. (Thus we had obtained about half the votes other than those belonging to the Rockefeller Foundation, which we hoped might at least be withheld from the management.) Bushnell was now very suave. He saw no reason for an open contest, with its accompanying embarrassments to everyone, at the meeting. He would be very happy to accept the nomination by our side of two directors and to put them on the company's slate, thus making the elections unanimous.

Alfred Cook proposed Schnader and me as directors. Bushnell made some effort to have Cook himself—or almost anybody—substituted for me, for whom he evidently didn't care much. Without consulting me, Cook answered with a flat no. This had been my battle, he said, and I was entitled to the victory. The Bushnells gave in; the single slate was duly nominated and elected, and the whole meeting went off quite smoothly.

I was now the first person not directly affiliated with the Standard Oil system to be elected a director of one of its affiliates. Even though Northern Pipe Line was tiny compared to most of the others, I was mighty proud of my exploit.

During that truce conference in Oil City, Bushnell offered the conciliatory remark that it ought to be possible, at an appropriate time, for us all to reach an accord on the company's financial set-up. We thought then that this was a little soft soap, with no real significance. However, a few weeks later he invited me to his office for a discussion. In dulcet tones the old hypocrite said, "You know, Mr. Graham, we were never really opposed to your ideas about returning capital to the stockholders; we merely felt that the time was not appropriate. As matters now stand we are ready to present a plan that we think will meet with your complete approval."

The plan was to reduce the par value from 100 to 10; to give $50 in cash and three new shares in exchange for each old share, and to carry the balance of $20 per old share to capital surplus. Bushnell added that some additional distribution might be made later out of that capital surplus. But first some proper provision must be made for pensions for the faithful employees. In fact, the full $70 per share were eventually distributed, and the aggregate value of the new Northern Pipe Line stock plus the cash returned ultimately reached an aggregate of more than $110 per old share.

We wondered what had brought about this sudden change of heart in our former obstinate opponents. Alfred Cook later learned that the Rockefeller Foundation, through its proxies made out to management, had indicated that it would favor distribution of as much capital as the business could spare. (They could find good philanthropic uses for the money.) This explanation is most likely true, because virtually all the pipelines later followed Northern's example and made corresponding distributions to their stockholders.