By Bill Spitz, Principal

As a Co-Founder of Diversified Trust, Bill has been instrumental in the ongoing development of the firm's investment platform. Bill also serves on the Board of Directors of Mass Mutual Financial Group, Acadia Realty Trust, and is Trustee emeritus of Kenyon College in Ohio. He authored Get Rich Slowly: Building your Financial Future through Common Sense and is a frequent speaker at financial conferences.

Colorful & Fascinating People in Finance

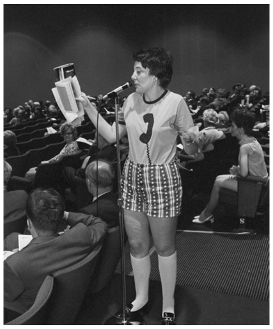


Photo Credit: Charles Tasnadi/ Associated Press

Corporate annual meetings were major "in person" events for most of the twentieth century as they attracted large numbers of shareholders who were given the opportunity to ask questions of, and make comments to, management teams. Some annual meetings were actually accompanied by lunch and others provided shareholders with samples of the company's products. A very colorful feature of many annual meetings was the presence of corporate "Gadflies;" individuals who attended a large number of annual meetings by virtue of their ownership of a small number of shares in many companies. Gadflies made every attempt to dominate these meetings by berating CEOs and Directors with regard to issues such as executive compensation, accountability, and transparency. The most famous Gadfly was Evelyn Davis who went to great lengths to command attention including stripping down to a bathing suit in one annual meeting and arriving in hot pants in another. Famously, she told Chrysler CEO Lee Iacocca in an annual meeting that he needed to lose weight and called CEO Frank Blake of Home Depot a "phony." Not surprisingly, Ms. Davis was highly controversial including being labeled "the most famous and least loved shareholder in the country." She was also identified by a local magazine as one of the 25 most annoying inhabitants of Washington D.C. As will be discussed later, while certainly

"Mr. Iacocca, you need to lose some weight"
—Evelyn Davis

shrill and self-aggrandizing, Ms. Davis and fellow Gadflies were the forerunners of today's activist investors as well as the ESG movement that now dominates Corporate America.

Innumerable articles and books have been written profiling successful investors so it is unlikely that I could add anything of value to that genre. However, many readers tell me they enjoy human interest stories so this paper focuses on a few of the many fascinating characters in the history of finance. Some of them were odious, many were incredible trailblazers, and most changed to a greater or lesser extent the way the financial world operates. Given intense media coverage of today's financial titans, I focus on characters from the 19th and 20th centuries, and they are presented in chronological order. There is no great lesson or moral to these stories so simply enjoy!

THE WITCH OF WALL STREET

Hetty Green (nee Henrietta Howland Robinson) was born in 1834 to a wealthy Massachusetts family that owned a fleet of whaling ships. Hetty had no particular interest in school and instead spent her time accompanying her father in the course of his daily business activity. At age 6, she began reading the financial pages of newspapers to her father and grandfather, both of whom suffered from poor eyesight. Hetty opened her first bank account at age 8 then quickly mastered stock tables and commodity reports. At age 13, she assumed the role of family bookkeeper.

Hetty inherited between $6 and $7 million (roughly $100 million in today's dollars) from her father and aunt in 1865 (at age 31) and proceeded on a lifelong quest to increase her fortune. Her investment strategy was in many ways the forerunner of what we today would call Value or Contrarian investing. Her basic precepts were:

- Invest in mortgages, real estate and other conservative investments yielding at least 6% and allow compound interest to work.
- Maintain large cash reserves in order to buy during panics or from distressed investors.
- Live frugally in order to retain capital.

Mrs. Green was also a lender to a variety of organizations and actually helped bail out the City of New York during the financial Panic of 1907. At her death in 1916, her estate was valued at somewhere between $100 and $200 million which equates to $2.5 to $5 billion in today's dollars. She was deemed the richest woman in the world, and her estate significantly exceeded that of J.P. Morgan who had died three years previously. Hetty's assets passed to her two children who in turn left approximately $200 million to charity upon their deaths in 1948 and 1951.

The most fascinating characteristic of Hetty Green was her obsessive frugality which bordered on penury. In fact, some contemporaries even questioned her sanity. She and her two children lived in small, unheated flats in Brooklyn and Hoboken, New Jersey moving frequently between locations in order to avoid tax collectors. Her family ate cold food (primarily oatmeal and ham sandwiches) and did not take hot baths because she refused to pay for natural gas. Hetty wore a single black outfit that was washed infrequently and patched her children's clothes with old newspapers. Her personal hygiene was abysmal with dirty fingernails and a rather distasteful odor. While there is some disagreement on the facts, it is alleged that her son was forced to undergo a leg amputation following a sledding accident because she refused to pay for medical care. We do know she suffered from a painful hernia for twenty years rather than pay for the required surgery. Finally, the pain was so intense that she visited a doctor who charged her $150 for his services. Interestingly, she tried to stiff him for his fee which apparently was her normal approach to dealing with tradesmen and service providers. Rather than pay for an office or staff, Hetty persuaded the Chemical Bank to allow her to carry on her business in its offices. She apparently spent most of the day in the vault clipping bond coupons which she stuffed into the bosom of her dress. The Bank's vault employees were forced to jockey for a workstation that would allow them to avoid her stench.

Financial historians continue to debate whether Hetty deserved the Witch of Wall Street moniker. Some suggest this label was attributable to her dirty, black outfits and poor hygiene. She was also crass, tough and distasteful in many ways and her miserly behavior did not endear her to contemporaries. On the other hand, she was a very successful woman in what was then very much of a "man's world," so it may be that she was largely a victim of misogyny. In any case, I get a good chuckle out of imagining her in comparison to my generation of Wall Streeters who were characterized by Ivy league educations, bespoke suits, and Hermes ties.

Photo Credit: Victoria Hammerness

THE BANK OF ITALY

You probably have never heard of this gentleman but he is largely responsible for banking as we know it. Amadeo Peter (A.P.) Giannini was born in San Jose, California in 1870 to Italian immigrant parents. Following the death of his father, his mother remarried and the family moved to San Francisco where his stepfather started a produce wholesaling company which soon employed A.P. As a result of his hard work and diligence, A.P. was given a half interest in the company at age 19. It became so successful that he was able to retire at age 31 although it was obvious to friends and family that he would engage in some other productive activity. At the urging of his father-in-law, A.P. joined the Board of Directors of the Columbia Savings and Loan Association but soon became disenchanted because the bank followed the common practice at the time of dealing exclusively with relatively wealthy individuals. He attempted to persuade the other directors to provide services to the rapidly growing immigrant population but was unsuccessful leading him to resign in 1904 and start the Bank of Italy which he expressly created for the "little fellow."

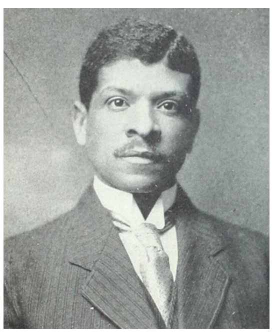
In April of 1906, San Francisco experienced an earthquake and subsequent fire that destroyed more than 80% of the City. As the crisis developed, A.P. had the foresight to quickly move all of the bank's cash and records in a garbage wagon to San Mateo which was eighteen miles away from the conflagration. He was therefore able to quickly return to San Francisco and reopen whereas many other banks were paralyzed due to lost records and currency. He set up shop on a plank resting on two beer barrels and hung out a sign that said "Loans Like before, more than what was given before." Loans were provided to "little fellows" seeking to rebuild, all based entirely on a handshake. A.P. later reported that every one of these loans was repaid. The Bank of Italy was the first institution to allow women to open and manage accounts without the involvement of their husbands. And, many financial services that we take for granted today such as home mortgages, car loans, credit cards, and personal savings accounts were developed by the Bank of Italy and its successor organizations.

The Bank of Italy became the pioneer of branch banking following 1909 enabling legislation in California reaching a total of 60 branches by 1922. In 1928, A.P. approached the Bank of America of Los Angeles leading to a merger that resulted in the creation of a system of more than 400 branches in California by 1929. Giannini then purchased banks in other states and outside the U.S. creating elements of the first truly transcontinental/global banking system.

During his tenure as Chairman of BankAmerica, he loaned money to Walt Disney to finance the film Snow White, financed the construction of the Golden Gate Bridge, provided capital for the U.S. war effort in the 1940's, financed the reconstruction of war-torn factories in Italy, and loaned money to William Hewlett and David Packard to form Hewlett-Packard.

Giannini retired in 1945 and died in 1949 with a net worth of only $500,000 which is a testament to his generosity and lack of interest in personal wealth. In fact, he was quoted as saying "Money itch is a bad thing-I never had that trouble."

Today, BankAmerica has 4,300 branches and total assets of $3.2 trillion.



Creative Commons

AMERICA'S LARGEST BLACK OWNED BUSINESS

Seven African American entrepreneurs from Durham, North Carolina each contributed $50 in 1898 to form the North Carolina Mutual and Provident Association, a life insurance company whose mission was to offer what was known as "industrial insurance" to Blacks of modest means. Industrial insurance was basically burial insurance that provided a death benefit of $100 which was sufficient to cover a suitable funeral. Weekly insurance premiums of 10¢ were collected in-person by agents who consisted primarily of African American teachers and ministers.

Charles Clinton Spaulding was born on a farm in 1874 where he worked until 1894 when he moved in with an uncle in Durham to pursue his high school diploma which he received in 1898. Along the way, he held various "Negro" jobs including bellhop, dishwasher, waiter, and manager of an African American cooperative grocery store. His uncle, Dr. A.M. Moore, was one of the seven founders of what had been renamed the North Carolina Mutual Life Insurance Company. Moore recruited Spaulding as the company's first employee naming him general manager in 1900. Upon Moore's death in 1923, the company promoted Spaulding to President.

Spaulding served as president for the next thirty years creating what was for much of the 20th century the largest company in the U.S. run by African Americans. By the late 1980's, the company had $8 billion of insurance coverage and maintained fifty offices across the country. Spaulding was also involved in a number of other financial institutions including the Mechanics and Farmers Bank, Banker's Fire Insurance Company, and the Mutual Savings and Loan Association. Due in part to the success of these companies, Durham became known as "The Black Wall Street of America" and the "Capital of the Black Middle Class." Spaulding achieved national prominence advising Presidents Hoover and Roosevelt. He was a Trustee of three educational institutions including Howard University and received Honorary Degrees from three other institutions. Perhaps most important, he was active in the Civil Rights Movement serving on the North Carolina Commission on Interracial Cooperation and the Durham Committee on Negro Affairs.

Sadly, the North Carolina Mutual Life Insurance Company is currently being liquidated because it was the victim of a fraud that resulted in the loss of $34 million of critical capital. Moreover, its fortunes had been declining for many years as a result of the acceptance of African Americans as customers by what were formerly all white, mainline insurance companies.

Creative Commons

THE FOX TAKES CONTROL OF THE HENHOUSE

Joseph P. Kennedy, Sr. was the founder of one of our nation's most powerful political dynasties that included Senators, the Attorney General of the U.S., and President John F. Kennedy. Joe Kennedy was also an incredibly successful investor and businessman building his fortune through stock trading, film production, the importation of Scotch Whisky, and the purchase of real estate including the Chicago Merchandise Mart which was the largest building in the world when it was opened in 1930. Kennedy is probably best known for selling all of his stocks and actually going short immediately prior to the Crash of 1929 because he realized there was a bubble when his shoeshine boy started giving him stock tips.

Despite his fame and prestige, Kennedy was a rather unsavory character in many respects. He was reputed to be a bootlegger although that allegation has never been proven and is doubted by many historians. He carried on widely known extra-marital affairs with actresses Marlene Dietrich and Gloria Swanson who he apparently brought home periodically to dine with the family. Kennedy was appointed U.S. Ambassador to Great Britain in 1938 but was recalled by FDR in 1940 due to his defeatist and isolationist views. He was anti-Semitic and later a close friend and supporter of Senator Joseph McCarthy. Finally, some historians believe he secured the Presidency for JFK by purchasing votes through mob connections in Chicago although there is no solid evidence to support these claims. I have only scratched the surface of his complex life because there are a number of fine biographies including: The Patriarch: The Remarkable Life and Turbulent Times of Joseph P. Kennedy by David Nasaw.

With regard to this paper, the most interesting and relevant part of Kennedy's life is his service as the first Chairman of the Securities and Exchange Commission which was created by Congress in 1934. Kennedy had made a fortune engaging in trading techniques that he would ban or regulate in his new role. For example, he previously engaged in short selling and participated in a number of "stock pools" that consisted of operators who would drive the price of a stock up or down before the group exited at the most opportune moment leaving other investors in the lurch. These operators used inside information and bribed journalists to publish slanted information in order to dupe an unsuspecting public. He also used "wash sales" which were purchases and sales from fictitious accounts to create the illusion of activity thereby drawing in other investors. All of these techniques clearly contributed to the run-up in the stock market during the 1920's and the subsequent crash that wiped out 85% of the market's value by the middle of 1932.

The creation of the SEC represented an incredible balancing act. On the one hand, it was bitterly opposed by the Wall Street establishment that naturally preferred self-regulation. The other camp wanted a long list of strict regulations and a vigorous enforcement effort that would hold brokers, traders, and accountants responsible for complying with them. Kennedy viewed himself as a builder rather than an administrator so he stayed in the position for less than two years. However, that was sufficient time for the Agency to create margin requirements, outlaw the use of inside information, require the registration of brokers, create new proxy solicitation regulations, and streamline the process of registering securities. By threading the needle, he helped restore the public's confidence in the markets while also gaining the somewhat begrudging approval of Wall Street.

All of the Activists *resorted to over-the-top theatrics which critics suggested was a blatant attempt to gain personal notoriety.*

THE GADFLIES

In addition to Evelyn Davis who was briefly profiled at the outset, there were three other famous Gadflies: Lewis Gilbert, John Gilbert, and Wilma Soss. Their backgrounds varied considerably as Evelyn Davis was a Holocaust survivor, Wilma Soss was a successful PR agent, and the Gilbert brothers were heirs to a fortune derived from the ownership of paper mills. Rather than focusing on their personal lives which were somewhat unremarkable outside of their efforts as shareholder activists, I document their annual meeting tactics as well as their ultimate impact on Corporate America.

Evelyn Davis typically held around eighty stocks in her portfolio and attended thirty to forty annual meetings per year while the Gilberts owned 1,500 stocks and participated in as many as 150 meetings per annum. All four took active roles in annual meetings for between forty and fifty years, and the Gilberts offered more than 2,000 shareholder proposals. The Gadflies' tenure as shareholder activists overlapped to a large extent but their insatiable need for the limelight kept them from working together. One can only imagine what might have been accomplished had they joined forces.

All of the activists resorted to over-the-top theatrics which critics suggested was a blatant attempt to gain personal notoriety. In their defense, the activists claimed these techniques were necessary because CEOs and Directors were insular and dismissive. Many of their theatrical performances are very amusing. At a U.S. Steel meeting in 1949, Wilma Soss wore a Victorian outfit with a large purple hat stating that "This costume represents managements' thinking on stockholder relations." At a GM meeting, she arrived in a wheelchair, swathed in bandages and covered with fake blood to dramatize Ralph Nader's book on unsafe automobiles. And, she attended a CBS meeting dressed as a cleaning woman with a mop and pail stating that she intended to "clean everything up." When Mattel purchased Ringling Brothers, John Gilbert wore a clown nose and passed them out to other shareholders. The Gadflies typically had a long list of questions for management and frequently prolonged meetings leading to the common practice today of limiting the time allotted to shareholder discussion. AT&T became so tired of Gilbert's endless questions that it hired security guards to intimidate him at an upcoming meeting. He got wind of their strategy and arrived at the meeting with his own security detail. Some shareholders applauded the Gadflies while others found them disruptive occasionally leading to pushing and shoving in an attempt to gain control of the microphone. On one occasion, John Gilbert apparently thrashed a security guard who attempted to remove him from a meeting at the request of the CEO.

It would be easy to dismiss these people as self-promotional narcissists which they in fact were. However, they were also very much at the forefront of good corporate governance, and many of their proposals have either been enacted or are currently the subject of active discussion by thoughtful investors, proxy advisors, and corporate boardrooms. At the 1949 U.S. Steel meeting mentioned above, Wilma Soss demanded that the company put at least one woman on its Board. As a result of the Gilberts' fight with Transamerica, the SEC required corporations to include shareholder resolutions in proxy statements. The Gadflies pushed for independent auditors and boards, an end to staggered board terms, disclosure of executive compensation, and more complete disclosure of accounting data. Of Evelyn Davis, the corporate secretary of American Express said "She is full of mischief-infuriating, outrageous, and unstoppable." While the same could be said of all of the Gadflies, it is clear that many of the shareholder rights we enjoy today are attributable to them.


Creative Commons

THE "FIRST WOMAN OF FINANCE"

Muriel (Mickie) Siebert was the first woman to buy a seat on the New York Stock Exchange (1967) and the first woman to own and operate a member firm. (1969) Additionally, she served as the Superintendent of Banking for the State of New York for five years overseeing the operations of all banks in the state. However, it was only through determination and a scrappy nature that she was able to overcome the "old boy" networks that dominated Wall Street at that time.

Ms. Siebert was born in Cleveland, Ohio and attended Western Reserve University where she was the only woman in most of her business classes. At age 26, she traveled to New York with an old car and $500 and was able to secure a research position at Bache and Company at a salary of $65 per week. She changed firms several times before realizing that the only way to overcome the wall of prejudice was to own her own seat on the exchange which required a sponsor and a loan of $300,000. After nine men refused to sponsor her, a tenth finally agreed although it took two additional years to secure the loan that was ultimately provided by Chase Manhattan Bank. Unfortunately, no other women purchased a seat for ten years and she liked to say that "it was 1,365 men and me." There was no ladies' restroom on the trading floor neither was there one on the seventh floor which was the site of the members' dining room. When the President of the Exchange refused to construct one adjacent to the dining room, she promised to install a Porta-Potty. She also faced an uphill battle in participating in many business deals since they were often consummated in men's luncheon clubs that were off limits to both women and Jews.

Throughout her life, Mickie continued to be a strong supporter of women and minorities in the financial industry. She was quoted as saying, "Men at the top of industry and government should be more willing to risk sharing leadership with women and minority members who are not merely clones of their white male buddies." Through the Muriel F. Sibert Foundation, she was a strong proponent of financial literacy. In 1990, she created the Siebert Entrepreneurial Philanthropic Plan in which issuers of securities could share a portion of her firm's underwriting profits with the charities of their choice. Among all of the honors she received, the most poignant was the naming in 2016 of Siebert Hall at the New York Stock Exchange, the first room in the exchange to be named for an individual.

While Ms. Siebert died in 2013, her firm is still very much in operation having made the transition to a new generation of owners and operators.

A VARIETY SHOW

In order to walk home together, my wife frequently met me after work outside the entrance to the New York bank by whom I was employed early in my career. Several times, she commented “Bill, I just watched 500 guys leave the building who look and dress exactly like you.” Well, I hope this paper dispels the notion that all financial types are faceless suits. Several of the people I profiled were rather quirky, some were obnoxious, and others truly inspiring. But, they were unique and each left an indelible stamp on the world of finance. This collection reminds me of the Variety programs that were popular on television in the 1950’s and 1960’s. As Ed Sullivan would say, “I hope you enjoyed the show.”

Several of the people profiled were rather quirky, some were obnoxious, and others truly inspiring. But, they were unique and each left an indelible stamp on the world of finance.

ATLANTA
877.955.8266

CHARLESTON
866.619.1003

GREENSBORO
855.821.4999

MEMPHIS
800.264.7498

NASHVILLE
877.386.7332

Important Notes and Disclosures

This White Paper is being made available for educational purposes only and should not be used for any other purpose. Certain information contained herein concerning economic trends and performance is based on or derived from information provided by independent third-party sources. Diversified Trust Company, Inc. believes that the sources from which such information has been obtained are reliable; however, it cannot guarantee the accuracy of such information and has not independently verified the accuracy or completeness of such information or the assumptions on which such information is based.

Opinions expressed in these materials are current only as of the date appearing herein and are subject to change without notice. The information herein is presented for illustration and discussion purposes only and is not intended to be, nor should it be construed as, investment advice or an offer to sell, or a solicitation of an offer to buy securities of any type of description. Nothing in these materials is intended to be tax or legal advice, and clients are urged to consult with their own legal advisors in this regard.