John Stewart Kennedy and the City of Glasgow Bank

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"Character," as J. P. Morgan testified to the Pujo Committee, was the absolute essential for credit. A private banker, John Stewart Kennedy (1830-1909) was already worth about $500,000 in 1878 when the liquidators of the City of Glasgow Bank called on him to demonstrate his first-rate talents on behalf of the shareholders.[1] The principal asset of the City of Glasgow Bank being certain American securities with a par value of more than $5,000,000, the liquidators of the City of Glasgow Bank asked J.S. Kennedy & Co. to represent them.At its liquidation the City of Glasgow Bank owned, among other American assets, securities of the Western Union Railroad Company (not to be confused with the Western Union Telegraph Company), which connected Lake Michigan and the Mississippi River, and the related (although separate in fact as well as in law) Racine Warehouse and Dock Company, plus stock in the Chicago, Milwaukee & St. Paul Railway Company associated with the other companies, and land and mortgages in the area served by these various properties. They possessed some value, even if indeterminate, that could be realized and applied against the massive liabilities burdening the shareholders of the defunct City of Glasgow Bank.[2] The liquidators urgently needed information as to the current value of the holdings of the City of Glasgow Bank in the Western Union and related enterprises. They first communicated with Kennedy in November 1878.

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[1]This is part of a larger work in progress on John Stewart Kennedy. See also [1; 3]. Kennedy's role in the reorganization of the Minnesota railroad companies received extended treatment in [2].

[2]See [5] for a detailed discussion of the context. See also [2], including both American testimony and pertinent exhibits, constitutes the principal source cited. I should like to express my appreciation to the Glasgow, Scotland, office of Deloitte Haskins & Sells for furnishing a photocopy.

BUSINESS AND ECONOMIC HISTORY, Second Series, Volume Fifteen, 1986. Library of Congress Catalog No. 86-071481.

Kennedy was previously known to two of the four liquidators (John Cameron, secretary of the Clydesdale Bank of Glasgow until he resigned to become one of the liquidators, and George Auldjo Jamieson, chartered accountant and auditor for the Scottish American Investment Company.) Moreover, with family remaining in Scotland, Kennedy had found occasion to return to Glasgow from time to time thereby renewing and strengthening his business contacts. Kennedy had been a partner in M. K. Jesup & Co. which had served as the agent of the Racine & Mississippi Railroad until that road was absorbed by the Western Union. In 1873 William John Menzies had designated Kennedy as the American agent of the Scottish American Investment Company of Edinburgh. Finally, Kennedy had acted as the agent for the Dutch bondholders of two Minnesota railroad companies and in 1878 negotiated their sale to George Stephen Associates, headed by the president of the Bank of Montreal. Kennedy and his partner, John S. Barnes, were known to be still interested in this railroad property, reorganized in 1879 as The Saint Paul, Minneapolis & Manitoba Railway Company, which exchanged traffic with the Chicago, Milwaukee & St. Paul. This would give Kennedy added leverage in negotiating with Alexander Mitchell, president of the latter road, and the most probable buyer of the liquidators' holdings of Western Union and Racine Warehouse and Dock securities.

For these reasons, Kennedy became the sole agent in America of the liquidators of the City of Glasgow Bank. "You are quite right," Cameron observed after half a year of frequent interchange, "in concluding that we do not wish to occupy your time in narrating details, but that we rather desire to receive results with your recommendations for our guidance."

In 1869, the Chicago, Milwaukee & St. Paul had bought the controlling interest in the Western Union from Mitchell who had acquired it from the City of Glasgow Bank, which retained the minority stock plus a substantial holding of bonds. Kennedy's long letter to the liquidators on 24 February 1879 summarized the complicated state of negotiations with Mitchell, including the strong and weak points in the liquidators' case, and outlined the available strategy, both conciliating and aggressive. Cameron replied on behalf of his colleagues that "we are quite determined to prevent a wrecking liquidation and are prepared to follow the decided course you recommend...."

The American security holdings of the City of Glasgow Bank consisted of $407,300 in Chicago, Milwaukee & St. Paul stock, $2,926,000 in bonds and $1,992,340 in stock of the Western Union, and $300,000 in Racine Warehouse and Dock, plus $44,810 owed by the Western Union. This was the nominal or par value of the portfolio but no one knew how much could be realized through the conversion of these assets into cash.

The investigators appointed by the directors of the City of Glasgow Bank to examine its assets and liabilities immediately after the stoppage in October 1878 estimated the market value of the Chicago, Milwaukee & St. Paul stock at 31 percent of par value. Disposing of the 4,073 shares would be relatively easy since the New York Stock Exchange furnished a continuous market. In April 1879 Kennedy asked the liquidators if they wanted to sell the stock immediately at market price. He sold 500 shares at 40 lest the price fall further. "We propose to continue making further sale of the Chicago, Milwaukee & St. Paul ... stock, without unduly pressing it on the market. The stock is not only one that is speculative in itself," Kennedy advised the liquidators on the 30th, "but the property is managed mainly by men who are notoriously speculative, and it is impossible to arrive at any intelligent conclusion from the facts that can be obtained, as to what its intrinsic value may be." Thus spake a market fundamentalist, but market timing also proved of critical importance in this transaction.

By early May, Kennedy responded to Cameron, who had counselled delay in selling this stock. Kennedy attributed his temporary but unwarranted concern to the impact of adverse weather on the wheat crop, which might depress the price of the stock of a grain carrier, before concluding that "...we are rather disposed as favorable opportunities seem to offer to dispose of a considerable holding of your stock...." Thus the supposedly permanent factors outweighed the seemingly temporary high stock price in Kennedy's mind.

Taking advantage of a further unanticipated price rise, Kennedy sold 200 shares of Chicago, Milwaukee & St. Paul stock at 44 in early May. He used the Bank of Montreal (he had no reason to go so far afield as Montreal but this was Stephen's bank) to transfer funds resulting from sales of the stock, having on previous occasions used this bank as well as several private banking firms. "The tendency being still upwards," he observed, "we have made no further sales for your account, but are watching the market closely."

By the middle of the month Kennedy reported more sales at 46, 47, 48, and 49. "The market for this stock," according to his analysis, "has been improving the last day or two, owing to favorable accounts regarding the growing crop in the West, which, from present appearances, now promises to be very large. We do not propose to press any more stock upon the market, but simply to sell, if at all, small amounts at a time as the market keeps advancing."

The market continued bullish and later that month the price of the stock reached 51 so Kennedy sold another 100 shares. "We shall continue to act under the best advice possible ... and we hope to take advantage of the present speculative movement so as to realize the most possible from this holding."

Unfortunately for the liquidators, Kennedy continued to underestimate the strength of the bull market.

"You will note the advance in C. M. & St. P. common stock," Kennedy commented late in July, "which we have realized up from day to day as the market has advanced, seeking to obtain an average for it.... Altogether, this C. M. & St. P. speculation of the Bank has proved a very profitable one, but it might very easily have turned out otherwise."

The stock market moved upwards from May until mid-August. At the end of the latter month Kennedy sold Chicago, Milwaukee & St. Paul at 63, remitting the funds via the Bank of Montreal. "We had decided," he advised Cameron, "to sell this stock at 70%, but the sudden change in the market disappointed our hopes, and having in mind your desire for speedy realization, and being uncertain of any immediate improvement, we parted with it...." He sold more in mid-September at 69 by which time only 73 shares remained; in the final transaction, Kennedy sold the balance at 67 a fortnight later.

Kennedy succeeded in selling the liquidators' stock in the Chicago, Milwaukee & St. Paul at prices ranging from 40 in April to 69 in September and netting $203,500.17, about half its par value. Although no small feat, Kennedy is by no means entitled to all the credit because he capitalized on a rising market, stronger than even he had expected, and also because advice from his principals deterred him from selling as quickly as he might have if unrestrained.

The City of Glasgow Bank in 1878 held $300,000 par value in stock of the Racine Warehouse and Dock Company and, in addition, a claim to $44,810 owed that company by the Western Union Railroad. According to a contract between the two companies, the Western Union had the right to buy the Racine Warehouse and Dock at a valuation set by arbitrators, who appraised the property at $41,933.33. Although Kennedy believed the arbitrators' award inadequate, he advised the liquidators to accept since the award could not be overturned except for fraud. The liquidators therefore received the sum of these two amounts for the Racine Warehouse and Dock.

After negotiations ending in June 1879, Kennedy, acting on behalf of the liquidators, exchanged $2,926,000 in 7 percent bonds and $1,992,340 in stock of the Western Union Railroad and $300,000 in stock of the Racine Warehouse and Dock and other items for $3,081,000 in 6 percent Milwaukee bonds with a much better standing in the financial community. The liquidators accepted this dollar for dollar exchange of the bonds because the greater security or reduced risk more than offset the lower rate of interest. As for the stock, the liquidators received only a nominal sum.

Following the conclusion of the preliminary round of negotiations with Mitchell and the Milwaukee, Kennedy conferred in April with Albert Keep, president of the rival Chicago & North Western Railway Company, interested in buying the bank's Western Union securities but only if control of the Western Union could be obtained. Keep made an attractive offer for the small minority holding of the Western Union stock which, since it did not include the much larger amount of Western Union bonds, could not be accepted. Under the circumstances, Kennedy did not pursue such an unpromising offer further.

Kennedy's antagonist in this Western Union negotiation was Mitchell, a fellow Scottish immigrant, who in 1869 had taken full advantage of the weak bargaining position of the City of Glasgow Bank. While visiting Scotland, he had personally contracted with the management of the City of Glasgow Bank to secure control of the Western Union by buying $2,001,000, or a bare majority, of the Western Union stock from the Bank; Mitchell, then, in an obvious conflict of interest, resold the stock to the Milwaukee at a considerable profit. The City of Glasgow Bank had retained the remainder or almost half of the Western Union Stock.

In Kennedy, however, Mitchell confronted a determined foe equal to the task at hand. By promising a "favorable realization," Mitchell tried to tempt the liquidators into lowering their guard against a repetition of what had occurred a decade earlier. Knowing his opponent too well to be gulled by a soft voice and sweet words, Kennedy prudently warned Cameron in January that "we fear this must be taken with considerable allowance...."

Kennedy conferred with Mitchell and Julius Wadsworth, vice president of the Milwaukee, regarding the sale of the Western Union bonds. Kennedy's asking price for the Western Union bonds was 90 percent of par while Mitchell countered with a bid of about 70. As Kennedy explained to the liquidators in late February, Mitchell's bid was low because of "...the idea evidently held by the C. M. and St. Paul interest...that the liquidators *must sell*, and accept whatever they can get for the interest they represent...." Therefore he urged the liquidators to decide the lowest acceptable price and whether, if that could not be obtained, to resort to the law rather than submit to "sharp practice."

Kennedy proved quite willing to utilize the courts to enforce the rights of the City of Glasgow Bank as bondholders of the Western Union. Undoubtedly, as Barnes asserted, in order to depress the market value of the bonds so that Mitchell and his clique could buy more cheaply, on February 1 the Milwaukee, owning the majority interest in the Western Union, refused to pay the interest due on the Western Union bonds. As a matter of form, Kennedy protested this default.

In April Kennedy reported to the liquidators on further inconclusive interviews with Mitchell who intimated "...that they would give us more for the stock and bonds than we could get anywhere else...." Surely Kennedy was justified in seeing this as no more than a tactic and viewing such claims and protestations with more than a touch of skepticism. While attending to the St. Paul, Minneapolis & Manitoba in Europe, Kennedy's partner Barnes traveled from London to Amsterdam and back to London before proceeding to Glasgow so that he could supplement in person what Kennedy had already communicated at length to the liquidators.

In order to exert pressure on Mitchell, Kennedy instituted foreclosure proceedings on the bonds in May through the trustee after the requisite lapse of time and asked the court to appoint a receiver. Since his tactic was to litigate and negotiate simultaneously, Kennedy also attempted a cash sale of the bonds but without success.

In late May, Barnes received word from John W. Cary, president of the Racine Warehouse and Dock and, more important, counsel to the Milwaukee, and Sherburn S. Merrill, general manager of the railroad, that the Milwaukee proposed a trade of its securities for those of the Western Union. This softening of the Milwaukee's position vindicated Kennedy's tactic of resorting to the courts to compel his opponent to be more flexible at the bargaining table. On his return to New York, Barnes transmitted the news of this intriguing possibility to Kennedy who then telegraphed to the liquidators concerning the "strictly confidential proposition." Kennedy viewed this "strictly private and confidential offer" of 5 percent bonds of the Chicago, Milwaukee & St. Paul in exchange for the 7 percent bonds of the Western Union as attractive enough to constitute a reasonable point of departure for further negotiation. Seeking a face-to-face confrontation in order to secure his asking price, he traveled to Chicago and Milwaukee en route to St. Paul and then returned to both Milwaukee and Chicago. On his enemy's home ground, he sought to increase the Milwaukee's bid to 6 percent bonds plus past due interest and legal expenses with the Western Union stock to be negotiated for separately.

Kennedy conferred at great length with Mitchell in Milwaukee and by early June was able to telegraph the liquidators:

> "Have been in communication with C. M. & St. Paul Rd. daily last week. Our opinion is that C. M. & St. Paul will make agreement issuing new 6 p.c. bonds. Guarantees payment of principal and interest, past due coupons will all be paid, Warehouse and Dock Coy.'s debt will also be arranged. Shall we settle on this basis? We recommend to your favorable consideration. We approve of such settlement. Reply by cable. No time is to be lost."

This offer, while by no means final, broke the log jam and prompted queries from the liquidators concerning the price to be paid for the Western

Union stock and the possible price which the new bonds might fetch. A job well started is half done, Kennedy knew. In response to the second question, Kennedy telegraphed: "New bonds marketable 93 to 98, perhaps 100."

Thanks to his tactic of filing a foreclosure suit with every prospect of obtaining a court-appointed receiver, Kennedy succeeded in budging Mitchell from his original position of a 5 percent bond to a 6 percent bond plus minor extras. Kennedy attributed this improvement to his "...intimate relations with and control of lines of Railway beyond St. Paul [St. Paul, Minneapolis & Manitoba], upon which the C. M. & St. P. Co. are largely dependent for Minnesota business...." As rumors of a deal being struck reached Wall Street, the price of Western Union bonds increased from 75 to 85 thereby justifying Kennedy's efforts.

Nothing had been accomplished by early June with regard to the Western Union stock but, nonetheless, Kennedy pushed for immediate acceptance of Mitchell's offer by the liquidators, who balked, however, cabling Kennedy: "Shall not assent to Stock thrown in as a bonus. Must have substantial consideration...." Receiving that message from his principal strengthened Kennedy's dickering with Mitchell. By mid-June Kennedy extracted a purely nominal price of $25,000 for the Western Union stock and even that insubstantial amount only with great difficulty. The liquidators wanted still more but on June 18 Kennedy cabled: "Can do nothing more." At this juncture, the liquidators cabled back: "You have our authority to close."

Even this did not completely satisfy the liquidators and so, the day after assenting to the exchange as worked out by Kennedy, Cameron cabled Kennedy to ask if the $25,000 should not be £25,000. No doubt the wish was father to the thought and Cameron wondered about "a probable mistake" in the course of translating coded cables. To this wild fantasy, Kennedy curtly replied: "$25,000, not £25,000." On that basis, Kennedy finally settled.

In order to secure the $25,000 for the Western Union stock, Kennedy, as a private banker, agreed to help the Milwaukee exchange the $574,000 in Western Union bonds held by others than the liquidators for the appropriate share of the $4,000,000 in new 6 percent Milwaukee bonds. Also, to protect the interests of the liquidators, Kennedy and Barnes were named trustees under the mortgage. Finally, the bonds were listed on the New York Stock Exchange.

Kennedy was able to settle on reasonable terms with Mitchell whose only other option, if he lost control of the Western Union, was to build an alternative route or risk creating a breach in the burgeoning Milwaukee network. "I only closed the transaction with Mitchell," Kennedy recalled a few years later, "when I became thoroughly satisfied that nothing better could be done."

The liquidators wanted a still better deal but Kennedy, having squeezed the lemon dry, asserted on June 20 "...that our object throughout the negotiation has been to secure a settlement which would afford the largest possible realization to the Liquidators. This we are certain has been accomplished." Consequently, Kennedy told the liquidators, "You may rest assured that the settlement proposed is one that you and we can both congratulate ourselves upon having effected." A few days later Cameron lauded Kennedy. The final settlement signed on 25 June 1879, netted the liquidators $350,000 to $400,000 more than the offer which Kennedy had recommended for acceptance in January. "I think the City of Glasgow Bank got a very good bargain. I thought Kennedy and Company and the Liquidators," Mitchell testified two years later, "very hard gentlemen to deal with."

As the dust settled after the successful conclusion of the negotiations with Mitchell, Cameron found time in early July for a postscript on the tactics of the liquidators: "Our hanging back," he explained, "was if possible to strengthen your hands in dealing with our antagonists, and when we saw that nothing more was to be made of it, we at once authorized you to conclude."

Acknowledging the cogency of Cameron's remarks, Kennedy still could not resist a rebuttal. "We were very glad during our negotiations with the C. M. & St. P. Co. that we could rest upon the necessity of having to submit propositions to you before accepting, and that did no doubt strengthen us with our opponents; but it is, and will be, impossible for us to tell you how sharp, and sometimes dangerous for the success of the negotiations, was the correspondence and interviews with Mitchell and his coadjutors."

Once the exchange of Western Union bonds and stock for new Milwaukee bonds had been negotiated, the next task was to convert the latter into cash. "I have no doubt," Kennedy alerted Cameron by the end of June, "you will be approached by parties trying to persuade you to sell out in such a way that *they* can make a considerable profit which will necessarily be so much lost to you."

One such party was Menzies, founder and managing director of the Scottish American Investor Company; the possibility of participating in any manner in the conversion of the sizable security position of the liquidators of the City of Glasgow Bank into cash fascinated him. Commencing in May 1879, this business associate, client or customer, and friend attempted, through insinuation, distortion, and sheer brass to interpose himself between Kennedy and the liquidators and thereby secure a preferential position in the realization of the bonds. His unseemly behavior unnecessarily complicated matters for Kennedy, who had to rebuff each improper overture politely but firmly and then explain Menzies's actions to the liquidators. There is no doubt that Menzies placed Kennedy in an awkward position by claiming that he had been entrusted with a responsibility by the liquidators, thereby managing to extract information from Kennedy to which he was not entitled. Finally, while still in the midst of the pending negotiations with Mitchell, the liquidators cabled Kennedy in June: "Act independently of Menzies."

Eventually, Cameron uncovered Menzies's importunities and misrepresentations to Kennedy, which prompted him to write privately to Kennedy: "I was much surprised to learn that this was done under the sanction of the liquidators.... We do not wish you to feel uncertain of your position in conducting so important a piece of business.... I shall see that there is nothing done except through you...." One of the liquidators had been a trifle indiscreet in speaking with Menzies who proceeded to act with Kennedy as if he had been granted authority by the liquidators. Late in June, and after he had concluded the negotiations with Mitchell, Kennedy privately informed Cameron that Menzies in his latest letter intimated that the liquidators "...are inclined to ask me [Menzies] to advise them...." Kennedy added that he still had not responded to Menzies because the settlement could not yet be a matter of public knowledge.

There was simply no stopping the incorrigible Menzies who could not and would not be discouraged. "There is no wish on my part," Menzies told Kennedy, "to interfere with you in any way, but I must look after the interest of this Coy., and get the business of marketing the bonds if we can. You are employed in this business through your connection with this Coy., and I shall trust, therefore, to your aiding us if you can do so." Quoting this to Cameron early in July, Kennedy, asserting his independence, stated "...that we do not understand that our employment in this business is through our connection with his Coy., or that we owe primarily any duty to his Coy. in connection with it."

Both Kennedy in New York and Cameron in Glasgow began receiving tentative offers for the new issue of 6 percent Milwaukee bonds before the end of June. Hoping that these bonds would sell at about par, Kennedy viewed such overtures as premature. That the best banking houses on both sides of the Atlantic seemed interested in such an investment grade security only added to his belief that haste makes waste.

By early July, Kennedy outlined for Cameron the advantage of a block sale through a banking syndicate, namely, timely payment in advance. "In any such arrangement," Kennedy declared, despite all that had passed between him and Menzies, "we should expect that our friends at the SAI Co. should have an interest as they desired...." Direct sale by the liquidators was not only inherently slower but also riskier.

"Menzies," Cameron protested in July, "has certainly no authority from us to write as he has done, and I cannot conceive how he considers that the Liquidation is under any obligation to make profit for his concern." A few days later Cameron reassured Kennedy: "Do not allow yourself to be controlled in this business in any way by Menzies, who has no warrant, and will not be encouraged without your knowledge. I make no remark upon his persistent conduct and attempts to thrust himself into this matter." That these two had established such a degree of trust enabled them to fend off Menzies without disrupting their relationship or preventing Kennedy from making the most of the task entrusted to him by the liquidators. Kennedy, in an inherently difficult position, displayed great courage in resisting Menzies; a lesser man might have bent before the storm.

In early August, Menzies advised Cameron of his forthcoming trip to New York and plans concerning the possible purchase of the 6 percent Chicago, Milwaukee & St. Paul bonds. He offered Cameron unsolicited advice and services claiming a legitimate interest in the liquidation as the representative of the remaining Shareholders Committee. Replying in a noncomittal fashion conveying as little information as possible, Cameron forwarded copies of each letter to Kennedy. In his letter, which crossed Cameron's, Kennedy explained his motivation: "Menzies' communications on the Western Union subject have now ceased. Our object in first bringing these under your notice was to protect ourselves from outside interference at a critical juncture in our negotiations with the C. M. & St. P. Co., and latterly, to guard you against his Company's evident desire to share profits which belong exclusively to yourselves. These ends being served, we need not further refer to the matter."

Cameron further prepared Kennedy for Menzies's impending visit by asking that he furnish Menzies with all information appropriate to a prospective purchaser. By the middle of the month Kennedy came to accept Menzies's tactics as no more than a passing nuisance. "Like yourself," he notified Cameron, "we are surprised at the persistency which characterizes Menzies' efforts to identify himself with "Western Union" matters; but these annoyed us only when they threatened your interest, and can now, as you suggest, be allowed to pass unnoticed."

Menzies arrived in New York late in August and, as Kennedy apprised Cameron, "...our conversations with him regarding past communications have resulted in mutual good understanding." Ultimately, whether because of his constant intrusiveness, his reconciliation in person with Kennedy, or because he possessed some semblance of legitimate entitlement recognized by Kennedy and Cameron, or some combination of any or all of these or still other reasons, Menzies was invited to take a share in the banking syndicate which acquired the Chicago, Milwaukee & St. Paul bonds the liquidators received in exchange for the Western Union bonds and stock.

Kennedy recommended to Cameron in August that the liquidators sell the Milwaukee bonds directly on the New York Stock Exchange rather than through an investment banking syndicate since the price received by the liquidators would be higher and a sale through a syndicate could only gain a few weeks time. "In view of our connections with this matter in its past stages," Kennedy explained, "we would derive more pleasure and satisfaction in being permitted to bring it to a final conclusion, and the same consideration would prompt us to seek a lower rate of remuneration for this part of the work than...the [1 percent of the par value of the bonds, plus 1/8 percent as brokerage] customary charge."

In addition to gaining directly as agent of the liquidators, J.S. Kennedy & Co. profited indirectly by exchanging all the remaining Western Union bonds not owned by the City of Glasgow bank for Milwaukee bonds. Cameron sent a draft advertisement for the sale of the bonds to Kennedy who returned an alternative circular. Drawing on his experience, Kennedy proposed including the name of his firm and made other, mostly technical, insertions and alterations designed to heighten interest on the part of prospective purchasers, and also discussed the possible offering price.

Cameron expressed his appreciation for Kennedy's "...consideration in indicating a modification of the usual terms." The liquidators could afford to wait a short while before selling the bonds but Cameron voiced concern regarding a possible bear operation. On balance, after weighing the arguments advanced by Kennedy concerning the mode of disposal, late in August Cameron agreed with Kennedy that selling on the New York Stock Exchange offered the most promise. However, in the second half of the month a money contraction resulted in a decline in security prices.

Kennedy's role as the exchange agent for the outside Western Union bondholders was functional and part of his regular business as a private banker rather than substantive. However, he again decried Mitchell's business ethics because the Milwaukee gave a better deal to the liquidators for whom Kennedy had previously negotiated than to the outstanding bondholders. Mitchell's two-tier offer was, and still is, legal, although morally reprehensible now as then.

With the method of converting the bonds into cash still undecided, Cameron notified Kennedy early in September that he intended to come to New York. "The altered state of our market...and other considerations," Kennedy informed the remaining liquidators, "which we shall weigh and discuss with Cameron, may render the realization of your bonds, independently of the Stock Exchange, necessary and advantageous; but in determining this point we shall be guided by his counsel and advice."

After principal and agent had an opportunity to confer in person, Cameron and Kennedy agreed to dispose of the bonds through an underwriting syndicate that would guarantee the money should the bonds remain unsold after the date stipulated. Cameron negotiated with John W. Ellis, organizer of many railroad bond syndicates and head of Winslow, Lanier & Co., one of the oldest and best established investment banking houses, acting for the syndicate. On September 20, this firm offered to buy 3,081 Chicago, Milwaukee & St. Paul 6 percent bonds or $3,081,000 par value at 98 percent or $980 for each $1,000 bond, and Cameron accepted on that same date. The syndicate also included J.S. Kennedy Co.; M.K. Jesup & Co.; the Scottish American Investment Company; Cameron's bank, the Clydesdale Bank of Glasgow; and Glyn, Mills, Currie & Co. of London, the correspondent of Winslow, Lanier & Co. The syndicate resold the bonds at a price slightly above 103 percent but only after considerable unexpected delay; its profit was above 4 percent or about $125,000. Early in October Kennedy transferred the proceeds of the bond sale to the liquidators via the Bank of Montreal, among other banks. By mid-month, having concluded the important business which brought him to New York, Cameron returned to Scotland.

Meanwhile, some contributors failed to meet their calls and since each had an unlimited liability, the liquidators of the City of Glasgow Bank discussed with Kennedy the practicality of getting even relatively small amounts in every conceivable way. Believing that the probable costs of recovery and collection would exceed any sums that might be obtained, he persuaded the liquidators to abandon their pursuit of those contributories residing in the United States and Canada. Also, the Bank still held farm mortgages worth $5,000 and other minor assets including unsalable land valued at some $6,000 derived from the Bank's Western Union investment, but Kennedy regarded these as uncollectible, or at least not worth the anticipated trouble and expense. Therefore, in exchange for settling the bill of Cary, general counsel of the Milwaukee, for services to the liquidators, Kennedy transferred these residual interests and claims to him because he lived nearby.

Having been organized in September, the syndicate discovered that bond sales moved slowly owing to the state of the market. In December the syndicate still retained $2,239,000 of the original $2,976,000 with which it commenced sales. Utilizing the Bank of Montreal, in February 1880 Kennedy remitted funds from the bond sales to the liquidators. He apologized to Cameron for the failure of the Chicago, Milwaukee & St. Paul bonds to sell more quickly, attributing this lag to the reputation of the railroad as a bad corporate citizen. "The action of the Company in refusing the outstanding "Western Union" bondholders a settlement upon the terms allowed to you further intensified the discredit which its proceedings towards you had created," he reminded Cameron, "besides rendering your bonds, so long as any of the "Western Union's" bonds remained outstanding, practically a *second* mortgage on the road." Further negotiations by Kennedy with Mitchell culminated in an improved offer for the outstanding Western Union bonds, one calculated to result in the exchange of the outstanding bonds. A few days later bond sales reached $1,121,000 with $1,855,000 remaining for sale.

Only a little more than a third of the bonds with which the syndicate opened its books remained to be sold by March. The following month the syndicate negotiated with a Frankfurt firm for the sale of the bonds. Since the liquidators were eager to convert all their remaining assets into cash, Cameron repeatedly prodded Kennedy. An offer from a London banking firm also held out hope. The syndicate closed in April but only after shading the offering price. Kennedy transferred the funds via the Bank of Montreal, thereby helping his associate, George Stephen, its head. The final result of the syndicate was 103 percent per bond flat.

The Winslow, Lanier & Co. bond syndicate purchased $3,426,000 in Chicago, Milwaukee & St. Paul 6 percent bonds at 98 percent flat. With the prior approval of Cameron, J.S. Kennedy & Co. acquired a 22 percent or $757,000 share in the syndicate. For reasons of sentiment, and perhaps because some of the stockholders of the City of Glasgow Bank may have been known to him, Kennedy yielded his approximately $25,000 share of the bond syndicate profits to the liquidators. "I [Kennedy] told [Cameron]...that I did not wish to make any indirect profits out of the Liquidators," Kennedy recollected, "and that whatever profits I made on my interest in the syndicate I would turn over to the Liquidators."

J.S. Kennedy & Co. received about $50,000 (£10,500) for its services, a reasonable fee under the circumstances and set after minimal face-to-face discussion with Cameron. "I told him," Kennedy testified in 1881, "in the first place, that as an old Glasgow man I did not want to charge an exorbitant fee, and that I had rather take a very small fee, or no fee at all, than not have the Liquidators satisfied. I referred to the amount of work we had done in selling a large part of the [Chicago,] Milwaukee and St. Paul stock and remitting them the proceeds for which we charged them no commission; in fact, all the work we had done up to that time we had made no charge for it, and that in view of the fact that I would turn in any profit I made out of the syndicate, that I thought about $50,000 would not be an exorbitant charge for what we had accomplished for them. He said that was a great deal of money, but still there had been a great deal of labor and responsibility, and in view of the amount involved, he could not say it was too high; and that he would talk it over on his return with his co-liquidators, and make me an offer. After Cameron's return he cabled us the offer of the Liquidators, tendering $10,500 [sic £] to cover the entire services, which we accepted."

The liquidators received much more than anticipated on the American assets of the City of Glasgow Bank under their control. They capitalized on the recovery of security prices and Kennedy's adroit tactics utilized a judicious combination of litigation and negotiation. Kennedy could take considerable satisfaction from his able representation of the liquidators of the City of Glasgow Bank. While his own monetary reward as a private banker was comparatively small, he enriched himself in other ways. By resisting the opportunity to take advantage of the liquidators, Kennedy enhanced his standing as a banker with character.

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DISSERTATIONS IN ECONOMIC AND BUSINESS HISTORY