The Honorable Herbert H. Lehman  
State House  
Albany, New York

Dear Herbert:

About fifteen months ago, an action was brought in the Supreme Court in New York County by Adolf Gobel, Inc. against William J. Hammerslough and other defendants, among whom were included with the exception of yourself all of the partners of Lehman Brothers who were in the firm in the years 1928 and 1929 (the years during which the acts complained of were alleged to have been committed). As to the firm of Lehman Brothers, the summons was addressed as follows:

"ADOLF GOBEL, INC.  
Plaintiff,

against

William J. Hammerslough, Monroe C. Gutman, John M. Hancock, Allan S. Lehman, Harold M. Lehman, Philip Lehman, Robert Lehman, Paul M. Mazur and Harold J. Szold, individually and as general co-partners formerly doing business under the firm name and style of Lehman Bros. (in which said firm of Lehman Bros. Arthur Lehman, now deceased, was also formerly a general co-partner),

and

All said persons above-named (except said Harold M. Lehman, Harold J. Szold and Arthur Lehman), together with John R. Fell, William S. Glazier, John Hertz, Thomas Hitchcock, Jr. and Joseph A. Thomas as the surviving, continuing and additional general co-partners now doing business under the said firm name and style of Lehman Bros.,"

Among the other defendants were Hitt, Farwell & Co. who are no longer in existence and who were the leading bankers in the transactions which were made the basis of the suit. Other directors involved in the suit did not give much promise in the way of contributing to the expense of the defense and appearances indicated that the chief burden would have to be borne by us. At the time the summons was served, we discussed the fact that even though you were liable as a partner during the two years in question for your share of any liabilities of the firm of this character, it would be better for the purposes of the record if you were not notified at the time,
so that no claim could ever be made against us that we were indirectly seeking to have you intervene in the matter, particularly in view of the fact that counsel for the plaintiffs was a firm of which Al Smith, Jr. was then a member.

The allegations were confined by the plaintiff's attorneys largely to fraud so as to endeavor to bring the case within the statute of limitations by claiming that the acts complained of were not discovered until less than six years before the action was brought; these acts consisted of two separate transactions involving exchanges of stock of companies which were purchased by Gobel by an issue to the sellers of its own stock in exchange, which stock was simultaneously purchased by the bankers and resold by them. The amount involved was about $1,500,000. and we were therefore considerably disturbed and deemed it necessary to make preparations to defend the suit, in case we were ever forced to trial. We engaged as counsel Alec Royce's firm, Chadbourne, Wallace, Parke & Whiteside, as they were counsel for the bankers in matters connected with the Gobel company.

Judge Church who heard the motions to dismiss on the ground that the statute of limitations operated refused to pass upon the plea and the suit was set down for trial. We appealed the case to the Appellate Division which handed down a decision that the charge of fraud had not been sustained and that a charge of failure on the part of the directors to perform their fiduciary duties, if there was any such failure, was barred by the statute of limitations. Counsel for the plaintiffs appealed the case and it was heard some weeks ago by the Court of Appeals. With Justice Irving Lehman not sitting, the Court unanimously upheld our contention that the statute of limitations prevailed. The action was therefore definitely closed.

We have received a bill from Chadbourne, Wallace, Parke & Whiteside for $15,000. for services and disbursements in connection with the arguments in the three Courts above mentioned, plus the work put in by them in getting together the necessary material to prepare the case for trial in the event that we should have to take such action. On several occasions, it was hinted to us that the case could be settled out of Court, but after reviewing the material which had been prepared our counsel strongly advised against it, and it is gratifying that the course they recommended has proved to be the correct one.

Your percentage interest in the firm in the two years in question would make your share of the bill $2,310. I might add that the Chadbourne firm's bill was based upon their hope of being able to collect up to $2,500. from the other defendants. In any event, there will be no further charge against our group if the full $2,500. is not collected. If they should be fortunate enough to collect more, they will refund to our group for division among it anything they may receive above the $2,500.
I know you are terribly busy and I am sorry to bother you at this time with a matter of this nature. Needless to say, we are all very happy here as to the outcome of this matter and we feel that the bill which has been rendered is a reasonable one, particularly in view of the above manner in which it was handled by Alec's firm.

With best regards, I am

Sincerely yours,

[Signature]

RL:S