most of the money, although for the last five years Senator Depew has received $20,000 a year and D. B. Hill $5,000 a year. This year Elihu Root has received $25,000. The expenses of the many lawyers who were engaged in the fight over the amendments to the charter have not been paid yet, but will be charged to the society, the report says.

The large salaries and directors' fees are marked by Superintendent Hendricks, who comments on the great power of the executive committee and its composition and the singular sloth of the board of directors.

No explanation was forthcoming from Paul Morton as to why he had accepted the resignations of President Alexander and James Hazen Hyde. Instead his accountants got down to the investigation, which, he has announced, he intends shall be as thorough and searching as possible. Incidentally, he said that he had accepted the resignation of Charles F. Williamson, Mr. Hyde's private secretary, and those of several minor employes. Mr. Williamson received a salary of $7,200. It was charged that he acted really as the overseer of the Hyde country place.

Mr. Hyde remains a director of the Equitable, and for the present, as Mr. Morton phrases it, will continue to be chairman of the executive committee. The committee held a meeting yesterday, at which Mr. Hyde presided. No action was taken concerning the reorganization of the board or the executive committee, although there was much discussion of the course to be pursued. Mr. Morton was at the meeting and made suggestions.

Mr. Hyde gave up his office yesterday, and began to have his personal effects moved from the Equitable building. He made his headquarters temporarily at the Mercantile Trust Company. He refused to talk about his resignation, but denied that he intended to go to Europe just at present. His friends say that he will wait until the aftermath of the Hendricks report, when he will begin vigorous action, including legal proceedings, if necessary, to clear himself from the charges made against him.

Whether Mr. Morton will accept the other resignations which he holds now is the question agitating the heads of departments in the society. With President Alexander and Mr. Hyde gone, Gage E. Tarbell, second vice-president, is the head, ranked only by Mr. Morton as chairman of the board. The general impression is that Mr. Tarbell's resignation will be accepted. Mr. Tarbell himself said that he had not heard of its being accepted, and had no immediate expectation that it would be. He had two conferences with Mr. Morton yesterday afternoon, one a long one.

George T. Wilson, third vice-president, and William H. McIntyre, fourth vice-president, it is thought, may be retained. Henry Rogers Winthrop, the financial manager, who resigned voluntarily, also is likely to be kept. The probability of a combination of the new place, chairman of the board, with the office of president, is being discussed. In such a case it is considered that Mr. Morton would be the incumbent of the dual office.

Mr. Morton's investigation of the Equitable's condition is likely to cause dismissals of many of the higher salaried subordinates in the offices. A reduction of the forces at the larger agencies is contemplated, it is understood, with a corresponding reduction in the expense allowances for all agencies. Mr. Morton said that he had accepted the resignations of some of the minor employes. He would not talk about resignations of the other officials. He declared that he had authorized no statement as to the scope of his investigation or its probable result in criminal proceedings against some of the officers and civil suits to compel some directors to restore to the Equitable funds misappropriated and profit obtained illegally. He did not intend to discuss such a statement, he said.

President Alexander, it was said yesterday, would probably be well enough in a day or two to go to his country home in the Catskills. He would say nothing about the acceptance of his resignation.

CONDUCT OF THE OFFICERS CRITICISED.

The official conduct of President Alexander, Vice-President Hyde and Gage E. Tarbell is thus summarized in the Hendricks report:

President Alexander has been connected with this society for almost a lifetime. He has, therefore, had the respect and confidence of all who knew him. In his testimony he stated that he was not conscious of any wrongdoing, and that he was led to participate in the syndicate transactions of James H. Hyde and Associates by Mr. Hyde without giving the matter such serious consideration as it deserved. The uncontroverted testimony was that he was a participant in them and accepted his share of the profits. He executed the leases that proved to be so detrimental to the society's interests. He was cognizant of and approved the various subsidiary undertakings which we have criticised, and by reason thereof has failed to meet the obligations imposed upon him as chief officer of the society, and it is an open question whether he is not disqualified under Section 36 of the Insurance law from hereafter holding any office in a life insurance company, as well as all the other officers and directors who participated in these unlawful transactions.

Mr. Hyde, on the death of his father, became the owner of 502 shares of the Equitable society stock, and acquired thirty-five additional shares, making a good working majority. He knew this, and others were quickly made aware of it. He did not hesitate to extract from the society's treasury $352,500 for his stock in the Missouri Safe Deposit Company, made valuable only by the outrageous leases with the parent society. He permitted the society to lose heavily in its business transactions with the Commercial Trust Company, of which he is a salaried officer and a large stockholder. He was very active in promoting the transactions by which the present Equitable Trust Company was developed, and he thereby profited largely and became vice-president at a liberal salary.

By reason of the Equitable society's control of the Mercantile Trust Company he became vice-president of that institution with a good salary. He has been accustomed to buy large amounts of securities and involve the society in other important ventures without authority. He has carried large holdings of the society's stocks in his own name. He exacted salaries out of all proportion to his age, ability or the value of his services, and caused those of his immediate friends and favorites to be unduly advanced.

He is mainly responsible for the extravagant salaries allowed many executive officers. He has been accustomed to draw large sums for expenses on his own unitemized vouchers. In fact, he has not seemed to consider himself accountable to any one for the expenditure of the society's funds. He introduced and conducted the syndicate transactions and involved others with himself.

He forced himself on boards of direction, and into business relations with prominent men by the aggressive assertion of his stock control of the Equitable society, and by those means he gradually assumed domination of the society's affairs until the presidency was reduced to a position of secondary importance. His authority continued to increase, and he proceeded to use the society and its assets more and more as if they were his own, until he was checked by the demand for mutualization and his retirement. The policyholders are under great obligations to Mr. Alexander and the other executive officers for taking this step.

The following charges have been made against Mr. Tarbell by some of the other executive officers:

That he has been extravagant in the administration of the agency department.

That he has encouraged or connived at rebating.

That during several months last past he has been allowing to agents $4 a $1,000 for new insurance in addition to the regular percentage, without consulting the executive committee.

That just before this controversy he received from the society $135,000 cash in settlement of his claim for commuted commissions in the Chicago agency.

That he encouraged insubordination by inducing executive officers and heads of departments, and even clerks, to sign a petition against the vice-president, and that he has been instrumental in circulating literature criticising and slandering certain officers of the society, in direct violation of a resolution of the executive committee.

On these charges I find that in the year 1900 a new system was inaugurated, by which the percentage of first premiums on new business allowed to agents was reduced from 60 to 50 per cent. This made it very difficult for the field agents to compete with those of other large companies, which allowed their agents larger percentages, and therefore the advances to them were increased in order that they might live and continue in the service of the society. I doubt if the increased advances amount to as much as 10 per cent of the first premiums on new business saved, and therefore the society is not a loser.

Mr. Tarbell swears that he has not even connived at rebating, but that, on the contrary, he has always denounced and tried to stop it, and no evidence has been adduced in support of this allegation by those who made it.

Mr. Tarbell admits that during the last few months he has been allowing to agents $4 a $1,000 on new insurance in addition to the regular percentage, and says this was done after consultation with and approval of the president. It does not appear to be a bonus in the ordinary sense of that word, but an extra compensation to sustain the agency force during these trying times. That may have been an error in judgment, but there is much excuse for Mr. Tarbell in striving to keep up the business of the society and retain its agents.

It appears that the sum of $135,000 paid Mr. Tarbell was computed in the auditor's department as the amount due him for his commuted commissions, and no evidence has been adduced showing that he was overpaid.

Mr. Tarbell denies that he was instrumental in or encouraged the circulation of literature in criticism of other officers of the society, and no substantial evidence appears in support of this or the other charges preferred against him.

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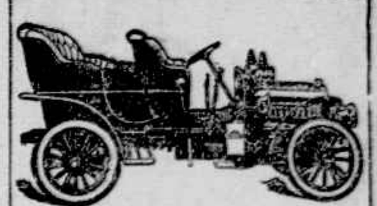
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THE DETAILS OF THE REPORT.

DIRECTORS, AS OFFICERS OF SUBSIDIARY TRUST COMPANIES, REAPED GAINS WHILE SOCIETY LOST.

Profits of Syndicate Should Be Returned—Big Fees for Lawyers—Surplus Belongs to Policyholders.

The report of the Superintendent of Insurance, dated Albany, June 20, after rehearsing the details of the Equitable controversy from the beginning and telling how he came to make his investigation, goes on to tell of the founding of the society by Henry B. Hyde, saying:

Under his direction and management the society grew in public confidence, and before his death it became one of the largest and most extensive insurance companies in the world. But he did not neglect his own interests or those of his immediate associates and dependents in the society. As business increased and money began to flow into the treasury, and the real, or apparent, surplus began to grow, he conceived the idea of constructing or buying office buildings in the larger cities in this country and also in Europe. They were claimed to be a useful advertising medium, in impressing the policyholders and general public with the large surplus, substantial property and wise conservatism of this institution. But they incidentally served another and more selfish purpose.

THE MERCANTILE SAFE DEPOSIT CO.

The present home office building, at No. 120 Broadway, New-York City, was the first of these, and it occurred to Mr. Hyde that its lower floor would be a convenient and desirable place for safe deposit vaults, and that such business would be profitable. He therefore, some time prior to January 1, 1876, organized a corporation known as the Mercantile Safe Deposit Company, and on January 1, 1875, the society leased to this Mercantile Safe Deposit Company rooms and accommodations in the Equitable Life Building. The lease was for twenty-five years, from January 1, 1876, until January 1, 1901, with the privilege to the lessee of renewing it for twenty-five years more at the expiration of that period. The annual rent reserved was as follows: The first $15,000 received by the tenant as net rental for said vaults, safes, places of deposit, after the payment of all expenses, went to the landlord; the second $15,000 went to the tenant, and the balance was equally divided between the landlord and the tenant.

This lease was executed on the part of the society by H. B. Hyde, president, and attested by Samuel Borrowe, secretary. Thereafter and on January 9, 1883, seventeen years before the expiration of the lease above referred to, the society made a new lease with this same tenant, with no apparent reason, unless it may be to extend the term and have another officer than H. B. Hyde execute it on the part of the society. This second lease provides for the same rent and contains substantially the same conditions as the one for which it was substituted. It was to terminate on January 1, 1951, but provided for two renewals at the option of the lessee of fifty years each, which will continue it until the year 2051, on the same terms and conditions contained in the old lease. This lease was signed on the part of the society by James W. Alexander, vice-president, and William Alexander, secretary.

Thereafter, and on April 14, 1888, the society leased to this same tenant several additional rooms and extra space of large rental value with no additional rent. This instrument was executed on the part of the society by James W. Alexander, vice-president, and William Alexander, secretary.

Again and on October 8, 1900, the society entered into another lease with this same tenant, which was really the exercise of a renewal option contained in the former lease. This instrument was executed on the part of the society by James W. Alexander, president, and George T. Wilson, third vice-president. The Safe Deposit Company is now in possession under this last lease. All these leases provide that the lessor must make all improvements, alterations and repairs, and must light, heat, water, janitor, watch and clean the premises, and incur all expenses for care and maintenance. Yet it receives only one-half of the net rental from the vaults, boxes and places of deposit, whereas it should receive all. It may be claimed that the Safe Deposit Company ran some risk in agreeing to pay $15,000 per annum in any event. Not so. It took no chances, for the net rents received by it from these vaults, etc., during the first year were $66,474 92, and the lowest net rental since that time was $47,414 18. Besides, the landlord paid all expenses, so that there was no chance to lose, and every chance to win, on the side of the tenant.

From the year 1877 to 1904, both inclusive, the Mercantile Safe Deposit Company paid to the society as rent the sum of $1,033,846 46, in annual payments ranging from $33,707 09, the lowest, to $46,535 04, the highest. The statements which we received from the society do not show the payments made or expenses incurred for alterations in and additions to the premises occupied by the Mercantile Safe Deposit Company prior to September 17, 1890, but they do show an outlay by the society on the vaults, boxes, rooms, etc., leased by this tenant from September 17, 1890, to December 31, 1904, inclusive, of $479,909 45. The rents received from the safe deposit company for the same period were $483,372 94, showing a balance in favor of the landlord of only $3,463 49. But when we take into account the expenses for heat, light, water, janitors, watchmen, cleaning, elevators, etc., it is manifest that the society suffered a great loss, whereas the gentlemen interested in the safe deposit company have been reaping enormous profits. The capital stock of $300,000 has been paying 29 per cent dividends, all at the expense of the parent company; and this will continue for ninety-six years to come.

THE SECURITY SAFE DEPOSIT COMPANY.

Manifestly, Henry B. Hyde was pleased with the safe deposit business and concluded to extend and improve it. The Equitable society, therefore, bought or erected a building in Boston and leased an adjoining building from one Charlotte A. Johnson for the use of the society. He and his associates organized a corporation under the laws of Massachusetts and named it the Equitable Safe Deposit Company, and on January 1, 1880, the Equitable Life Assurance Society leased to this company an outfit of rooms, vaults, boxes and general accommodations for safe deposit business, partly in the building which it owned and partly in the building which it leased. This lease is better—$16,000 a year better—to the tenant than the one to the Mercantile Safe Deposit Company.

By it the safe deposit company rents out or sublets the vaults, safes, boxes and places of deposit and pays all expenses incurred in the same. The balance or net rental is divided as follows: The first $100 go to the Equitable Society, the next $16,000 go to the safe deposit company, and, if the net income exceeds $16,100 per annum, the Equitable Society gets half the surplus until one-half of such surplus, together with the $100, reaches $20,000, when the rights of the Equitable society cease, and the tenant gets all the remainder.

The maximum amount which the society can receive is $20,000 in any one year, and when it receives that amount the tenant receives $36,000 and all surplus. The lease provides for three renewals of twenty-five years each, at the option of the lessee, which will continue it in force until January 1, 1980, and then for a renewal of 100 years from that date, at the option of the lessee, which will continue it in force until January 1, 2080. It was executed on the part of the society by Henry B. Hyde, president, and Samuel Borrowe, secretary.

It seems that on or before November 8, 1888, another corporation, known as "The Security Safe Deposit Company," was organized under the laws of the State of Massachusetts, which succeeded to the rights of the Equitable Safe Deposit Company, and that the Equitable society had constructed a new building in the city of Boston. Therefore, on November 8, 1888, the society entered into a new lease of the basement and ground floor of the new building in addition to the space already occupied by the Equitable Safe Deposit Company. The Equitable society simply added the ground floor and basement to the space occupied under the old lease, without receiving or apparently asking any additional rent or compensation. This lease was executed on the part of the society by James W. Alexander, president, and William Alexander, vice-president.

Again on December 20, 1904, the society by a supplemental lease added some new space and accommodations to the rooms and space occupied by the lessee, without any additional rent or compensation, and this instrument was executed on the part of the society by James W. Alexander, vice-president, and William Alexander, secretary.

No one would anticipate that such an arrangement would prove profitable to the society, and the expected has happened. According to a statement furnished us by the officers of the society, the receipts of rent from the Equitable Safe Deposit Company and the Security Safe Deposit Company, its successor, from the year 1878 to the year 1904, both inclusive, amounted to $168,285 26. This statement contains no items of expenditure prior to January 9, 1891; but the expenditures and payments made by the society on account of alterations and additions in and for the Security Safe Deposit Company from that date to and including May 16, 1904, was $162,045 96, very much more than the rent received during that period.

The Safe Deposit Company has received $168,285 26, the same as the Equitable Society, and the additional sum of $16,000 a year since January 1, 1880, amounting to $300,000, or a total of $468,285 26, while the Equitable Society has paid out many thousands of dollars for additions and improvements in these vaults, safes, places of deposit, more than it has received, and has also incurred all expense for light, heat, water, elevator, janitors, watchmen, cleaning, etc. With this sort of a "jug-handled" lease it is not surprising that the real estate pays the society only 1.8 per cent on the whole building, while the stock of the Security Safe Deposit Company pays its owners 18 per cent on its capitalization of $200,000.

THE MISSOURI SAFE DEPOSIT COMPANY.

The late Henry B. Hyde, who by this time had become a firm believer, and an expert, in safe deposit business, concluded he could improve on the Boston lease by $4,000 a year in favor of himself and friends, and to the loss of the society. Therefore, prior to the ninth day of November, 1888, he caused the Equitable Society to purchase an office building in the city of St. Louis, Mo., and organized a corporation under the laws of that State, and named it "The Missouri Safe Deposit Company," and on the ninth day of November, 1888, he caused the Equitable Society to make a lease to this corporation. This lease was executed by James W. Alexander, president, and William Alexander, secretary.

By this lease the Missouri Safe Deposit Company rents out or sublets the vaults, safes, boxes and places of deposit, and pays all expenses incurred in the same. The balance or net rental is disposed of as follows: The first $100 goes to the Equitable Society, the next $20,000 goes to the safe deposit company, and if the net income exceed $20,100 per annum, one-half of such excess goes to the Equitable Society and one-half to the safe deposit company, until such one-half, together with the $100, amounts to $20,000, which is the maximum rent which the Equitable Society can receive, and all excess above that goes to the safe deposit company. Let it be understood that the society receives nothing under this lease except $100 a year until after the safe deposit company has received $20,000 per annum, above all expenses, while the society keeps up all additions and improvements at its own expense. Thereafter and on December 20, 1894, the Equitable Society leased to this safe deposit company two additional rooms without any additional rent.

Under this lease the society received in rents from 1886 to 1894, for these premises, which were worth many thousands of dollars annually, the magnificent sum of $100 a year, and from 1895 to 1904 it received $300 a year. There is no apparent reason why the rent was jumped from $100 to $300 at once, except possibly to give these gentlemen an opportunity, in case of a superficial inquiry, to say that the rent was increased 200 per cent.

From 1886 to 1904, inclusive, the society received the total rental of $3,900, while from February 16, 1891, to May 9, 1905, inclusive, it paid out on account of alterations, additions, repairs, etc., for these premises occupied by this safe deposit company the sum of $33,131 40, and in addition thereto, during the whole term of the lease, the society incurred the expense of heat, light, water, janitors, watchmen, elevators and cleaning. The amount expended by the society on these leased premises prior to February 16, 1901, does not appear. The society has realized only 1.86 per cent on its valuation of this building (much less than the investment), while the tenant had its premises practically rent free, and received very large profits from the time of its organization until the stock of the Missouri Safe Deposit Company was sold to the society in the year 1902.

The leases by the Equitable society to these three safe deposit companies are very much alike. They all contain provisions with reference to arbitration in case of a disagreement between the parties as to the expenditures of the lessee. Three arbitrators are to be chosen, one by the lessee, one by the lessor and the third by the two so chosen, and the decision of such arbitrators shall be final and conclusive upon the parties. When it is clearly understood that the gentlemen who caused the society to make these long leases at great loss to the society are the same men who reap the profits from the leases, it is manifest that if ever an arbitration question should come up as a matter of form, the society's interests would not be looked after. That is all that need be said.

These leases are all so one-sided, unfair and unjust to the society that it is practically impossible to convey a clear idea of all their provisions by any extract which may be made; for it is difficult to believe that trustees of a sacred trust would make such contracts against the welfare of the society and in their own interests. In order that the policyholders may read for themselves, if they desire, and see the kind of leases which the society has been making, copies of them are appended to and made a part of this report.

But who were the gentlemen who realized these profits? The Missouri Safe Deposit Company was capitalized at $200,000, consisting of 2,000 shares of $100 each, and the following is a list of the original subscribers to that stock and the amounts of their subscriptions:

	Shares.		Shares.
Henry G. Marquand	200	James Jauncey Hoyt	5
Henry G. Haarstick	5	William Alexander	25
D. K. Ferguson	5	Louis Fitzgerald	1,745
George W. Allen	5		
George D. Capen	5	Total	2,000
William Nichols	5		

Two hundred shares appear in the name of Henry G. Marquand.

The six following seem to be qualified directors holding five shares each. William Alexander, the secretary of the Equitable society, took twenty-five shares, and Louis Fitzgerald took the great bulk of the stock, 1,745 shares. This gentleman was the intimate friend of the late Henry B. Hyde, and for many years was chairman of the executive and finance committees of the Equitable society. We have sent for Mr. Fitzgerald to tell us who the real owner of this stock was, but he has not appeared. It may be assumed that most of it was owned by Henry B. Hyde himself, for while he favored his intimate friends on the inside, at the expense of the society, he kept the lion's share himself.

President James W. Alexander and other officers who appeared before us explained that in the year 1902 the society was negotiating the sale of this St. Louis building, but that the proposed purchaser refused to take it on account of this long and one-sided lease. It was on that account deemed wise on the part of the society to purchase all the stock of the company, so that it might own both the building and the stock and terminate the lease at will. It was therefore agreed to pay the stockholders $250 a share, which was estimated on a basis of 4 per cent. The stock was paying dividends of 10 per cent per annum. All of the stock was bought in by the society at that figure. James H. Hyde was the owner of a large majority, for, on June 2, 1902, he sold to the society 1,410 shares at $250 a share and received in cash $352,500.

James W. Alexander says he signed these leases under the direction of Henry B. Hyde. I believe that to be the fact, and it is the most charitable construction which can be placed upon his acts.

Here follow three and a half pages giving in detail the rentals received by the Equitable from the three safe deposit companies and the disbursements made by it for alterations, additions and equipment of the premises occupied by those concerns, most of the payments being to J. B. & J. M. Cornell, for vault work and iron work, and to J. M. Mossman, for safe deposit boxes, tin boxes and locks. The total rent received from the Mercantile Safe Deposit Company, 1877 to 1904, inclusive, was $1,033,846; from the Security Safe Deposit Company, 1878 to 1904, $168,285; from the Missouri Safe Deposit Company, 1886 to 1904, $3,900. Payments made on account of alterations and additions: Mercantile Safe Deposit Company, to J. B. & J. M. Cornell, between August, 1902, and February, 1905, $198,800; in March, 1904, and February, 1905, $4,813; in 1903, $28,565; to J. B. Mossman, in 1904, $105,411; to the Cornells, Mossman and others, between 1890 and 1904, $147,543. Payments made for the benefit of the Security Safe Deposit Company, of Boston, between 1891 and 1904, aggregated $162,045, and for the Missouri Safe Deposit Company, between 1891 and 1905, $33,331.

THE COMMERCIAL TRUST COMPANY.

Proceeding, the report discusses the Commercial Trust Company, of Philadelphia, saying:

The Commercial Trust Company, of Philadelphia, is advertised in a book published by the Equitable Society annually, as one of its affiliated companies. Many of its directors are Equitable people. Many years ago the custom or practice began of making advances by the society to its agents. In about the year 1893 the total of these advances was large and appeared as an asset in the annual report of the society, but was not admitted as an asset in the Insurance Department of the State of New-York. It therefore occurred to Henry B. Hyde to get a financial institution which would answer a double purpose, and this Commercial Trust Company, of Philadelphia, was either organized or purchased. Since that time, annually, large sums of agents' advances have been assigned to this trust company.

Credit has been given the Equitable society in the trust company's books as so much cash deposited, and has been admitted as an asset by the Insurance Department. The other purpose which it serves is to make a profit for the trust company, in which many Equitable officers and directors are interested as stockholders, and at the loss of the Equitable society. On December 12, 1904, the Equitable society assigned to the Commercial Trust Company agents' balances to the amount of $4,273,249 45 by an assignment and agreement. This instrument, on its face, is an absolute assignment of all claims which go to make up the total, and contains the following covenants. . . .

On the same day, December 12, 1904, by an assignment and agreement of exactly the same form, the Equitable society transferred to the Equitable Trust Company of New-York another schedule of agents' balances amounting to $1,539,935 42. Clarence L. Gillespie, vice-president of this trust company, was called as a witness, and stated, in substance, that the assignment and agreement, together with the schedule, was the only paper delivered by the society of the trust company; that none of the notes or other evidences of debt held by the society against the agents were delivered with the assignment; that the trust company simply took this instrument and entered it on its books as a loan to the Equitable society. The Equitable society retains all the evidences of claims against the individual agents to whom advances are made, collects them all and pays them over to the trust companies.

This practice has been in vogue with the Commercial Trust Company since about the year 1894, and the trust companies never suffered any loss. In fact, these trust companies run no risk, and they have no trouble or expense in connection with the same. They simply enter the total amounts in their books as loans to the Equitable Society, on which they get 5 per cent; and the Commercial Trust Company pays the Equitable Society 3 per cent on its deposits, and the Equitable Trust Company only pays 2 per cent on its deposits. If the Equitable Society had not made these assignments its total assets would appear to be $5,813,184 87 less. If it had retained these accounts it would have saved in the transaction with the Commercial Trust Company 2 per cent on $4,273,249 45, or $85,464 98, and it would have saved in the transaction with the Equitable Trust Company 3 per cent on $1,539,935 42, or $46,198 06. No reason appears why it should not have done so, for its bank cash deposits for a long time back have averaged between $20,000,0000 and $30,000,000. It is only fair to say, however, that the Equitable Society is a stockholder in the Commercial Trust Company in the sum of $347,500, par value, and gets its share of the profits in the form of dividends. It is also a stockholder in the Equitable Trust Company in the sum of about $1,300,000, par value, and gets its share of the profits realized by that company from this transaction in the form of dividends; and it is only fair to say also that James H. Hyde is an officer of the Commercial Trust Company at $2,500 a year and a stockholder in the sum of $25,000 par value, and he is also vice-president of the Equitable Trust Company at $12,000 a year and stockholder in the sum of $300,000, par value. He therefore has a strong interest in seeing to it that these trust companies run no risk and reap good profits.

THE EQUITABLE TRUST COMPANY OF NEW-YORK.

An inquiry was made in relation to the organization of the Equitable Trust Company of New-York, one of the affiliated companies of the Equitable Society. The name of the original corporation was "American Deposit and Loan Company," which was organized for the purpose of loaning money to policyholders on Equitable policies. On the first day of June, 1896, the stock list of this company, according to the statement verified by Mr. Krech, president of the Equitable Trust Company, was as follows:

	Shares.		Shares.
W. N. Coler, jr.	10	John E. Searles	10
W. T. Hatch	10	George Westinghouse	10
Marcellus Hartley	4,940		
George W. Hebard	10	Total	5,000
G. W. Jenkins	10		

Marcellus Hartley was a personal friend of Henry B. Hyde, a director of the society, and a member of the executive committee. The 4,940 shares were supposedly put in his name for the purpose of distribution, and when that was accomplished the stockholders of record were as follows:

	Shares.		Shares.
James W. Alexander	100	G. W. Jenkins	100
William Alexander	50	T. D. Jordan	100
H. M. Alexander	10	S. S. McCurdy	5
C. B. Alexander	100	W. H. McIntyre	100
Alexander & Colby	180	Mercantile Trust Co.	200
Bainbridge Colby	10	M. B. Metcalf	50
W. N. Coler, jr.	25	M. Murray	10
T. DeWitt Cuyler	200	William B. Porter	25
C. M. Depew	200	S. D. Ripley	100
Equitable Life Assurance Society	2,335	V. P. Snyder	50
Louis Fitzgerald	100	George H. Squire	50
Marcellus Hartley	250	G. E. Tarbell	100
G. D. Hartley	100	George T. Wilson	100
J. H. Hyde	300		
Annie F. Hyde	50	Total	5,000

The list of stockholders as of January 7, 1902, was the same as the foregoing. In order to get a clear understanding of this transaction, it should be observed that nearly all of this stock appears in the name of the Equitable Society and its directors, especially the members of the executive committee. It was an affiliated or subsidiary company of the Equitable Society, and was made one of its depositories. On January 7, 1902, the increase of its capital stock from $500,000 to $1,000,000 was authorized. The book value of the stock at the time this increase was authorized was $150 per share. The terms of the increase were that it was to be paid for at the rate of $150 per share and each stockholder of record was entitled to subscribe for one additional share for each share of his holdings.

It should be noted that the Equitable Society, which was entitled to take 2,335 shares on this increase, elected to take only 665 shares, making its holdings 3,000 shares. The 1,670 shares allotted to the Equitable Society which it did not take were distributed as follows:

	Shares.
James H. Hyde	565
James H. Hyde and W. H. McIntyre, trustees	702
Annie F. Hyde	75

And the balance, 328 shares, to other members of the executive committee of the society.

The privilege of subscribing to this increase proved to be very valuable, which will appear when the plans which had been mapped out by Mr. Hyde and his friends for the further increase of capital were carried out. Mr. Hyde in his evidence explains, when asked why the Equitable society did not exercise this privilege, that he, as chairman of the executive and finance committees, and the other members of these committees thought it unwise for the society to take in at $150 a share its full allotment of stock. Nevertheless, on his own personal account, and for his mother, and for himself and W. H. McIntyre, as trustees, he was willing to assume the risk.

The next step taken was an act of the legislature, passed on April 2, 1902, changing the name of the corporation to the Equitable Trust Company of New-York. On January 28, 1903, its capital stock was again increased from $1,000,000 to $3,000,000, the additional increase to be paid for at $500 a share.

The list of stockholders and their holdings on January 27, 1903, the day before the increase, and also the list as of January 28, 1903, immediately after the increase, are set forth, and the report continues:

It will be noted that the Equitable society is now the owner of 13,168 shares, an increase of 10,563 shares over its holdings on January 27, 1903, paid for at $500 per share, an investment of $5,281,500. Mr. Krech, in his testimony, states that the book value of the trust company stock after this increase was paid in was $383 1-3 per share. In other words, the stock that was paid for at $500 per share has now a book value of $383 1-3 per share, a loss to the society of $116 2-3 per share, and the stockholders who took the stock at $150 had the book value of their stock increased to $383 1-3, a profit of $233 1-3 per share, a very handsome showing to the gentlemen who took the stock allotted to the Equitable society and the shareholders of January 27, 1903, before the increase, and a very large loss to the society by reason of the determination of the executive committee that it was unwise for the Equitable to take the stock allotted to it. Since this reorganization the Equitable society has kept on deposit with the trust company an average of about $10,000,000 at the low rate of 2 per cent per annum.

The simple statement of the above transaction, directed by the officers of the Equitable society and approved by their executive committee, demonstrates that they were not solicitous for the society's welfare, but active in promoting their own private interests.

NATIONAL BANK OF COMMERCE.

An inquiry was instituted into the consolidation of the Western National Bank of the City of New-York with the National Bank of the United States of New-York, under the name of the Western National Bank of the United States in New-York. Mr. Snyder, president of the National Bank of Commerce, stated in his evidence that he was at that time, 1902, president of the Western National Bank of the City of New-York; that it was a flourishing banking corporation; that the Equitable society held from 11,000 to 13,000 shares of its stock—he could not state definitely, but probably about 12,000 shares; that its book value was 245, and its market value about 600, that is, 600 bid, 625 asked; that the stock was sought for; that he could have sold the controlling interest at $700 a share; that the Equitable society owned the controlling interest.

The report after quoting a circular regarding the merger says:

It appears from this circular that the board of directors of the Equitable society accepted the conditions for this merger, which in substance were to deliver to each stockholder for every $100, par value, of stock, $70 in cash and $140 at par in the consolidated bank, or to pay each stockholder who did not come into the consolidation for each $100 in stock $600 in cash. The Equitable society, through its executive committee, voted to accept the offer of $70 in cash and $140 in the stock of the consolidated bank. The Western National Bank of the United States was afterward merged into the National Bank of Commerce.

It also appears from this statement that what the society really received for its stock in the Western National Bank, of New-York, was $210 a share, and it would have been much more profitable to the society to have disposed of its holdings at the offered $600 a share—or, better still, to have sold its controlling interest for $700 a share—and it appears, further, that in the merger the book value of the stock of the Western National Bank, of New-York, being $245 a share, it received $35 a share on its 12,000 shares, or holdings, less than the book value, which Mr. Snyder stated was a correct statement. Mr. Snyder was asked what the Equitable society really gained by the merger, and he answered, "Nothing but promises and prospects," which, I conclude, did not materialize, as he afterward stated that the present book value of the National Bank of Commerce stock was between 145 and 150. The merger and the organization of this great bank seems to have been effected to gratify the ambition of the officers of the Equitable society, without regard to the financial interests of the society and its policyholders.

This is a brief statement of a few of the transactions between the Equitable society, and seven of the ten corporations which are advertised as affiliated companies. Time has not permitted even a partial investigation of its business relations with the other three, viz.: The Lawyers' Title Insurance Company, the Lawyers' Mortgage Insurance and the Franklin National Bank. But the facts here stated disclose a very decided tendency on the part of some of the directors and officers of the society to sacrifice its interests in order that they may reap the profits through the media of these corporations. The opportunity was there as well as the disposition, and it would require a much more thorough investigation than I have been able to make to determine the full amount of the loss that the society has suffered at their hands.

SYNDICATE TRANSACTIONS.

The syndicate transactions conducted by "James H. Hyde and Associates" have been so well advertised through the press that they have become notorious. By simple addition it appears that the gentlemen and corporations associated in these transactions made the following profits:

James H. Hyde	$63,731 32
James W. Alexander	63,731 32
George H. Squire	14,420 50
William H. McIntyre	14,420 50
H. C. Deming	4,576 74
Valentine P. Snyder	1,510 52
Alvin W. Krech	3,066 21
Louis Fitzgerald	2,284 40
The Equitable Trust Company	6,161 79
The Western National Bank	3,021 03
The Commercial Trust Company of Philadelphia	3,021 03
Franklin National Bank	3,021 03
Mercantile Trust Company	3,140 75
Total	$186,107 14

The corporations mentioned were taken in and given a small participation because they were "affiliated" with the Equitable society, and the other associates were interested in their dividends. All of these gentlemen who divided these profits were directors of the society, and six of them members of the executive and finance committees. As syndicators they took these several allotments of securities and as directors of the society they caused it to purchase of Kuhn, Loeb & Co. substantially the same amounts which were allotted to them. To illustrate from the first transaction above set forth: On June 11, 1902, Kuhn, Loeb & Co. allotted to James H. Hyde and associates a participation of $1,000,000 in the Metropolitan Street Railway 4 per cent bond syndicate at 94, and one week thereafter the Equitable society bought the same amount at about 97. This participation was allotted to these men because it was known they could dispose of them, and when they accepted the participation they knew where they could sell them. Why should the officers of the society make this 3 per cent profit? Why not allow the society itself this participation and save this $30,000, since it was the intention that it should buy the bonds and take the risk? That was not contrary to its rules, for it was given a small participation in some of these syndicates. The simple truth is that they preferred to make these several profits themselves.

Mr. Hyde and associates raise the point that the Society did not lose by the purchase of these bonds, but that is no excuse for them. If the market went down the Society would have lost, and if it went up the Society should get the profit. They were trustees. Their first obligation was to the trust estate which they represented. They should not be permitted to make money for themselves at the loss or even at the risk of the Society. The profits which they and each of them realized belong to the Society. Mr. Hyde and Mr. Alexander seem to have thought so, or were so advised by their counsel after the trouble began, for one of these gentlemen turned over to M. Murray as trustee all, and the other a large part, of his profits from these transactions. All these men should be compelled to pay back to the Society these several amounts with interest. This is only very mild punishment. And the affiliated companies should also pay to the Society the several amounts received by them less any portions thereof which the Society has received in the form of dividends.

Mr. McIntyre, who was a very candid and exact witness, stated all the facts fully and completely. He has not returned to M. Murray, trustee, or to anybody else, any part of his profit, but makes the argument that since he was not at that time a member of the executive or finance committee he is entirely blameless, and that his part in the transaction was entirely honorable and legitimate. His comprehension as to the duties of a director toward his trust estate is not surprising, for he was reared in the Society since the age of fourteen and under the immediate tutelage of the late Henry B. Hyde.

OTHER STOCK TRANSACTIONS.

The schedules prepared and verified by the financial secretary of the society of the purchases and sales of the stock of the Mercantile Trust Company and of the Equitable Trust Company disclose some peculiar and unusual business transactions. During the years 1903 and 1904 it appears from this schedule that the Equitable society was a frequent purchaser of the stock of the Equitable Trust Company at from $640 to $750 a share, and during the same period of time it was disposing of these securities to various individuals at about $500 a share. In the schedule furnished of the stock transactions of the Mercantile Trust Company it appears that as early as 1900 the Equitable society was a purchaser of the stock of that company at $800 a share and during the years 1904 and 1905 it has been a frequent purchaser of the stock of that company at about $1,000 a share. In the record of sales in 1903, on January 4 is a sale of 100 shares to George J. Gould at $500 a share, and upon the same day 50 shares to Mr. Frick at $850 a share, and on December 20, 1901, 100 shares to M. L. Schiff at $900 a share, and on January 3, 1902, fourteen days later, 100 shares to E. H. Harriman at $500 a share. These purchases and sales, it appears from the record, were nearly all approved by the finance committee of the society.

There is one other transaction covering the sale of securities, which I call attention to. On November 18, 1904, the Equitable society resold to Kuhn, Loeb & Co. $1,123,308, par value, of the first issue of Japanese bonds at 91⅞ flat. With the interest which had accrued on them at that time, it was practically 91 net. These bonds were purchased from Kuhn, Loeb & Co. May 25 and June 30, 1904, at 93½ and interest, a loss in the sale to the Equitable society of 2½ per cent, amounting in the aggregate to $28,082 70. If they had been held they could have been sold at a very much higher figure. When the inquiry was made of Mr. Schiff in his evidence as to the reason for this sale of bonds, he stated that possibly the society was preparing to purchase the second issue of Japanese bonds, which I find was correct, for on December 5, 1904, the Equitable society purchased $1,600,000 par value of the second issue of Japanese bonds, and the total profit realized by James H. Hyde and Associates in this transaction was $62,815 13—not a very advantageous transaction for the Equitable society, but a very profitable one to the James H. Hyde and Associates syndicate.

Mr. Schiff in his evidence was also referred to the matter of the sale on December 25, 1904, to the Equitable Society of $1,000,000 of the Missouri Pacific gold fours of 1945 at 94 and interest by Kuhn, Loeb & Co. He was asked if those were not collateral bonds secured by the stock of the Iron Mountain Railroad and if he thought a collateral bond of that character was a fit investment for a life insurance company. He replied that he thought that ought to be said to the members of the executive committee who decided upon the purchase. He stated though that he was perfectly willing to risk his reputation as favoring the purchase, and stated that Kuhn, Loeb & Co. would be willing to take the bonds back at their cost at any time within a week. Later, on my advice, the executive committee of the Equitable Society resold the bonds to Kuhn, Loeb & Co.

An inquiry was also made of Mr. Schiff in reference to the sale to the Equitable society of $1,000,000 of the Metropolitan Street Railroad 4s of 2002 at 97½ and interest, less ½ per cent, and he was asked if they were not an underlying bond of the Metropolitan system, and he said, No, they were a refunding bond. He was asked if he thought that a refunding bond of a traction company was such a bond as a life insurance company could safely invest in. His reply was that he was very much mistaken if not all life companies had them. An inquiry was then made as to what the present

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