ROOSEVELT WARNED HIM, SAYS MELLEN

Continued from page 1

Mellen said, he had not the slightest information as to how this money was expended, and that later when he went to Mr. Morgan's office and asked him about it he was rebuffed for the inquiry.

All of the money that had been paid to Mr. Thorne and to Marsden G. Perry in the Westchester transaction, Mellen said, had been paid through account No. 2 in the office of J. P. Morgan & Co. He said this money was the proceeds of notes and that he had [illegible] it.

Mr. Mellen hesitated to repeat the conversation he had with Mr. Morgan relative to the expenditure of the $11,000,000. He said it was humiliating.

"I asked Mr. Morgan," he explained, "if he would give me a few moments after the meeting. I made the explanation that I did not think the account was in the form that it should be, that there should be additional information given. He seemed to be somewhat exercised, somewhat excited. He said to me: 'Did not Mr. Stetson draw that note?' I said, 'Yes, I suppose.' 'Do you think you know more how it ought to be drawn than he does?' I allowed that I did not and dropped it. He went out."

American Express in It.

Joseph W. Folk, chief counsel, brought it out that before the American Express Company sold its Boston & Maine stock to the New Haven it had made a contract with the Boston & Maine which was to run twenty years. Under this contract the road was to receive 35 per cent of the company's business, which, Mr. Mellen said, was a low rate. He admitted, however, that he had suggested it to Lewis Cass Ledyard, who was vice-president of the American Express Company and a director in the Boston & Maine.

Mr. Mellen admitted that he had tried to get the American Express Company in on the New Haven. The Adams company then had the New Haven contract and was paying 45 per cent of its business. Mr. Morgan, however, told him not to do anything to displace the Adams company so long as this contract was in force.

When this transaction between the Boston & Maine and the American Express Company was entered into there still existed another contract that had ten years approximately to run. This was nullified by the new contract, which, according to a report of the New Hampshire Utilities Commission, meant a loss to the Boston & Maine of $700,000 a year for ten years, or approximately $8,000,000, including interest.

Mr. Mellen said that W. C. Gotshall had received approximately $1,000,000 for his holding in the New York & Port Chester Railroad. This, he added, was a compromise, as the original contract called for the payment of $100,000 in first mortgage bonds of the New York, Westchester & Boston Railroad and $2,000,000 in stock. At that time, he said, no construction work had been begun on the railroad, and it had real estate worth approximately $200,000. He said he turned over the check for the amount to Mr. Ledyard in New York, others in the conference being Mr. Stetson and Mr. Sheehan.

Disputed Thorne's $1,000,000.

Mr. Thorne, according to Mr. Mellen's testimony to-day, received in commissions $1,000,000 more than Mr. Mellen believed him entitled to. In addition to this he also received $275,000 in settlement of a claim against the New Haven. This was paid on the advice of Mr. Stetson.

Mr. Mellen also delved into the intricacies of the sale of the 109,948 shares of Boston & Maine stock to the Billard Company and its resale back to the New Haven. He said Billard had made something like $2,700,000 on this transaction and that the New Haven directors thought this excessive and sent him to see Billard to compromise on a smaller amount.

Mr. Whitney, in his letter to Mr. Mellen, after saying that he thought that the absorption of the Boston & Maine met with the approval of the business men, but that the public still had to be reckoned with, went on:

"I have also thought it possible that 'the little father' in Washington might also like to get his finger in the pie, in which case, if it should happen before the public had become reconciled to the change, it might result in infinite harm to all your interests."

"The little father," Mr. Mellen said, was President Roosevelt. He said he had had a conference with Mr. Roosevelt some time in the spring of 1907, when he was considering the purchase of Boston & Maine shares.

"He told me," he said, "as nearly as I can recall, that he was not a lawyer; that he did not know whether the law would permit anything of that kind, and he could not assure me that it was not in violation of the law; that I would be treated the same as anybody else. But the reasons I gave him why it seemed to me desirable to buy the Boston & Maine shares, he said, appealed to him, and if there was no legal question involved that he, if he were in my place, would be disposed to do what he plainly saw I was disposed to do—that is, acquire these shares."

Bought After Seeing Roosevelt.

"What reason did you give him?" asked Mr. Folk.

"That the shares were going to be sold, in my judgment, and were likely to go to lines possibly outside of the country, notably the Canadian Pacific or the Grand Trunk. He sent me to discuss the matter with Mr. Lane, who was then Interstate Commerce Commissioner, and I went and talked with Mr. Lane, and then went back and saw the President, and I got the statement from the President that he could not help me in any way, shape or manner if anything I did was found to be in violation of the law."

"Then what did you do after the interview?"

"Bought."

Mr. Mellen admitted that he had said in his reply to Mr. Whitney, after his talk with Mr. Roosevelt: "It has been thought advisable by all concerned that just as little official information should go to the newspapers regarding the Boston & Maine matter as is absolutely necessary. This was agreed upon by Mr. Ledyard, Mr. Tuttle and myself. And we are acting on this theory. The Washington situation I have, I think, a complete record for. One never knows for a certainty regarding matters there, but the ground has been carefully ploughed and every chance for trouble considered, and I think successfully eliminated. I will be in Boston on Friday, and shall be glad to discuss this with you further, if you have time."

"What do you mean by the ground having been carefully ploughed?" asked Mr. Folk.

"I meant I had canvassed the situation very thoroughly. I thought I told everything to the President that was in my mind, and he said that it seemed to him, from his standpoint—from my standpoint—that I ought to do it, but he could not give me any advice; he was not a lawyer, and that I must not expect, if I did anything in violation of the law, to look to him for any relief."

Mr. Mellen said he frequently had conferences with Mr. Roosevelt, and that

Demurred at Secrecy.

Mr. Mellen said that Mr. Thorne had called at his office and told him that he had acquired control of the New York & Port Chester and the New York, Westchester & Boston roads. He said he was curious to know why Mr. Thorne had bought these properties but that nevertheless he took it up with his board. Mr. Morgan, he said, moved that a committee be appointed to handle the matter and he appointed Messrs. Morgan, Rockefeller and Miller.

"I consider them the most conservative, careful and able men that could be found for that purpose," he said.

When this committee reported that it had spent more than $11,000,000 in this transaction Mr. Mellen demurred.

"I asked Mr. Morgan after the meeting," he explained, "if he would stop a moment and see me in my office. He did and I told him that I thought that the report was not in detail so much as it should be; that there was nothing to indicate how much had been spent in the different items that were enumerated. You have a report and you will see there are a number of items enumerated and the whole cost $11,155,000. I said:

"Somebody is going to want to know—I may want to know myself—what the New York & Portchester cost, what the development cost, what was paid for the stock, what was paid for the bonds and what was paid for the different items. It seems to me this report should read on such a date so many shares of stock were bought of such a party to be exchanged by so much and the whole should foot up $11,155,000 and there should be a clear account to show how this money was disbursed."

"Humiliated" by Morgan.

"It was in the midst of the panic of 1907, and Mr. Morgan was quite abrupt, very severe, and I felt very much humiliated and undeservedly so, because I felt I was a director and I felt I was entitled to and I never got it."

Mr. Folk read a notation Mr. Mellen had made on one of his papers, on the back of a report which was in his office at the time he left the New Haven road. It ran: "The trouble with this is that there is nothing to show what became of money for the truck turned over. I do not like the looks of it, and if you ask me why the whole matter could not be made plain. If I had the stock and sold it I should expect that there could be a reason why they bought of me, but that don't seem to have been the disposition here. I never have known the first thing about who originally held the securities, what they were sold for, and no one has thought I was entitled to know. Perhaps I am not. I should feel better if they would at least a disposition to let me know something more than appears in the record.

"C. S. MELLEN, 11-9-07."

Mr. Mellen protested vigorously against having to tell of the protest he had lodged with Mr. Morgan personally. He said the weight on Mr. Morgan's shoulders at that time was probably greater than that on any other man in the country, not excepting the President of the United States. He finally told it, however.

Asked if he knew what the acquisition of the capital stock of the New York & Portchester cost, Mr. Mellen said:

"I do not know to this moment the cost, nor do I know the cost of any one of the items in that report, by whom they were acquired, when they were acquired, or what was paid for them. I thought I was entitled to it. I thought I might be questioned some time, as I am being questioned now, and I did not like to feel that $11,000,000 of the New Haven money had gone out, and I could not give the slightest idea who had expended it except there was a bushel basket full of—I do not know what."

Mellen Simply "Overawed."

"Do you mean to say," asked Mr. Folk, "that this report, showing an expenditure of $11,000,000 of the New Haven money, without itemizing the subjects for which it was expended, was presented to the board of directors and adopted without discussion?"

"It was presented as the report of the special committee that had been in session for fourteen months, acquiring these securities through J. P. Morgan & Co. and Oakleigh Thorne, through special account No. 2, J. P. Morgan & Co., and it was the report the committee was giving of an account of what they had done and asking to have their action approved, ratified and confirmed and the committee discharged. It was unanimously adopted. The only knowledge I have regarding that is what appears in the records of the special committee.

"I think everybody had full confidence in that committee. I did, in spite of the humiliating experience I had in connection with that matter. I never thought for one moment there was anything wrong about it."

"Was it through fear of Mr. Morgan's anger that you did not question it before the other directors?"

"No, sir; I do not think I was afraid of Mr. Morgan, but I had the greatest respect for him. I yielded my judgment to him. He was a man of such tremendous force and success that I did not feel—or, rather, I felt I was in the wrong in nine cases out of ten when I disagreed with him. Perhaps it was cowardice; I do not know. I am willing it should be put in that way. I stood in a good deal of awe—probably a greater amount of awe of Mr. Morgan than any man I have ever met.

"I think the same reason actuated me that probably actuated all the others. We did not want to contend with Mr. Morgan. They probably thought he was right, although they had misgivings."

Mr. Mellen said that after the directors' meeting at which Messrs. Morgan, Rockefeller and Miller reported the expenditure of the $11,155,000 several up-country directors called at his office and held a sort of indignation meeting. Mr. Skinner was one of those directors.

Directors Were Indignant.

"Skinner came in," said Mr. Mellen, "with both hands up, and said: 'Holy Cæsar Phillipi! What in the world have you been doing? Eleven million dollars of money!' I said: 'I will appoint you, Skinner, a committee to go and find out.' 'Not on your life!' he said.

"That is the way it occurred. That is the way all of them voted. I remember that expression because I never heard it before, but I have heard it several times since from the same man."

Samuel Hemingway was another of these directors who protested vigorously.

"I cannot give the exact language," said Mr. Mellen, "but it was about along this line: 'Well, you have been flying pretty high, have you not, spending $11,000,000? What did you do it for?' I said: 'You can search me.' 'Well,' he said, 'don't you think you ought to have more information?' I said: 'Yes.' He said: 'Why didn't you get it?' I said: 'I will tell you what I will do, Mr. Hemingway. I will appoint you a committee to go and get it from Mr. Morgan.' He said: 'No you won't.'

"That is the situation. That is not the exact language, but that is the idea that they all had. They were all willing that I should go and bark my shins, but they did not one of them want to go and bark their shins."

Mr. Mellen said that the directors had come to him to ask for an explanation as to why $11,000,000 had been expended without being itemized.

"They felt, as I felt," Mr. Mellen said, "that the report was not sufficient for a transaction of that magnitude, and they came to me to know what the report did not contain, and I had tried to put myself in a position to find out, and I—well, I did not get it."

Mr. Mellen said that the theory on which the New Haven went into the Westchester transaction was that the New Haven was not to put in more than $5,000,000 and that the Westchester would be able to float its own bonds and finance itself without any indorsement. The plan changed form after it became understood, he said.

"The inception of the scheme contemplated an expenditure of $5,000,000 of New Haven money. That was expected to be sufficient as a foundation on which to issue bonds and sell them without any guarantee by the New Haven Railroad and construct the road with the proceeds of the bonds. But if you will recall, the $11,000,000 was expended just about the time of the height of the panic of 1907. It was utterly impossible to carry out the original scheme, and the New Haven Railroad kept putting in a little more, and a little more, just like the subscription book plan—pay a little at a time—but in the aggregate it amounted to a tremendous sum."

Mr. Mellen's state of mind was disclosed in the following notation on a letter written by him in February, 1909:

"I am sick and disgusted with this whole matter. I see nothing but trouble and loss to come from it, and I much fear many reputations will be damaged, and I shall probably in the end be the goat. I wish only those to blame would suffer."

"What did you mean by saying 'in the end I shall probably be the goat'?" asked Mr. Folk.

"Well, when trouble befalls any large enterprise like the New Haven Railroad somebody has to carry the burden, and that is what I meant by being the goat. I was president, and I knew if trouble came that lots of people would get to Carlsbad or some other place where they would be inaccessible, and I would have to stay and fight it out. It looks to me as if my judgment was pretty good.

"I think after we got up above our $5,000,000," Mr. Mellen went on, "our breath came short, and we all of us were a little bit staggered. It was costing a great deal more; we were not getting anything. All this time the road was not under construction; there was no work being done that would fix a tangible value. All of this money—$11,155,000—represented what we called intangible valuation, except about $1,000,000 expended on the Westchester real estate, which in all may have aggregated $3,000,000. There was practically $4,000,000 of tangible valuation, something that could be realized on if the scheme was dropped. All the intangible valuations which made up the difference between $4,000,000 and $11,155,000, were the result of litigation—struggles between the Portchester and Westchester—and franchise values, and I do not know what.

Continued on page 5, column 2

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Cos. M. A.—(1) Self-explanatory. (2) With Record Book answer by number on checking sheet. When pictographs are used write out full quotation. (3) If you wish to. (4) As soon as checking is completed.

J. W. M.—No.

J. S.—(1) Makes no difference. (2) Yes.

Nick—Such is our plan.

A. H. M.—Use whole saying.

L. S. T.—Taken care of if received by us.

A. B. Z.—(1) By number on checking sheet. (2) Yes. (3) Leading question. (4) Possibly so. (5) Will be accepted if postmarked May 23.

P. S., New York—Full saying must be written out.

Sceptic—(1) Yes. (2) According to directions. (3) This department did not manage these details. (4) Same as question 3. (5) Each winner's. (6) If A and B solved the same number of pictographs correctly and used the same number of solutions, they would be tied.

A. F. L.—(1) Not decided on as yet. (2) Winners will be announced as soon as checking is completed.

T. J.—Leave it blank.

J. J. Mc.—(1) It is self-explanatory. (2) Not decided on as yet. (3) Former article stated there were not.

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