

MAIN ISSUE OF NEW HAVEN DIRECTOR CRIMINALITY

MATERIA MEDICA

If a man has heart disease, it is organic—if he has a little heart palpitation, it is functional.

A Thompson-Starrett operation sometimes runs a little ahead of the schedule, a slight functional defect due to an excess of efficiency.

But, organically, a Thompson-Starrett operation is as sound as a bell, perfect in every rivet from rock to roof.

THOMPSON-STARRETT COMPANY

Building Construction

DIRECTORS REFUSE COMMENT ON REPORT

New Haven Defence May Rest on the Statute of Limitations.

Past and present directors of the New Haven refused yesterday to make any comment on the report of the Interstate Commerce Commission, which so vigorously attacked the directorate of that system for its alleged mismanagement of its properties and finances.

At the offices of J. P. Morgan & Co. it was said that President Hustie, acting chairman of the board in the absence of Howard Elliott, had decided that until an official copy of the report of the Interstate Commerce Commission had been received no statement would be issued by the company.

It was added that when an official copy of the report had been received it would be submitted to the board of directors before any formal statement was given out by the officials of the road.

It is said that the directorate in the Hustie regime was attacked for losses occurred to the company, which were the result of errors of judgment for which they are not responsible, and that the statute of limitations will act as a bar to prosecution.

At the offices of J. P. Morgan & Co. it was announced that none of the members of the firm had anything to say regarding the report of the commission.

"The officers of the board of directors of the directorate of the New Haven was the chief topic of conversation in the financial district and the wording of the report was subjected to much criticism. The general opinion seemed to be that the report was not a 'dignified' one.

In condemning the directorate of the company for the alleged loss of from \$60,000,000 to \$80,000,000, it is believed the commission had apparently failed to take into consideration the enormous increase in wages and taxes on the New Haven road and its subsidiaries during the last few years. These increases, according to one man prominent in financial circles, amounted to as much as \$10,000,000 per annum.

The report of the Interstate Commerce Commission did not have any appreciable effect upon the stock, which closed at 56 1/2, an advance of 1/4 for the day.

MELLEN ASSAILS REPORT

Made for Political Purpose, Says the Ex-President.

Boston, July 13.—Charles S. Mellen, ex-president of the New Haven, attacked the report of the Interstate Commerce Commission yesterday by saying that it was the product of a political party and that the telephone from his home in Stockbridge, he said:

"I can only explain this apparently drastic report with its multitude of extreme statements by saying that it is the report of a political tribunal made for political purposes.

"I don't want anybody to get the impression that I am trying to escape responsibility for the acts of the New Haven by shifting it on to the shoulders of Mr. Morgan now that he is in his grave. Every act of the New Haven of any importance at all during the period of my presidency, which I believe is the period covered by the investigation, was done with my complete knowledge and sanction, with two exceptions.

"I am prepared to defend every one of these acts before a judicial tribunal in my country. I told the commission that I favored the sale of the steamships and that I did not sanction the Westchester deal. I am prepared to go before the bar of public opinion of the Supreme Court of the United States on any record. I acted conscientiously from the standpoint of my stockholders and the public throughout.

"That part of the report which said that the entire directorate of the New Haven had been wholly dominated by Mr. Morgan and Mr. Mellen was read to the ex-president.

"Well, the commission had to knock me one," he said, "and as I was the only live man that they could get they picked me as the target. Don't they say how much I had to do with dominating the directorate? I'd like to know how much credit they give me and how much they give Mr. Morgan. Did I control them 1 per cent. and he 99 per cent. or did he control them 1 per cent. and I 99 per cent. I think the commission being nominally, at least, a judicial body, should show a better sense of equity in dispensing its praise and blame."

Haven accomplished their responsibility lightly. They failed to realize that their names gave confidence to the public and their connection with the corporation led the people to invest.

"When these directors were negligent and serious losses resulted therefrom they were guilty of a grave dereliction of duty and a breach of trust that was morally wrong and criminal in its fruits.

"Directors should be made individually liable to civil and criminal laws for the manner in which they discharge their trust. A corporation can be no better or worse than those who operate it.

"It should be just as grave a crime to plunder stockholders or the public through a railroad corporation as it is to personally rob an individual.

"The insuring of honesty throughout the management of the great railroads is a most important question before the people to-day and only when through exposure of wrongdoing and an awakened public conscience, coupled with effective laws, this result is produced may railroadism be placed upon the high level it should occupy.

"The revelations in this record make it essential for the welfare of the nation that the reckless and profligate financing which has blighted this railroad system be ended and until this is fully done there will be no assurance that the story of the New Haven will not be told again, with the stockholders of some other railroad system as the victims."

One Bright Ray.

The report contains one bright ray, however, for the future. It says:

"The splendid property of the New Haven railroad itself will be called upon by many a year to make up the drain upon its resources resulting from the unpardonable folly of the transactions outside the proper field in which its stockholders supposed their money was invested. But honesty and efficiency of management of this property of the railroad only will undoubtedly in time restore its former standing."

The commission characterizes the New Haven monopoly as thoroughly corrupt. It declares:

"This investigation has demonstrated that the monopoly theory of those controlling the New Haven was unsound and mischievous in its effects. To achieve such monopoly meant the reckless and scandalous acceptance of money; it meant the attempt to control public opinion; corruption of government; the attempt to pervert the political and economic instincts of the people in insolent defiance of law.

"Through exposure of the methods of this monopoly the visible government which has gone far in its efforts to dominate New England has been made visible.

"It has been clearly proved how public opinion was distorted; how officials who were needed and who could be bought were bought; how newspapers that could be subsidized were subsidized; how a college professor and publicists secretly accepted money from the New Haven while masking as a representative of a great American university and as the guardians of the interests of the people; how agencies of information to the public were prostituted wherever they could be prostituted in order to carry out a scheme of private transportation monopoly imperial in its scope."

An Array of Causes.

The report then marshals the following array of causes for the New Haven's present situation:

"The Boston and Maine despotism.

"The iniquity of the Westchester acquisition.

"The double price paid for the Rhode Island trolleys.

"The recklessness in the purchase of Connecticut and Massachusetts trolleys at prices exorbitantly in excess of their value.

"The unwarranted expenditure of large amounts in educating public opinion.

"The disposition without knowledge of directors of hundreds of thousands of dollars for influencing public sentiment.

"The habitual payment of untempered vouchers without any clear specification of details.

Complication of Accounts.

"The confusing interrelation of the principal company and its subsidiaries and consequent complication of accounts.

"The practice of financial legerdemain in issuing large blocks of New Haven stock for notes of the New England Navigation Company and manipulating these securities back and forth.

"Fictitious sales of New Haven stock to friendly parties with the design of boosting the stock and unloading on the public at the higher market price.

"The unlawful diversion of corporate funds to political organizations.

"The scattering of retainers to attorneys of five States who rendered no itemized bills for services and who conducted no litigation to which the railroad was a party.

"Use of a Paid Lobby."

"Extensive use of a paid lobby in matters as to which the directors claim to have no information.

"The use of attorneys to control utterances of the press by subsidizing reporters.

"Payment of money and the profligate issue of free passes to legislators and friends.

"The investment of \$400,000 in newspapers of a New England newspaper.

"The regular employment of political bosses in Rhode Island and other States, not for the purpose of having them perform any service, but to prevent them, as Mr. Mellen expressed it, from becoming active on the other side."

"The retention by John L. Billard of more than \$2,700,000 in a transaction in which he represented the New Haven and in which he invested \$1,000,000.

"The inability of Oakleigh Thorne to account for \$1,000,000 of the funds of New Haven entrusted to him in carrying out the Westchester proposition.

"The story of Mr. Mellen as to the distribution of \$1,000,000 in corrupt bribes in bringing about the Westchester and Port Chester franchises.

Dominating Factors.

"The domination of all the affairs of this railroad by Mr. Morgan and Mr. Mellen and the absolute subordination of other members of the board of directors to the will of these two."

"The unwarranted increase in New Haven liabilities from \$93,000,000 in 1903 to \$417,000,000 in 1913.

"The increase in floating notes from nothing in 1903 to approximately \$49,000,000 in 1913.

"The indefensible standard of business ethics and the absence of financial acumen displayed by eminent financiers in directing the activities of this road in its effort to establish a monopoly of transportation in New England.

"A combination of all these has resulted in the present situation in which the affairs of this road are involved."

"Of the purchase of the Westchester line by the New Haven the commission says that the transaction cost the New Haven something like \$14,000,000 before construction was begun, the total cost being \$24,424,000 for a road only a little over eighteen miles long and which is being operated at an annual loss of approximately \$1,250,000.

"The motive, however, for the purchase of the Westchester line by the New Haven at the expense of the stockholders of the latter must be left largely to conjecture. The only accomplished result, however, of the Westchester transaction was the stifling of possible competition into New York city from New England.

"The blame for the Westchester rests squarely upon the directors of the New Haven road. Some are guilty for acts committed, others, the greater number, for their failure to act. They are alike culpable and responsible to the stockholders."

Who Planned It.

The commission finds that the Westchester acquisition was planned and executed by a special committee consisting of J. P. Morgan, William Rockefeller and George W. Miller, with President Mellen as chairman. The commission adds that the vote of the board of directors appointing this committee does not disclose an intention to authorize the buying of shares and promotion securities in the building of a new railroad, much less one at a cost of \$36,000,000. The commission adds:

"It is ambiguous and was evidently intended to conceal a secret purpose. The commission is not satisfied with the confidence of these directors who wanted these securities purchased, and no report was ever made by this committee placing the situation as they found it before the board."

"Of the use of New Haven stock to bring about changes in the Westchester franchise by New York city officials the commission says:

"The action is somewhat occult, but the character of the transactions is no less certain. This money was used for corrupt purposes and the improper expenditures were covered by the transfer to the New Haven of these worthless securities."

"This is the transaction in which the late Police Superintendent Thomas Byrnes was mentioned as intermediary. The commission adds:

"The comment is necessary to make clear to the mind the corrupt and unlawful nature of this transaction, and it would seem that the amount illegally expended could be recovered from Mr. Mellen and the directors who authorized it."

"The commission also states that \$207,705 paid to Oakleigh Thorne and Marsden Perry in commissions in the Westchester deal should be recovered either from them or from the New Haven directors."

Rhode Island Trolleys.

The commission finds that the purchase of the Rhode Island trolleys was an instance of the profligacy of the New Haven directors in carrying out an unlawful policy of transportation monopoly.

The commission charges that the Rhode Island trolley transactions were dealied with in a manner which was the edge of the large deficit that was being and with the determination to acquire trolley control in Providence regardless of expense.

"It is the opinion of the commission that the result of the Rhode Island transactions was to enable the United Gas Improvement Company of Philadelphia to realize par value on securities which had been based merely upon lively expectations of future possibilities.

"The millions that were made from this transaction," says the commission, "did not come through magic, but were brought into existence at the expense of the stockholders of the New Haven upon whom the public eye is now turned, and whose securities ultimately rated and the New Haven was diluted to the extent of the water thus added."

The commission adds that this transaction seems to have been a matter of interest to ascertain just who owned the securities, but it was discovered that the books which would show had been destroyed by fire.

The Steamship Purchases.

The commission says that the New Haven from time to time felt the harassing effect of competition by water, and President Mellen therefore proceeded to acquire the steamship lines and stifle this industry with a New York City company amounting to \$24,772,000, although a physical valuation of the properties acquired approximate something like only \$10,000,000.

In connection with the steamship purchases the commission finds the money payments were made for leases in New York which were unmistakably improper. The commission says there were payments to the Hall & Mather New York firm of many thousands of dollars for notes not itemized vouchers were given.

"Mr. McKay," says the commission, "left for Europe after this investigation was commenced and his evidence could not be secured."

The commission illustrates the "devious methods" of the New Haven management by setting forth the number of corporations that were formed in order to accomplish the withdrawal of the steamships from the Eastern coast, and the control by the New Haven of the freight steamers and what property.

These corporations were the Metropolitan Steamship Company, the Metropolitan Steamship Company of Maine, the Hudson Navigation Company, the Chilmark Company, the Pacific Navigation Company, the Pacific Securities Company, the Eastern Securities Company, the Eastern Steamship Company and the New England Securities Company. The commission adds:

"The devious methods used, the tangled web of corporate transactions through which this property passed and the use of dummy names, knew nothing of the purpose for which they were being used, all clearly indicate that the purpose of these circuitous methods was to conceal the hand of the New Haven."

Boston and Maine Stock.

The commission also describes the New Haven holding of Boston and Maine stock as "a startling series of transfers, shifts and evasions."

"These shifts and evasions began, according to the commission, as soon as the legality of the purchase was demopstrated by the decision of the Supreme Court.

The commission charges that by these acts the New Haven sought to make it appear that the number of shares in Boston and Maine stock while it was being retained in friendly hands and under the control of the New Haven.

"This is the history of the passage of a controlling number of shares in Boston and Maine stock as given by the commission:

"First—From American Express

Company and others to New England Navigation Company.

"Second—From New England Navigation Company to John L. Billard, nominal owner.

"Third—From John L. Billard to National City Bank as collateral.

"Fourth—From National City Bank to the New Haven.

"Fifth—From the New Haven to the New England Navigation Company.

"Sixth—From the New England Navigation Company to the Boston Railroad Holding Company."

The commission adds:

"This stock was during all these migrations financed, owned and controlled by the New Haven, and by virtue of the ownership and control of this stock during all this time it placed its own officials in charge of the Boston and Maine and selected the directors thereof."

Depreciation of the Stock.

"The movement downward of Boston and Maine stock did not begin until the Mellen-Morgan-Rockefeller management was forced upon it. The depreciation of the Boston and Maine stock after coming into the control of these men was indeed rapid.

"The financial strength of the Boston and Maine which had been made manifest for more than half a century was converted into financial weakness in half a decade after passing into the control of men who had the reputation of being eminent financiers.

"These great names proved to be of no reliance to investors. The management of the Boston and Maine in the New York was unwise, it began in the just effort of the Boston and Maine to get out of great depreciation and serious impairment of credit.

"It seems to be germane and proper to refer to the apparent ease with which the domination of the Boston and Maine was transferred to the financial interest of the New Haven without any expenditure by them.

"This was done by inducing an exchange of the Boston and Maine stock owned by the American Express Company for New Haven stock. Thus by mere exchange of stock those controlling the New Haven were enabled to extend their domination over and control the entire railroad property in five States."

"Those who at first were merely employed as fiscal agents of the railroad to negotiate the sale of the securities which they held in supreme control of the transportation interests of the country. This is an illustration of what has been the most dangerous tendency in recent times."

The Billard Transaction.

The commission holds that John L. Billard of New York, who made a profit of \$2,700,000 without the expenditure of a penny of his own, was merely acting as an agent of the New Haven and that the \$2,700,000 profit was a result of the Boston and Maine stock which he sold to the New Haven. The commission expressed the opinion that honesty and efficiency of management finally will restore the railroad property to its former standing.

Representatives on the Board.

The commission points out in speaking of interlocking directors that the Pennsylvania Railroad, which owned 35,000 shares of New Haven stock; the New York Central, which owned the same number of shares; the insurance companies, which also had 35,000 shares; the express company which had a contract with the railroad; the Standard Oil Company, which had a contract with the corporation and the Pullman Company all had representatives on the New Haven board.

"In fact," says the report, "every other director that there are too many ornamental directors and too many who have such childish faith in the man at

Massachusetts Law Violated.

"On its note there were turned over to it on one time \$9,918,000 of securities bought and paid for with New Haven money. The inside facts as to its dealings show a continued operation in violation of Massachusetts law and a violation of the Statute by the highest court of that State."

The commission holds that if Mr. Mellen's contention that Sanderson & Porter own the stock of the New England Investment and Security Company free from any control of the New Haven, and is personally entitled to all the assets and securities which have been purchased with the funds of the New Haven upon the dispositive effect of the Statute is correct.

The commission says that increases in capital stock of the New Haven have been made upon the basis of transfers of assets from one subsidiary company to another.

"The directors of the Security Company, the New England Navigation Company has been utilized from time to time as a holding corporation for the accomplishment of irregular transactions," it says, "indefensible under any of our laws."

The commission charges the New Haven management with manipulation of accounts in order to eliminate from the record dividend returns upon certain securities. It accuses the management also of the shifting of funds to show dividends earned in the year 1912.

Comments on Dividends.

After detailing a transaction between the New Haven and the New England Navigation Company the report says:

"The effect of this transaction was that the New York, New Haven and Hartford Railroad Company advanced \$2,000,000 in cash to another company to pay to it dividends on its stock and included the amount advanced in the dividend account as a dividend received. In other words the New Haven set up in its income an item of \$2,000,000 on the other side.

"The accounts of the company are replete with instances where the profits have been declared to be earned by the transfer of stocks, bonds, debentures and securities of one of the subordinate and subsidiary companies of the New Haven system to another subsidiary company, such profits are solemnly recorded as real profits in making up the accounts of the system as a whole.

"Transactions of this kind do not make real profits any more than the transfer of money or securities from one pocket to another would result in profit to an individual.

"The frequency," says the commission, "with which dummy corporations and dummy directors appear in this record leads to the conclusion that it is not an obsession upon the subject of the utility of such sham methods.

"The directors of the Billard Company confessed that they were dummies and knew nothing of its operation. Why men of respectability and standing as these appear to be should lend their names as dummies passes comprehension. Throughout the entire story of the New Haven management vainly endeavored to hide the true facts behind these dummy individuals and dummy corporations.

"Sham methods."

"If master financiers behind these New Haven transactions could use these sham methods and the same in the attempt to the availability of such crooked schemes to cover the true substance and fact of

the head that they are ready to endorse or approve of what he may do."

The commission adds:

"The handling of bank deposits and security sales of these corporations are massed in a few hands carrying with them a power and domination of large amounts of banking capital as well as the control of great railroad systems. These and other evils as the result of interlocking directorates are now well recognized and known and they have been emphasized by the disclosures of this investigation."

In the commission's opinion there is little question that the stockholders can recover a substantial sum of money that has been wasted. The commission mentions specifically for possible recovery \$308,000 taken to Oakleigh Thorne and Marsden Perry in commission; \$1,524,000 illegally spent in the Westchester franchise and \$2,748,000 in the Billard transaction.

Question of Recovery.

"If any expenditures were made in violation of the anti-trust laws of the United States are not such expenditures ultra vires and is it not the legal obligation of the directors to satisfy out of their own fortunes any loss which results to the company as a result of the commission.

"Only lawful expenses are authorized. All illegal disbursements are ultra vires. Directors cannot without accountability deplete the corporate treasury in ventures which are in violation of the laws of the land."

Of the responsibility of the directors under the anti-trust law the report says:

"The evidence shows that in pursuance of the policy of transportation monopoly the New Haven purchased the Connecticut trolleys, the Rhode Island trolleys, the steamship lines, the Boston and Maine and other means of transportation that were available and purchasable.

"That this plan was in violation of the statute is quite clear, for competition was sought to be destroyed.

"That the directors were conscious they were proceeding along lines that were probably in violation of law is evidenced by the testimony of Director Elton that as each line was purchased some one would ask the question in the board of directors if it were not in violation of law, and that the directors, generally, for the New Haven, would state to the board that the New Haven charter permitted them to do anything.

"It appears therefore that not only were these consolidations contrary to law, but these directors were cognizant of that fact and directed themselves with the advice of counsel that under the company's charter it could do anything it pleased."

Immunity of Witnesses.

The commission says that in conducting its inquiry it kept in mind constantly the warning of the Department of Justice against immunity from criminal prosecution in respect to witnesses. The commission has used only such witnesses as seem necessary to answer the Senate's questions as to why the investigation was held.

"With respect to Mr. Mellen," says the commission, "it was the belief of the committee that his testimony was necessary to the inquiry and that in our opinion fully justified this position.

"Evidence of wrongdoing such as was disclosed in this hearing is difficult to obtain. Men do not conduct such transactions in the open, but rather in secret and in the dark. Only those involved as a rule have direct information. So some of the evidence of necessity must come from the participants.

"The commission has proceeded upon the idea that it is better to expose wrongdoing even if in doing so it would be necessary to use a few witnesses whose testimony would be given in confidence, than through fear of bestowing immunity, some, leave facts unknown and uncovered and therefore give immunity to all not only as to prosecution but to the stigma of exposure as well."

Commerce Board Recalls Expert on Morgan Books

J. P. Morgan Denies Complaint of Accountant That All Books Are Not Open to Investigation.

WASHINGTON, July 13.—The Interstate Commerce Commission's report on the New Haven disclosed for the first time that the commission recalled its accountant from the office of J. P. Morgan & Co. because the commission was dissatisfied with the character of the account books and correspondence that the Morgan firm gave to the accountants.

The commission publishes as an appendix to its report correspondence that has passed between Commissioner McChord and Mr. Morgan on this subject.

The commission sent an expert accountant, D. E. Brown, to the office of J. P. Morgan & Co. after Mr. Morgan had made a public statement in which he said:

"The records of my firm and the personal records of my father are still intact; they are available and ready for production before any proper tribunal at any time."

Mr. McChord complained to Mr. Morgan that the commission's accountant reported to him that he had been denied full access and had been obliged to designate such information as he desired and that all information was refused when a third party was involved in the transaction.

"This is not the character of examination I understood from your statement you were willing for our accountants to make, and if not an examination upon which any conclusion can be based by the commission as to what your books do not show," wrote Commissioner McChord to Mr. Morgan. The commission then made several specific requests.

To this Mr. Morgan replied in part on June 24:

"With respect to your statement that the accountants of your commission insisted on being allowed free access to the books and papers concerning the transactions of the New Haven railroad and of its subsidiaries have been denied such

access and have been obliged to call for such information as they could designate. I have no objection to your commission's accountants having been allowed free access to our books and papers bearing on the subjects you refer to, and have only been required to ask in a general way for the records, indicating it by time, item or subject.

"This course has been followed in order that the books and papers, many of which are of a confidential character, might be produced in a convenient and orderly way. I have not understood that the accountants made any objection to this, and it was obviously a matter of convenient procedure.

"In reference to your statement that 'when an item was shown them all other items were covered up,' I beg to say that, as I am informed, the ledger accounts with the New Haven and its subsidiaries have been exhibited fully and completely, and that nothing has been covered except the names of third parties, to which I refer later herein.

"Your examiner is making an analysis of these accounts and taking full transcripts of them for the information and use of your commission. In tracing the ledger items back through the journal and cash books other items appearing on the same pages, but here to my knowledge the New Haven or any of its subsidiaries, were of course covered up.

"The journal and cash book entries concerning New Haven transactions were indicated in the ledger accounts and the entries were fully exhibited in every case where desired, except where the name of a third party was mentioned, and in such cases that name only was covered.

"With respect to your statement that 'all information concerning the financial transactions of the New Haven railroad or any of its subsidiaries with J. P. Morgan & Co. was refused to be shown,' I beg to say that, as I am informed, all information has been given in such transactions, except only the names of third parties, which we felt we should not give.

"Mr. Morrow, who has been especially in charge of this matter for us, has sug-

gested to Mr. Brown, your chief examiner, and to your counsel, Gov. Poik, that a conference might be desirable in order that a method could be determined by which your commission might obtain the information which you desire and which, so far as we personally are concerned, we are entirely willing that you should have.

"Without waiting for such conference we beg to suggest that it may be possible for us to secure the consent of the third parties to the extent that you may desire. In fact we have asked such consent in the only two specific cases which you mention in your letter and we are glad to say that the parties are entirely willing that their names be disclosed.

"Answering your specific request, therefore, we beg to say:

"First—The names of the persons to whom 6,000 shares of Westchester and Boston bonds, sold in 1911 and 1912 (instead of 1910 as stated in your letter) by J. P. Morgan & Co. for account of the New Haven road will be given your accountants.

"Second—The names of the purchasers of the New Haven Westchester and Boston bonds, sold in 1911 and 1912 (instead of 1910 as stated in your letter) by J. P. Morgan & Co. for account of the New Haven road will be given your accountants.

Ready to Get Consents.

"Third—When the name of a third party appears in any of the entries upon our books relating to our transactions with or for the New Haven railroad we shall endeavor to obtain consent to such third party to the giving up of his name.

"Fourth—I have not been advised of any difference between us on the question of correspondence. Your accountants have been and will be allowed to inspect any correspondence of our firm with the New Haven railroad or any of its subsidiaries.

"We appreciate your assurance that you do not desire to gain information from our records other than that bearing upon the subject matter of the New Haven situation."

"First—Accountant Brown on July 9 again reported back to Commissioner McChord as follows:

"DEAR SIR: Replying to your favor 6th and answering question contained therein: I have inspected the books of J. P. Morgan & Co. and the records of J. P. Morgan & J. P. Morgan & Co. have not been granted to me; such items of accounts as contain the record of the transactions published in their statement addressed to the chairman of the Interstate Commerce Commission dated March 4, 1914, have been submitted, and all exposed data relating to the transactions under review have been covered by papers, and in innumerable instances where the name of a third party was involved such information was also covered up.

"Second—Whether I have been allowed to inspect all transactions on the books of J. P. Morgan & Co. in relation to the New Haven or its subsidiaries I am unable to state.

"I do not know what accounts are on their books and the few reported in their statement previously referred to are several deposit accounts, dividend and interest accounts, which they voluntarily submitted.

Complaints of Letters.

"In review of the correspondence, I can see such letters only as are submitted by them. Whether they are all the correspondence on the subject I cannot say, beyond the fact that such is their statement.

"This procedure cannot be justified by J. P. Morgan & Co. and third parties on the transactions will, as a rule, be referred to such parties and their consent obtained before submission to me for inspection. If J. P. Morgan & Co. do not consider this proceeding before a proper tribunal, and it is only before such a body or court that a proper submission of data will be effected.

"This procedure cannot be justified by the title of an 'investigation.' No successful investigation can be conducted wherein the parties under investigation specify the items and relations under which it must be accepted. All that I could consistently state is that I have seen certain accounts and correspondence pertaining to such transactions, substantially confirming the facts stated in my report in their statement of March 4, 1914.

"Whether such records as I have seen reveal the full story of their relations with the New Haven and its related companies I have no evidence beyond the statement of the firm's representatives that such is the case."

Then on last Saturday, July 11, Commissioner McChord, after a consultation with members of the committee, recalled Accountant Brown in the following telegram:

"D. E. BROWN, District Accountant, Hotel McAlpin, New York City:

"In view of the statements made in your report of July 9 and your wire of July 10 the commission is of the opinion that it is useless for you to continue the investigation referred to. You will therefore return to Washington.

"C. McChord, Commissioner."

NO NOTICE OF WITHDRAWAL.

J. P. Morgan Says He Has No Comment to Make.

The correspondence between Commissioner McChord and Special Examiner D. E. Brown, who was delegated to inspect the firm's books in regard to its transactions with New Haven and the disclosure that the examiners were withdrawn because of the access to the records of J. P. Morgan & J. P. Morgan & Co. was granted, evoked the following reply from Mr. Morgan.

"The information published in the afternoon papers with regard to the withdrawal of the Interstate Commerce Commission's examiners from the examination of the books of our firm is the first intimation that I have had that they had been recalled. I have no comment to make on the matter."

Stem Brothers

42nd and 43rd Streets, West of Fifth Avenue.

have prepared, in their Men's Tailoring Department, on the Third Floor, for to-day and continuing until Friday evening, the following Extraordinary Offering of

Men's Suits to Order at \$25.00

Regular Values \$35, \$38, \$40, \$42 and \$45

PRESENTING a superb collection of more than a hundred patterns of foreign and domestic suitings to select from; including extreme light-weights for immediate wear, and medium weights, for all year round wear—plain blues, blacks and grays; also various checks, plaids and stripes and many handsome mixtures. Coats will be made, quarter, half or full lined, as desired. Extra charge of 10% for sizes over 44 inch chest measure.

It is a rare opportunity that brings such splendid fabrics into an offering of suits made to measure and fit fully guaranteed, at \$25.00

SHAWLEYS

Broadway—43rd to 44th Street

Superior Six-Course Luncheon, 75c (Music)

Breakfast from 8 A. M. in Grill Room

Cabaret Extraordinaire

Twenty Acts Every Evening 7 to 1

Restaurant also in the Shopping Zone—Broadway 29th-30th St.

of the New Haven Navigation Company.

"Second—From New England Navigation Company to John L. Billard, nominal owner.

"Third—From John L. Billard to National City Bank as collateral.

"Fourth—From National City Bank to the New Haven.

"Fifth—From the New Haven to the New England Navigation Company.

"Sixth—From the New England Navigation Company to the Boston Railroad Holding Company."

The commission adds:

"This stock was during all these migrations financed, owned and controlled by the New Haven, and by virtue of the ownership and control of this stock during all this time it placed its own officials in charge of the Boston and Maine and selected the directors thereof."

Depreciation of the Stock.

"The movement downward of Boston and Maine stock did not begin until the Mellen-Morgan-Rockefeller management was forced upon it. The depreciation of the Boston and Maine stock after coming into the control of these men was indeed rapid.

"The financial strength of the Boston and Maine which had been made manifest for more than half a century was converted into financial weakness in half a decade after passing into the control of men who had the reputation of being eminent financiers.

"These great names proved to be of no reliance to investors. The management of the Boston and Maine in the New York was unwise, it began in the just effort of the Boston and Maine to get out of great depreciation and serious impairment of credit.

"It seems to be germane and proper to refer to the apparent ease with which the domination of the Boston and Maine was transferred to the financial interest of the New Haven without any expenditure by them.

"This was done by inducing an exchange of the Boston and Maine stock owned by the American Express Company for New Haven stock. Thus by mere exchange of stock those controlling the New Haven were enabled to extend their domination over and control the entire railroad property in five States."

"Those who at first were merely employed as fiscal agents of the railroad to negotiate the sale of the securities which they held in supreme control of the transportation interests of the country. This is an illustration of what has been the most dangerous tendency in recent times."

The Billard Transaction.

The commission holds that John L. Billard of New York, who made a profit of \$2,700,000 without the expenditure of a penny of his own, was merely acting as an agent of the New Haven and that the \$2,700,000 profit was a result of the Boston and Maine stock which he sold to the New Haven. The commission expressed the opinion that honesty and efficiency of management finally will restore the railroad property to its former standing.

Representatives on the Board.

The commission points out in speaking of interlocking directors that the Pennsylvania Railroad, which owned 35,000 shares of New Haven stock; the New York Central, which owned the same number of shares; the insurance companies, which also had 35,000 shares; the express company which had a contract with the railroad; the Standard Oil Company, which had a contract with the corporation and the Pullman Company all had representatives on the New Haven board.

"In fact," says the report, "every other director that there are too many ornamental directors and too many who have such childish faith in the man at

Massachusetts Law Violated.

"On its note there were turned over to it on one time \$9,918,000 of securities bought and paid for with New Haven money. The inside facts as to its dealings show a continued operation in violation of Massachusetts law and a violation of the Statute by the highest court of that State."

The commission holds that if Mr. Mellen's contention that Sanderson & Porter own the stock of the New England Investment and Security Company free from any control of the New Haven, and is personally entitled to all the assets and securities which have been purchased with the funds of the New Haven upon the dispositive effect of the Statute is correct.

The commission says that increases in capital stock of the New Haven have been made upon the basis of transfers of assets from one subsidiary company to another.

"The directors of the Security Company, the New England Navigation Company has been utilized from time to time as a holding corporation for the accomplishment of irregular transactions," it says, "indefensible under any of our laws."

The commission charges the New Haven management with manipulation of accounts in order to eliminate from the record dividend returns upon certain securities. It accuses the management also of the shifting of funds to show dividends earned in the year 1912.

Comments on Dividends.

After detailing a transaction between the New Haven and the New England Navigation Company the report says:

"The effect of this transaction was that the New York, New Haven and Hartford Railroad Company advanced \$2,000,000 in cash to another company to pay to it dividends on its stock and included the amount advanced in the dividend account as a dividend received. In other words the New Haven set up in its income an item of \$2,000,000 on the other side.

"The accounts of the company are replete with instances where the profits have been declared to be earned by the transfer of stocks, bonds, debentures and securities of one of the subordinate and subsidiary companies of the New Haven system to another subsidiary company, such profits are solemnly recorded as real profits in making up the accounts of the system as a whole.

"Transactions of this kind do not make real profits any more than the transfer of money or securities from one pocket to another would result in profit to an individual.

"The frequency," says the commission, "with which dummy corporations and dummy directors appear in this record leads to the conclusion that it is not an obsession upon the subject of the utility of such sham methods.

"The directors of the Billard Company confessed that they were dummies and knew nothing of its operation. Why men of respectability and standing as these appear to be should lend their names as dummies passes comprehension. Throughout the entire story of the New Haven management vainly endeavored to hide the true facts behind these dummy individuals and dummy corporations.

"Sham methods."

"If master financiers behind these New Haven transactions could use these sham methods and the same in the attempt to the availability of such crooked schemes to cover the true substance and fact of

access and have been obliged to call for such information as they could designate. I have no objection to your commission's accountants having been allowed free access to our books and papers bearing on the subjects you refer to, and have only been required to ask in a general way for the records, indicating it by time, item or subject.

"This course has been followed in order that the books and papers, many of which are of a confidential character, might be produced in a convenient and orderly way. I have not understood that the accountants made any objection to this, and it was obviously a matter of convenient procedure.

"In reference to your statement that 'when an item was shown them all other items were covered up,' I beg to say that, as I am informed, the ledger accounts with the New Haven and its subsidiaries have been exhibited fully and completely, and that nothing has been covered except the names of third parties, to which I refer later herein.

"Your examiner is making an analysis of these accounts and taking full transcripts of them for the information and use of your commission. In tracing the ledger items back through the journal and cash books other items appearing on the same pages, but here to my knowledge the New Haven or any of its subsidiaries, were of course covered up.

"The journal and cash book entries concerning New Haven transactions were indicated in the ledger accounts and the entries were fully exhibited in every case where desired, except where the name of a third party was mentioned, and in such cases that name only was covered.

"With respect to your statement that 'all information concerning the financial transactions of the New Haven railroad or any of its subsidiaries with J. P. Morgan & Co. was refused to be shown,' I beg to say that, as I am informed, all information has been given in such transactions, except only the names of third parties, which we felt we should not give.

"Mr. Morrow, who has been especially in charge of this matter for us, has sug-

gested to Mr. Brown, your chief examiner, and to your counsel, Gov. Poik, that a conference might be desirable in order that a method could be determined by which your commission might obtain the information which you desire and which, so far as we personally are concerned, we are entirely willing that you should have.

"Without waiting for such conference we beg to suggest that it may be possible for us to secure the consent of the third parties to the extent that you may desire. In fact we have asked such consent in the only two specific cases which you mention in your letter and we are glad to say that the parties are entirely willing that their names be disclosed.

"Answering your specific request, therefore, we beg to say:

"First—The names of the persons to whom 6,000 shares of Westchester and Boston bonds, sold in 1911 and 1912 (instead of 1910 as stated in your letter) by J. P. Morgan & Co. for account of the New Haven road will be given