

**OUT ON BAIL A WEEK,
FAIL, OWING \$31,000**

Three Members of Graf & Co. Previously Accused of 'Wash Sales,' Say Creditors. DESCHAMPS CASE TO-DAY

Kardos & Burke Attorney Insists Firm Can Pay Dollar for Dollar in Time.

Creditors of Graf & Co., stock brokers of 128 Liberty street, who were forced into bankruptcy Monday, pointed out yesterday that the three members of the firm—Henry Spitz, James M. Graf and Herman Witkowski, also known as William Herman—had been arrested previously charged with making "wash" sales. They were arraigned March 6 before Judge Crain in General Sessions and released under \$7,500 bail each.

Judge Mack in United States District Court appointed Jesse W. Ehrlich receiver for the firm, against which three creditors' claims aggregate more than \$34,000. It was alleged that the defendants were in a conspiracy to defraud their creditors. The creditors who signed the petition are Lenox & Montford, C. B. Whitaker & Co. and Walter P. McCaffery.

The case of three brokers charged with "bucketing," which had been on for yesterday, was not called on the court calendar. It will be called to-day and will be the second among the many that have resulted from the District Attorney's inquiry into "bucket shops."

The defendants are George Markelson of 833 Riverside Drive, Isadore Friedman of 1865 East Broadway street, Brooklyn, and Samuel M. Small of 1825 President street, Brooklyn. The stock brokers are alleged to have swindled about a quarter of a million dollars from clients of their firm, which was purchased recently by Alphonse Deschamps of 151 Fairfield avenue, Hartford, Conn., the complainant.

Liabilities of the brokerage house of Kardos & Burke of 32 Broadway, which failed recently, are estimated at \$1,453,000 by Robert P. Stephenson, receiver. Any estimate of assets, he said last night, would be "highly speculative."

Arthur Leonard Ross of 256 Broadway, attorney for the firm, previously announced the same figure for liabilities and put assets at \$1,808,300.

Mr. Ross in a new statement said the firm expects to settle for 100 cents on the dollar, partly in cash and partly in notes which will not bear interest. He said the firm expected to reenter the stock and bond field, and already had plans under way for a reorganization if acceptable to several creditors.

As soon as the consent of all creditors is in," said Mr. Ross, "and court approves our composition, we will open our doors for business. The money offered by some of the creditors will enable us to start with a fair amount of capital."

Meetings have been arranged between Mr. Ross and creditors in the various cities in which the company had branch offices.

**HAND OF POLITICIANS
BEHIND BUCKETEERS**
S. L. Cromwell Says Public Is Often Careless.

Special Dispatch to THE NEW YORK HERALD. BOSTON, March 14.—Two principal reasons why bucket shops and stock swindlers have been able to operate so safely in the past are the ease with which they obtain political influence and gilt-edged bank references, said Seymour L. Cromwell, president of the New York Stock Exchange, here to-day in an address before the members of the Boston Stock Exchange.

Mr. Cromwell asserted that in some of the recent financial failures bucket shops, men who had held public office were partners or directors in the firms involved. Some of the most active defrauders of the most offensive bucket shops, he added, have been men in public life who have "sought through their political and legal influence to prevent the stock exchange from exercising its powers to shut off quotations from them."

Bank references, Mr. Cromwell went on, are not always conclusive evidence either of the character of a customer or of a firm. Some bucket shops in the Street, he asserted, have been able to obtain the finest kind of bank references, and prominent men have been inveigled into giving introductions to practically chance acquaintances, and in many cases these references have been utilized to promote swindling in the Street and out of it.

"No Substitute for Character."
Another obstacle in the way of suppressing irregular practices in the Street, it was said, is the willingness of the public to buy securities through irresponsible dealers. The licensing of brokers, he declared, will not meet the difficulty, for, he asserted, there is no substitute for high character and standing in matters of credit and business.

The stock exchange, said Mr. Cromwell, has most rigid rules stipulating conditions under which securities may be listed, but the exchange is not in any manner whatever regulate the price at which purchases or sales shall be made. The rules of the New York Stock Exchange attempting to curb the evil of floating worthless securities on the public is characterized as "a relic of the laws of the State and of the nation."

The recent wholesale failure of brokerage houses engaged in bucketing practices was taken up by Mr. Cromwell. Against this practice, he said, the whole force of the New York Stock Exchange effort has been exerted for many years.

"Safeguards Sometimes Fail."
"It is the business of a brokerage firm to accept legitimate accounts and to do business for its clients," said Mr. Cromwell. "It is the rule of our members to know the character of men or firms for which they deal, but from time to time it has been revealed that despite the fact that customers have been accepted on what appeared to be substantial references, there have been disclosed in a little while facts which tended to show that they were in some way connected or related to concerns doing an illegal business and liable to bucket shops."

**KEELY AND HIS ZITHER
CHARMED THOUSANDS
TO BUY MOTOR STOCK**

Pseudo Scientist of Thirty Years Ago Baffled the Most Skeptical by His Jargon Until Thomas A. Edison Called His Bluff and Ended His \$5,000,000 Scheme.

This is the third article of a series supplementary to the revelations of the general crookedness of the bucket shops which THE NEW YORK HERALD has published recently. These articles will set forth the operations of some of the famous swindlers and give details of swindling schemes of the past. How these men preyed on the public should not be forgotten. Another article in the series will be published at an early date.

Whatever it was that made the Keely motor go, it was but a trifling circumstance compared with the mysterious force its inventor used to lure more than a million dollars out of the pockets of the public. When John Ernest Worrall Keely died in 1898 his gravity defying motor died with him and the hopes he raised in the minds of those who had believed that perpetual motion was to be had by mechanically reversing the Newtonian law died too.

Keely founded a \$5,000,000 corporation on pure hokum. He had men and women fighting to buy shares in the Keely Motor Stock Company. Later on the same men and women fought to sell the stock. They had bought it for \$50, which was its par value, and clamored for it when it soared to \$200. In the end they were willing to sell their shares for a dollar each—in fact, for anything. The majority of them or their heirs still have it.

In the light of the facts set forth by THE NEW YORK HERALD in its recent series of articles on the present day bucket shop, it does not seem too much to say that were a Keely to appear to-day with such a contraption as the Philadelphia "selection" handed to the public thirty years ago he would have to call on the police to keep the suckers in line.

Keely was something of an Alexander Dowle of science. He had the skeptics baffled before they had a chance to open their mouths. He was huge, ponderous, dignified and endowed with a vocabulary filled with unattainable, detached and wholly irrelevant technical words and phrases.

Scientists Were Tonguetied.
Let the ordinary scientist approach and inquire in the simplest terms just one thing and Keely would launch forth on a pseudo-scientific jargon that left the plain scientist dumfounded and tongue-tied. Of course the torrent of explanation was pure buncombe and of course the scientist left the presence so convinced.

But such was Keely's masterfulness that he would send inquiring scientists away afraid to protest. They were mere physicists or electrical engineers or whatever it was they might happen to be. As such they were still students. Here they had met a bewhiskered dignitary who talked like a madman, but who had forced them to the defensive. What did they think of this new motor—this new force? Ah, they would not care to say. Maybe it was good and maybe it was just hokum.

Just one American scientist scared Keely, and he was Thomas A. Edison. Mr. Edison asked Keely to let him inspect this revolutionary machine. Keely hurriedly locked all the doors

was in North Twentieth street, Philadelphia, and the inventor was making a mighty struggle to revive the interest that had waned when he refused to let any one look behind the scenes. Thousands of dollars' worth of stock had been sold, but at this particular time it was far below par. Keely had once traveled with a circus and was pretty clever at sleight of hand tricks. His seances always suggested the magician show. But at this seance there were present a number of prospects and two well known scientists—Prof. Brinton of the University of Pennsylvania and Prof. W. A. McCandrew of Pratt Institute.

Had Spiritualist Aids.
"I am always a great deal disturbed when I begin one of these demonstrations," began Keely, "for sometimes, if an unsympathetic person is present, the machine will not work."

How was that for an aid? He repeated this several times, thereby dampening the ardor of the audience. They began to discuss the possibilities. Think of a locomotive, equipped with a Keely motor, passing through a town where the unsympathetic lived. Or suppose the train should receive an unsympathetic passenger. Mrs. Bloomfield Moore of Philadelphia was Keely's patron saint, and it was her money that helped him bring his machine to that stage where he made it pay.

Mrs. Moore was at this seance and she talked simultaneously with Keely. She assured the audience that what Keely actually had discovered and harnessed was "the will of God."

"Watch him closely," she urged. "He can simply stand there and look at that globe or speak to it and make it go fast or slow according to his manner."

Responded to Tuning Fork.
Keely took a large tuning fork and a zither. He rapped the former against the globe and almost instantly the wheels began to revolve over on the table. There was a galvanometer properly attached to the apparatus and no electricity was registered.

"How does this happen?" demanded one of the visiting scientists. Keely drew himself up to his maximum height. He explained. His face took on the look of the tolerant father setting simple children straight.

"It is simple," he replied, "very simple. Simply the interchange of polar and depolar sympathy. Is that clear?" Then Keely attached a silk thread to a gilded globe mounted on iron rods and resting on a glass plinth. He passed the thread through an aperture in the wall and entered the adjoining room. He sat himself at the aperture. Only his head could be seen by the audience. The silk thread passed over his shoulder. On a shelf in front of him lay the zither, two pitch pipes and a mouth organ.

"This will be more astounding," he announced. "It took me years to master this."

He tuned up a bit and then asked: "How many times shall I make that globe revolve?"

"Twice," asked one of the impressed observers. Keely twanged the zither and the globe turned over twice.

"Ten times." The prestidigitator tooted the pitch pipes and the globe spun ten times. "Of course, the engineer of a locomotive propelled by my motor will not have to take up the zither nor will he be required to whistle like a Pan," explained Keely. "All that will be taken care of by sustained resonance."

Then the guests of this scientist were admitted to a room where a huge and complicated tangle of wheels and rods stood. Keely hummed a couple of bars of a popular song. The wheels began to whirl and the rods to click against each other.

Wore Many Diamonds.
Have a look at this Keely. He was quite swarthy, and had a weakness for large and brilliant diamonds, which he wore on his fingers in an open and generally dirty shirt front. His hands were enormous, the knuckles large and malformed. When not tinkering with his motor he was usually playing checkers with grimy fingers on a filthy board with battered draughts. Early in life he was a cabinet maker and a musician by turn. In the winter he worked for a cabinet maker in Philadelphia. In the summer he conducted small orchestras in holiday resorts.

As early as 1874 he announced that he had mastered the problem of perpetual motion and a number of New Yorkers engaged a patent attorney in Philadelphia to examine it and make report. On November 10 of that year the first of Keely's demonstrations was made.

The New Yorkers requesting the inspection were John J. Cisco, a banker and at one time United States Sub-Treasurer in New York; Charles G. Franklyn of the Cunard Line; Charles H. Haskell, author of Haskell's Tables; Henry S. Sargeant, president of the Ingersoll Rock Drill Company; W. D. Hatch and Enos T. Throop of the Hatch Lithographic Company; John S. Smith, manufacturer of steam heating apparatus, and William B. Meeker, a banker.

The report of the lawyer—Charles B. Collier—was well received by these men and they at once gave Collier \$10,000 with which to purchase Keely stock. These men likewise received an option on \$40,000 more stock until Collier's favorable report might have further verification.

In the meantime Mr. Collier had disposed of the New England rights for an option of \$50,000 and the agree-

ment that the New England concessionaires were to raise \$500,000 to introduce the invention. That done, these same backers were to pour in another half million.

The first large machine consumed three years of work and \$60,000. Then it was pronounced a failure. Several more failures and then the announcement that the right combination had been found. There was a great demonstration before 300 people and the next day two groups of capitalists gave Keely checks for \$40,000 and \$50,000. And that started the riot.

Stock sold all over America and even in London. There were riots. The police had to be called to quell the enthusiastic purchasers of stock. There would be an announcement that only so much stock would be sold in a single day. Men and women withdrew their savings from banks and collided with each other at the broker's door. The world seemed ripe for such a plucking. Songs were written about the Keely motor. Perpetual motion was the universal topic. Electricity and steam were about to be thrown into disuse. Keely had discovered the seemingly impossible.

Machine after machine failed despite the announcement that the combination had been found. But enthusiasm faded slowly. Then stockholders demanded to know the secret. They insisted that it be protected by patents and dragged into the light. But Keely locked the doors and refused to come forth until arrested and taken to court. He refused to obey the court's demand that the secret be told and was sent to jail.

Keely died of pneumonia in his Philadelphia home when he was about seventy. The fortune he had collected had dwindled to nothing except the house he died in.



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