

# HAYS' PROPOSALS TO MASK SINCLAIR'S GIFT OF BONDS TO G. O. P. BY 'DUMMY' DONATIONS BARED AT OIL QUIZ BY MELLON AND BUTLER

Ex-G. O. P. Chairman Back on Stand: Had Private Deals With Oil Man.

## EXPLAINS HIS SILENCE

Didn't Think Men Who Gave Back Securities Should Be Brought In.

BY PAUL R. MALLON

United Press Staff Correspondent

WASHINGTON, March 13.—William M. Butler, chairman of the Republican national committee, revealed to the Senate Teapot Dome Committee today that Will Hays, former chairman, had attempted to get him to take over \$25,000 of Liberty bonds—presumably from the \$160,000 campaign contribution of Harry Sinclair, indicted oil man.

Butler said he did not know they were Sinclair bonds.

This development came after Secretary of Treasury Mellon had spent nearly two hours on the stand telling how he had refused to act as dummy contributor to shield \$50,000 of the Sinclair bonds.

Hays met him in the Biltmore Hotel in New York, the latter part of 1923, Butler testified.

"He had a package with him," Butler said. "He told me it contained \$25,000 in bonds. He asked me to take them and make a contribution. I refused to do so."

### Hays Is Questioned

Butler made his statement after denying a long series of questions as to whether he had any knowledge of Sinclair bonds.

Butler said he declined to follow Hays' recommendation because he did not want to become a party to something "that would appear to be what it wasn't."

Will Hays, former chairman of the Republican national committee when he was called and asked by Walsh if he had anything to say.

Hays said Mellon's testimony was correct.

"But I have a very indistinct recollection of the conversation with Butler," Hays added. "I didn't discuss my plans with him."

"I don't think we said more than what he said. We didn't get into the matter of where I got the bonds. I am very certain I didn't tell him where the bonds came from and tell him what my plans were. I did not go into my program."

"Do you care to say anything about why you didn't tell the committee about these matters before?" Walsh asked.

"Yes, I do."

"Proceed to do so."

### Considered Matter Irrelevant

"I considered the matter irrelevant. The bonds I offered to Mellon were those which were sent back to Sinclair. I didn't think these bonds had anything to do with my inquiry because they were sent back."

"Now the Butler bonds were the most incident. I had no reason to believe you were going into campaign contributions per se."

"Then you didn't tell us about the bonds because Mellon and Butler did not accept them?" Walsh asked.

"Yes, sir."

"If you had attempted to bribe a public official with the bonds and he had rejected the offer, you would not consider that relevant?"

"Yes, I would," Hays said. "But that's not a fair question."

"I take the responsibility for soliciting Mr. Sinclair," Hays said. "If there was money still to be raised out of 1920, I guess I would be out raising it."

### Sent Bonds to Upton

"I'll also take the responsibility for the \$60,000 of the Sinclair bonds I sent to Upton, because he is dead. But I don't know what he did with the money."

Walsh told Hays that Upton had gotten James A. Patten, Chicago wheat king, to absorb \$25,000 of the bonds.

"Would you have considered it ethical if Patten declined to 'take the bonds'?" Walsh asked.

"It depends on how the bonds were given to him," was the reply. "If the bonds were offered to him as security for a loan, then I would consider it ethical."

### Reads 1924 Testimony

"Explain why you didn't go to Mellon and ask him to make a direct contribution," Walsh directed. "You didn't think Mellon was in such destitute circumstances that he had to have security for a contribution?"

"I was inducing him to make the contribution, and it worked," Hays said. Spectators laughed.

Walsh read Hays' testimony of March, 1924, when Hays said he had never received any Sinclair stock and that to his "best judgment" Sinclair could not possibly have given more than \$75,000 to the party.

After some further exchanges, Hays argued that Walsh had read excerpts which gave an improper light to his testimony.

"I have a little right in this situation," said Hays.

"Of course," said Walsh.

"Well, I resent reading of some of my answers and not taking my testimony as a whole," Hays retorted.

Hays said his mind was on a story that Sinclair had given 75,000 shares of Sinclair Consolidated oil stock—which was not true.

Walsh tried to get Hays to admit that the only particular in which the story was wrong was that Sinclair gave \$75,000 of Consolidated Trading Company bonds.

### Walsh Grows Angry

"Sit down; sit down," Walsh admonished when Hays attempted to approach the committee.

Walsh became so angry that he trembled when Hays argued with him about whether or not Hays had

## Oil Scandal at Glance

Secretary Is Witness for Two Hours, Bares All of Transaction.

OWN CHECK IS \$50,000

Present Republican Chief Reveals Offer Made in New York Hotel.

banks had loaned any money to the committee, he said.

"I had no knowledge of the Teapot Dome lease at the time," Mellon volunteered. "The Sinclair contribution just seemed to me to be the subscription of a wealthy man."

Mellon could not tell how long he held the bonds. He indicated it was not more than a week, but said he could not be certain.

Walsh revealed his correspondence with Mellon since the hearing opened. In January, Walsh wrote Mellon asking help from the United States Secret Service in tracing the Continental Trading Company bonds.

Mellon, in reply, promised the services of the Treasury agents if the committee paid expenses.

On Feb. 5, Walsh asked Mellon if incomes taxes could be exacted from those who held the missing bonds.

### Paid No Income Tax

On Feb. 10, Mellon replied that the Continental Trading Company had paid no income tax; that treasury agents had been investigating the matter and had followed closely all hearings in the matter before the Senate committee and courts.

On March 7, Mellon wrote Walsh protesting against a newspaper story that the treasury had failed to help the committee in the investigation. "Have these men failed to cooperate loyally with you?" Mellon asked Walsh in the letter.

Walsh pointed out that H. S. Oster of the Continental in 1923 had the oil bond profits divided in four packages of \$85,000 each; that Hays sent Upham and Weeks, \$85,000; that Sinclair gave \$85,000 of the bonds to Hays in one batch.

**Sold Sinclair Stock**

"Can you explain that coincidence?" Walsh asked. "That's not a coincidence—that's imagination," Hays replied.

"Do you associate this Sinclair contribution with the fact that Sinclair obtained the Teapot Dome public reserve from Secretary of Interior Fall?" Walsh asked.

"No, I'm just like Secretary Mellon," Hays said. "I don't."

Hays said he had several private transactions with Sinclair and that the Federal Trade Commission agents had "gone through everything in my office about the matter."

Nye brought out that the law firm of Hays and his brother acted as attorney for the Sinclair Consolidated Oil Company in Indiana. Thereupon Hays revealed he had bought and sold "a good deal" of Sinclair oil stock.

"I lost a good deal of money," he added.

He said it would be difficult to say when he first bought Sinclair stock, but he made his heaviest purchase in the spring of 1923.

### Mellon Tells of Proposal

"I had a telephone message from New York from Will H. Hays stating he was sending me a package of valuable papers and was coming to Washington and would see me later," said Mellon, describing his connection with the oil bonds.

"That's what we all thought," Hays said. "What explanation did Hays make about that?"

"He said something about the bonds being loaned to him, but it was all the same thing to me," Mellon answered.

"Why didn't you disclose sooner this knowledge?" Senator Nye asked.

"Later when Hays came and explained the purpose, I said to him I would return them. I didn't have them in the office so I said I would send them to him. He was going to Indiana then."

"Later I sent the bonds to Hays in New York by Parker Gilbert."

Mellon said he kept in record of the bond numbers.

"Hays said he had a large subscription in bonds and he asked me to take this lot for him," Mellon said. "I was to hold them or something and make a subscription to help the hangover debt."

**Objected to Plan**

"I objected to doing so because I would not be making a subscription of what it purported to be—a bona fide subscription."

"He asked me to make what would be a loan and hold the bonds, but to me that was the same thing."

"I said I would make a bona fide subscription to the party to pay a share of the debt. Some days afterward I sent a check for \$50,000 to Fred W. Upham, Chicago, treasurer of the committee. This was in addition to \$2,000 I gave in the Harding campaign. That was all I gave."

"During the campaign Hays had called me on the phone and asked me to hold a luncheon in Pittsburgh to help raise money."

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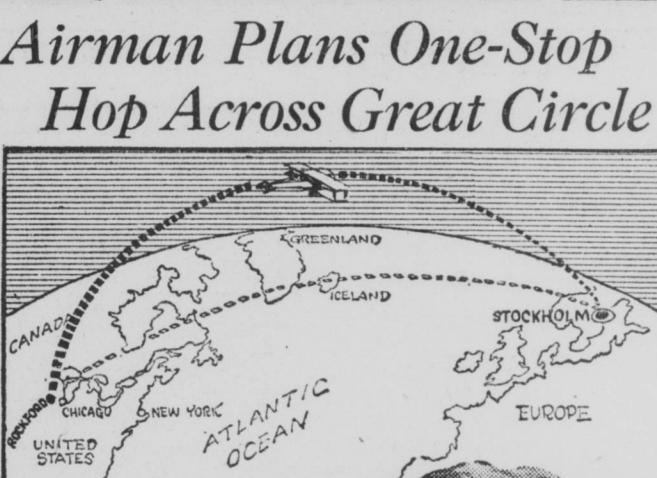
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## Airman Plans One-Stop Hop Across Great Circle



Bert Hassell and a sketch of the Great Circle route he will follow from Rockford, Ill., to Stockholm.

## GAS COMPANY SHOWS SURPLUS OF \$376,336

Despite Improvements and Rate Cut, Dividends Are 10 Per Cent.

The Citizens Gas Company reduced its rates in 1927 and wound up the year with a surplus of \$376,336 after paying \$370,000 in dividends, meeting all its debt and sinking fund requirements, making plant improvements and meeting operating expenses, the annual report, filed with the public service commission late Monday, shows.

Company officials said that most of the profit was made during the first half of the year. The rate was decreased July 1. The sliding schedule was reduced from a maximum of \$1.15 to a minimum of \$1.05 a thousand cubic feet, ranging downward to as low as 65 cents for large industrial consumers.

The company wiped out the last 5 per cent of arrearage dividends on common stock, standing from the lean years during the war period.

Officials declared they did not believe the profits would be as high in 1928.

### Company Prospering

The dividends of \$370,000 represent 10 per cent on the common stock, the 5 per cent arrearage payment and the regular \$70,000 payment upon preferred stock.

Within three years the company has met its obligations, spent hundreds of thousands of dollars upon improvements, steadily increased its depreciation reserve funds, paid the 10 per cent a year upon common stock and 7 per cent a year upon preferred stock and caught up with 26 per cent of arrearage on common stock.

The rate cut within half a year caused a cut of approximately \$311,000 in earnings over what they would have been without the decrease, company officials said. Officials estimated at the time of the cut that the loss would be \$331,000.

### Common Stock \$2,000,000

Citizens who have urged the provision of the gas company charter; giving the city the right to purchase the plant for the face value of the common stock and assumption of indebtedness have been blocked by the arrearage on the common stock dividends.

The charter provides that common stock certificate holders be limited to 10 per cent annually and that all surplus earnings shall be applied to cancellation of the stock certificates at their face value of \$25 and when this was retired the city should be privileged to take over the plant.

With the addition of \$376,336 to the surplus in 1927, the company had in its surplus fund \$1,004,434.38. The common stock totals \$2,000,000 in value. None of it has been retired.

### \$3,000,000 From Gas Sale

The company earned \$3,078,072.52 from sale of gas during 1927. Sale of by-products added \$2,995,422.27, making the total operating revenues \$3,073,494.79.

Operating expenses, including the drawing over of \$450,000 in the depreciation fund, totaled \$4,934,381.51. This left net operating revenues of \$1,129,113.28. The addition of \$294,556 in non-operating revenues made the gross income for the year \$1,520,056.84.

Interest on funded debt and other deductions totaled \$693,720.14, leaving net income for the year of \$746,336.70. Subtraction of the 370,000 in dividends left the \$376,336.70 surplus.

Total value of the property is listed at \$11,919,184.02. During the year \$269,850.03 was spent on construction and equipment.

## STAMP HEARING SET

Five to Be Arraigned in Label Counterfeiting Case.

Five more defendants in the nation-wide "strip stamp" case will be arraigned before Federal Judge Robert C. Baitzell here March 23, it was announced today.

Those to be arraigned are Albert C. Goodwin and his two sons, Albert, Jr., and Theodore of Albany, N. Y., and Clark Beheler, Ft. Wayne, and Wilber Lowman, Warsaw, Ind.

The Goodwins were released under bond at Albany, where they operate a print shop at which Federal officers allege the plates for making the strip stamps, used to put fraudulent Government labels on fraudulent bootleg whisky, were found.

Fourteen tons of the stamps were confiscated by officers in Chicago and nineteen indictments issued. Those who already have been arraigned in the case