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OFFICE OF THE
ASSISTANT ATTORNEY GENERAL
FOR THE
POST OFFICE DEPARTMENT
WASHINGTON

December 9, 1904.

MEMORANDUM.

IN RE

Alleged violation of sections 3929 and 4041 of the Revised Statutes as amended, by Sydney Flower and "New Thought" magazine, New York, N. Y., in conducting through the mails a scheme to defraud.

On July 2, 1904, Sydney Flower and "New Thought" magazine, 27 East 22d street, New York, were cited to appear before the Post Office Department and show cause why a fraud order should not issue against them, on the ground that they were using the mails in the conduct of a scheme for obtaining money by means of false or fraudulent pretenses, representations or promises.

This citation was based upon representations of Sydney Flower contained in the issues of "New Thought" for January, February, March, April and May, 1904. In the issue of the magazine for January, 1904, reference is made to funds on deposit with Flower, upon which it is stated dividends at the rate of 50 per cent. per annum have been paid, and that these payments have been made solely "out of the earnings of this sum; not out of the principal." It is further stated that it is proposed "to keep this up all summer," and dividends equal to "one per cent. per week to New Thought subscribers from this time on are guaranteed." Identical statements of alleged returns upon investments are made in the issues of "New Thought" for February and March, 1904, and statements similar in character are to be found in the edition of the magazine for April, 1904. In the issue of the publication for May, the "North Shore Reduction Company" and the "Investment Fund" are described, and promises of large dividends upon investments in these concerns are made. In reference to the Investment Fund it is stated that "interest up to March 15 has been paid at the rate of 1 per cent. per week. Interest since March 15 has been paid at the rate of 1 per cent.

twice monthly. Excess of the earnings of the Fund during March over dividends earned by the Fund and paid out of the earnings exceeds \$3,000." It is here stated that at the date of March 28 the amount of cash invested in the "Investment Fund" exceeds \$52,000.

In the publication for June, 1904, the claim is made by Flower that on June 1 he had over \$72,000 for investment, and had paid dividends upon this sum at the rate of 24 per cent. per annum, and that the Fund has earned \$35,000 in excess of these dividends.

In none of these statements is there anything to indicate the manner in which these immense returns are obtained, save that in the issue of "New Thought" for April reference is made to "the Investment Fund" and it is stated that "the Fund is placed in Chicago, and makes its profits out of wheat. The Fund is managed by several men." In this same issue it is also stated that "the Fund has earned over 100 per cent. from the beginning to the present time. The managers of the Fund have taken no chances with the capital. The Fund will continue to earn 100 per cent. per annum regardless of war or peace, or any disturbing conditions of the market. The Fund is so placed that it can be closed up in three days, and all cash returned to investors without the loss of a cent."

Circular letters sent out to subscribers for "New Thought" undertake to induce investments in sums of \$10 in a scheme designated "Royal Ten". It is stated that \$250,000 will be required to float this enterprise, and that it is desired to distribute certificates among 25,000 people.

In the report of the inspector, upon which this notice to show cause was issued, it was stated that he had requested permission to examine the books kept by Flower showing his various transactions occurring in connection with the "Investment Fund" etc., but that upon the pretense that there was no authority to allow such an inspection in the absence of Flower, such permission was denied.

On July 14 John J. Vause, an attorney of New York City, and Mrs. Springer, also of New York, who said that she was largely interested in the publication of the magazine, appeared before the Assistant Attorney General and undertook to make answer to the allegations that the mails were being used by Flower and the magazine for fraudulent purposes. It was explained by the attorney that the large returns upon moneys placed in the "Investment Fund" so-called had been earned in the operation of a system of "puts and calls," being a sort of speculative insurance carried on in the city of Chicago, and letters were produced from persons in Chicago testifying that it was quite possible, and even usual, to earn returns by means of such a system of from 100 to 200 per cent. upon moneys invested. It was stated, however, that the "Investment Fund" scheme had been abandoned by Flower and that no deposits for investment in said fund had been accepted since the last of March, 1904; that all deposits received since that date had been returned to the persons sending them; that the dividends promised had in every case been paid; that more than half the amount of the funds deposited had been returned to depositors, and that the remainder was then being returned, and that full access would be given to the books and records of Flower and the "New Thought" magazine, in order that the truth of these representations might be ascertained. An affidavit embodying in substance the statements made by the attorney was executed by Sydney Flower, on July 14, 1904. In this affidavit it was agreed that no advertisement soliciting investments in the "Investment Fund", or in any similar fund or enterprise promising extravagant or unusual returns upon investments made therein would thereafter be issued or published by Flower in the publication called "New Thought," and that no such solicitations would be made by him in any other manner whatever through the use of the mails of the United States; that all moneys thereafter received for investment in said fund, or in

similar enterprises would be returned to the senders thereof; the stipulation being made, however, that of deposits placed in his hands for investment in said fund, investments not exceeding the sum of \$10 in the case of each individual investor might be solicited and accepted for certificates of stock in the enterprise known as the "Royal Ten," which was stated to have in contemplation the erection and operation of ten sanitariums in various parts of the United States. It was expressly agreed, however, that in every case in which the investor should request or demand a return to him of the sum deposited for investment in the "Investment Fund," such sum would be returned. In his affidavit it was also agreed by Flower that the books, records and correspondence in his office and in the office of the "New Thought" magazine should be subject to examination by post office inspectors acting under the direction of the Post Office Department, for the purpose of ascertaining whether the representations made in his affidavit and in his answer to the charges preferred against him and the magazine were true, and whether he and said magazine were carrying out the agreement embraced in the affidavit in good faith, and according to its terms.

Upon this affidavit, and in view of the explanations made to the Assistant Attorney General, the mail which was being withheld from delivery by the postmaster at New York was released. Under date of July 18 request was made upon the Fourth Assistant Postmaster General that the inspector to whom the case had been assigned be directed to make a very careful examination of the books and records of Flower and the "New Thought" magazine, for the purpose of verifying the statements and representations made on their behalf, "and to take such other steps as may be necessary to show whether or not the parties have been acting in good faith and whether the statements and representations made by them are true." Under date of July 26 the inspector reports that on the 21st he called at the office of Sydney Flower and was advised by Miss Snyder, who was in charge of the place, that

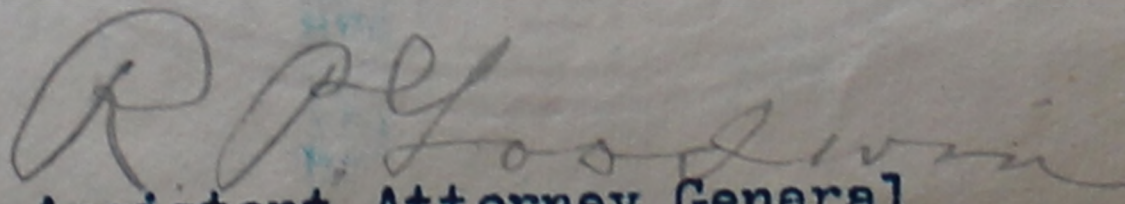
Flower was out of the city; that the inspector informed her that the object of his visit was to make an examination of the books of Flower in accordance with the terms of an agreement made by him with the Post Office Department; that Miss Snyder said she could not permit inspection of the books in the absence of Flower, who was on a business trip up the state, but that she would communicate with him at once and was satisfied he would be in New York on the following Saturday morning, when access to the books would be given; that Miss Snyder stated to the inspector that she would communicate with him by telephone on the following day (Friday) advising him of the nature of the reply received by her from Flower. The inspector states that no message was received by him on Friday as promised, and that on Saturday he called up Miss Snyder and inquired regarding the matter. She informed him that she had heard from Flower, and had been directed that if the inspector should call again he be referred to Mr. Vause, a brother of John J. Vause, the attorney, for any information desired. Call was immediately made upon Mr. Vause, who upon being informed of the object of the visit of the inspector, stated that he would communicate with Flower, and have him come to New York at once, when an inspection of the books could be made. It was promised by Mr. Vause that he would communicate with the inspector by telephone on the following Monday. Nothing being heard from the attorney, the inspector inquired of him by telephone if Flower had returned. The reply was that he had not, but that the attorney could "almost guarantee that he would be in New York within a week, and that upon his arrival" the inspector would be immediately notified. The inspector expressed the view that Flower had no intention of complying with the terms of his agreement, made under oath, and submitted the matter for such further action as was thought advisable. On August 3, 1904, the inspector was directed by telegraph to inform Attorney Vause that unless the request for

an inspection of the books of Flower should be immediately complied with, all mail for Flower and "New Thought" magazine would be withheld. Under date of August 4 the inspector reported that in pursuance of the instructions contained in this telegram, he telephoned to Vause and demanded that he be afforded opportunity to make an immediate inspection of the books of Sydney Flower and "New Thought" magazine. The reply of Vause was that he would write to the office of the publication at once, and advise the inspector. On the morning of the 4th the inspector called at the office of Flower and the magazine, and was advised by Miss Snyder that Flower was still out of the city, and that she did not know when he would return. The officer then made demand that he be allowed to examine the books of the office, but Miss Snyder replied that she had no authority to accede to this demand, and that she thought it very unfair that it be made in the absence of Mr. Flower. On being shown a copy of Flower's affidavit, she admitted that it did agree to an inspection of the books, but added that she had nothing whatever to do with the matter, as everything had been placed in the hands of Attorney Vause, who had instructed her to do nothing without first consulting him. Demand upon Vause for an inspection of the books of Flower was renewed by the inspector, but the attorney requested that the matter go over until he could communicate with Flower, which was in effect a refusal to comply with the demand. Upon the receipt of this report, the postmaster at New York was directed by telegraph to withhold from delivery all mail, and from payment, all money orders for Sydney Flower and "New Thought" magazine.

The action of Sydney Flower in wholly disregarding his agreement with the Post Office Department to subject his books and records to examination by a post-office inspector, as well as all the other circumstances surrounding his course of dealing with this office, indicates clearly that those books and records fail to bear out the statements and representations made to the Assistant Attorney General

in regard to the scheme advertised by Sydney Flower, and in pursuance of which remittances of funds aggregating a large amount were obtained for "investment." The representation that a large proportion of the funds so received had already been returned to the senders, and that the remainder was being returned, is probably false. This statement is important, and if true could of course be established by an examination of the books. It is fair to assume it to be untrue, judging from the refusal of Flower and of his attorneys and agents to subject those books to inspection.

A communication from the postmaster at New York dated November 30, 1904, shows that there are now being withheld at the New York post-office about 3,000 letters directed to Sydney Flower and "New Thought" magazine. It is recommended that a fraud order issue against the parties named in order that this mail, none of which apparently bears a return card, may be forwarded to the Dead Letter Office and duly disposed of.


Assistant Attorney General
for the Post Office Department.

The Postmaster General.

Post Office Department,

WASHINGTON, D. C.

December 10, 1904.

ORDER No. 135-2

It having been made to appear to the Postmaster General, upon evidence satisfactory to him, that

SYDNEY FLOWER, and "NEW THOUGHT" (magazine)

at New York, New York, are engaged in conducting a scheme or device for obtaining money through the mails by means of false and fraudulent pretenses, representations, and promises, in violation of the Act of Congress entitled "An act to amend certain sections of the Revised Statutes relating to lotteries, and for other purposes," approved September 19, 1890—

Now, therefore, by authority vested in him by said act, and by the Act of Congress entitled "An act for the suppression of lottery traffic through international and interstate commerce and the postal service, subject to the jurisdiction and laws of the United States," approved March 2, 1895, the Postmaster General hereby *forbids you to pay any Postal Money Order* drawn

to the order of said

parties

and you are hereby directed to inform the remitter of any such postal money order that payment thereof has been forbidden, and that the amount thereof will be returned upon the presentation of the original order or a duplicate thereof applied for and obtained under the regulations of the Department.

And you are hereby instructed to *return all letters*, whether registered or not, and *other mail matter* which shall arrive at your office directed to the said

parties

to the postmasters at the offices at which they were originally mailed, to be delivered to the senders thereof, with the word "*Fraudulent*" plainly written or stamped upon the outside of such letters or matter. Provided, however, that where there is nothing to indicate who are the senders of letters not registered or other matter, you are directed in that case to send such letters and matter to the *Dead-Letter Office* with the word "*Fraudulent*" plainly written or stamped thereon, to be disposed of as other dead matter under the laws and regulations applicable thereto.

R. J. Hyman
Postmaster General.
5-669

To the Postmaster,

New York, New York.

October 14, 1905.

Postmaster,

New York, New York.

Sir:

Please advise me the average amount of mail being daily received for "New Thought" (Magazine), mentioned in Order No. 1352, dated December 10, 1904.

Very respectfully,

Assistant Attorney General
for the Post Office Department.

N

October 24, 1905.

Josiah Cratty, Attorney,
134 Monroe Street,
Chicago, Illinois.

Sir:

I have to inform you that the fraud order against "New Thought" (Magazine) of New York, New York, has been revoked by the Postmaster General's order dated October 21, 1905. In compliance with your request, the papers left by you at this office in this case are returned herewith.

Very respectfully,

Assistant Attorney General
for the Post Office Department.

C o p y

December 19, 1904.

Hon. Russell P. Goodwin,

Assistant Attorney General,

Post Office Department.

Dear Sir:-

Some months ago Sydney B. Flower was the owner of and published a magazine in New York City under the name "New Thought". He was the sole proprietor thereof and although he published it under the name "The New Thought Publishing Co," it was not incorporated. In the publication of said magazine I am informed he engaged in other enterprises which he published and advertised extensively in said magazine, which enterprises brought him into unpleasant relations with the Post Office authorities, and by reason of which the mail of Sydney B. Flower and the New Thought magazine was held up in New York. This suspension of the mail continued at various times, as I am informed, over a period of some months. Finally Mr. Flower saw fit, or rather was compelled to suspend the further publication of the magazine on account of his inability to continue free relations with his people. As I have before stated the magazine was published in New York, or had been for a year or more last past, and not in Chicago.

In October last, I think it was the 3rd of October, a client of mine, Mr. Charles B. Lahan, one of the officers and proprietors of the Regan Printing house, doing a large publishing business in Chicago, bought of Mr. Flower the subscription list of "New Thought" magazine, agreeing in consideration of the transfer of the subscription list to continue and complete the subscriptions for said magazine, many of which ran for several years, and to carry out the advertising contracts and pay for certain obligations to contributors. Mr. Lahan, immediately upon purchasing said subscription list had a corporation formed under the laws of the

State of Illinois, to which corporation he transferred all of the effects that he had purchased from Mr. Flower, including the subscription list. The corporation assumed the carrying out of the undertakings which Mr. Lahan had engaged to do. In this matter I acted as attorney for Mr. Lahan. I procured the final articles of incorporation and had them recorded in the County of Cook, but they had not yet been returned to my office when we heard of the matter about which I will hereafter refer to.

The issue of this magazine is about 30,000 copies per month, one-third of which is distributed by the Western News Company. On Saturday last it came to the hears of the Western News Company that a fraud order had been issued by your Department against Sydney B. Flower and the "New Thought" magazine to the New York Post Office, and they at once notified my client, Mr. Lahan, or rather his manager, that they did not want to handle the magazine until the fraud order against the magazine was revoked, or, at least word given by the Department that the fraud order issued to the New York Post Office as against "New Thought" as published by Sydney B. Flower in New York, did not refer to and would not interfere with the publication of the magazine, "New Thought," by the New Thought Publishing Company of Chicago. I immediately called upon the Assistant Postmaster at Chicago, Mr. John Hubbard, an old friend of mine and he informed me that no order of any kind had been received at the Chicago Post Office and advised me to come and confer with you here at once.

The facts in regard to this transfer and in short the whole transaction is perhaps more fully set forth in an affidavit of Charles B. Lahan, the owner of the New Thought Publishing Company, which affidavit I herewith hand you and ask you to consider in connection with my letter. I have the original bills of sale from Mr. Flower to Mr. Lahan. I am sorry I have not the completed incorporation papers of the New Thought Publishing

Company, but I assure you that they are regular in every particular and that the magazine and everything pertaining to it is the sole property of the corporation as I have attended professionally to all the matters pertaining to the organization of the Company and the transfer of the property. I may further state that I know Mr. Sydney B. Flower is not in any manner connected with the present company, or with its business. Nor is the present proprietor of the magazine or of the company that publishes the magazine, in any manner connected with Mr. B. Flower or with his business, or any of the former businesses conducted by Mr. Flower.

If it is possible to obtain it I would like to get a revocation and annulment of the fraud order issued against the "New Thought" Magazine, as possibly that order has already fulfilled its mission. If you do not think it wise to revoke the order, I would like to obtain from your Department a letter stating as broadly as you can consistently do, that the fraud order issued against "New Thought" in New York, does not in any manner pertain to or affect "New Thought" published in Chicago, by the New Thought Publishing Company. Should you desire at any time to investigate in Chicago the matters about which I have herein written we will very gladly give you or your representative free access to all the records and papers pertaining to the entire transaction and the business now being carried on by my client.

Yours very truly,
JOSIAH CRATTY

Attorney for Chas. B. Lahan
and the New Thought Publishing Company.

THOMAS CRATTY
JOSIAH CRATTY
WILLIAM B. JARVIS
ILA H. SAMPLE
CHAS. S. KNUDSON

CRATTY BROS., JARVIS & SAMPLE
LAWYERS
134 MONROE STREET
CHICAGO

LONG DISTANCE PHONE
CENTRAL 1037

Oct 10/05

Hon. Russell P. Goodwin,
Assistant Attorney General,
Washington, D. C.

Dear Sir:

On December 9, 1904, I called on you in regard to a fraud order that had been issued to the New York Post Office against The New Thought Publishing Company that had some time previous to that date been published in New York by Sidney B. Flower. The fraud order was not directed against The New Thought Publishing Co., nor for anything which that company had done or failed to do, but was issued against the old publication before the present company had anything to do with it.

I represented to you in my interview with you in December last, both verbally and by letter, and by the affidavits of sundry reputable people here who were interested in the company, that the magazine, that is its subscription list, had been purchased by some gentlemen in Chicago and that a corporation known as the New Thought Publishing Company had been organized under the laws of the State of Illinois for the sum of \$2500.00 and that these gentlemen who purchased the subscription list were conducting the magazine as a legitimate investment and enterprise, and that not only was Sidney B. Flower not in any manner connected with it but that he has nothing to do with the enterprise, with the magazine or with anything connected with or published in the magazine, neither as a stockholder, director, officer, employe, contributor or advertiser in any manner or

R.P.G. #2

shape. I further stated then and I reiterate it now that none of the stockholders or officers of the company had or have anything whatever to do with Mr. Flower nor had they with the old concern. My object in presenting the matter to you at that time was that my clients understood that the fraud order issued against Mr. Flower and The New Thought Publishing Company in New York was to be transferred to the Chicago office and the Western News Company that had been handling the magazine stated that they did not care to continue handling it if there was any question of the fraud order being extended to the Chicago office or it militating against the magazine in any manner. Upon my presenting the matter to you on the statements above referred to you unhesitatingly gave me a letter (a copy of which I enclose) which settled all questions about the fraud order being extended from the New York office to the Chicago office, a copy of which letter I promptly furnished to the Chicago office. In our interview after you had thoroughly gone into the case and at the time you gave me that letter you stated to me if Mr. Flower had been driven out of the business, if The New Thought magazine was no longer published in or from New York and The New Thought Publishing Company was no longer in New York that you did not see very much reason why the fraud order might not be rescinded or set aside or withdrawn or whatever terms you use in connection with matters of this kind; I do not now remember the exact language that you used. You said, however, that inasmuch as our magazine was not published in New York or issued from there that the order would probably not affect us in any way but that if it did come about that we were injured effectually by this fraud order that you would take the matter up again upon presentation by me of the facts in the case.

R.P.G. #3

Now that is the point to which we have arrived. Enclosed herewith I send you a letter from G.H. Knox of Des Moines, Ia., from the Buffalo Steamship Co., Detroit, Mich., from A.M. Gabel of 59 E. Ellis St. Atlanta, Ga. and from John P. Warren of Cumby, Texas all with reference to this matter. These are but a few of the numerous letters that have come to The New Thought Publishing Company during the time since I had the pleasure of my interview with you in December last. It is not alone the damage that is done to our company by the few letters which we send you or perhaps which come back to The New Thought Publishing Company but it is the general effect that emanates from these and perhaps many from which we never hear that is so detrimental to the publication.

It occurs to me, therefore, in view of your assurance to me in December last whether the fraud order issued from the New York post office against The New Thought Publishing Company or the New Thought magazine could not be recalled entirely so that it would not any longer be detrimental or prejudicial to the business of the company for which I am attorney and which is now publishing the magazine in Chicago. I can assure you upon my professional honor that Mr. Flower has no connection with the company or with the magazine in any way, shape or manner nor has he had since my clients became interested in it, nor has he any interest or connection with any of the customers of the magazine who insert their advertisements therein. I would be glad, therefore if you would kindly look into this matter somewhat and advise me if you cannot consider the matter favorably and revoke the fraud order against The New Thought magazine and The New Thought Publishing Company. There is no such company or no such magazine in New York nor

R.P.G. #4

has there been since October, 1904. The office of the company is #1170 Caxton Building, Chicago, and the magazine is being printed by the Regan Printing House, 83 Plymouth Place. Charles B. Lahan, an officer and stockholder in the Regan Printing House is president of The New Thought Publishing Company.

That you may not be obliged to look so far back in your files I enclose you also a copy of a letter which I wrote to you at your request in Washington on December 19, 1904, setting out the facts in regard to this matter.

Will you kindly return to me the letters I herewith enclose from the various parties to The New Thought Publishing Company.

Yours truly,

FML

Josiah Catty

December 20, 1904.

Josiah Cratty, Esq.,
Chicago, Illinois.

Sir:

Replying to your communication relative to the fraud order issued against "New Thought" at New York, I have to say that this order has no application to the New Thought Publishing Company of Chicago, the corporation which you represent, or the magazine published by that company. As the order stands now, the postmaster at Chicago, unless otherwise instructed, will deliver mail addressed to the above company or its magazine, the facts being as stated in your communication. When it is ascertained that the fraud order against "New Thought" of New York has accomplished its purpose and no material amount of mail is being received to that address, that order will be revoked, unless the statements which you have made should be contradicted.

Very respectfully,

R. P. Goodwin

Assistant Attorney General
for the Post Office Department.

October 21, 1905.

MEMORANDUM.

On December 10, 1904, a fraud order was issued by the Department against Sidney Flower and "New Thought" (Magazine), at New York, New York. Briefly stated, the objection made was that Sidney Flower or some person known by that name was using the mails in connection with the "New Thought" (Magazine) for the purpose of fraudulently obtaining money under the pretense that it would be used as part of a pool formed for speculating in the wheat market. Josiah Cratty, Attorney, of Chicago, Illinois, has appeared before this office, first in December, 1904, and again recently, and has represented that a publishing company of Chicago, by the name of the "New Thought" Publishing Company purchased a subscription list of the New York magazine in the fall of 1904, and also agreed to continue and complete the subscriptions for ~~said~~ magazines, as the publishing of it at New York was to be abandoned by Mr. Flower; that Sidney B. Flower is not now and never has been in any way whatever connected with the Chicago company; that the Chicago company has had no connection whatever with the objectionable business of Flower and against which the fraud order was directed, but that on the contrary it has been and is engaged in the legitimate publication and issuance of a magazine; that letters addressed to the "New Thought" Publishing Company at Chicago have been forwarded to New York, and there stamped fraudulent and returned to the writers so marked; and that the treatment of mail intended for it in such manner tends to injure the reputation and standing of the company

and to embarrass it in the conduct of its business. Mr. Cratty has stated that the Chicago company is induced by these considerations to request the revocation of the fraud order now standing at New York, New York, so far as it relates to the "New Thought" (Magazine). The postmaster at New York, New York, has been requested to state the amount of mail being daily received for the "New Thought" (Magazine), and in reply to such request has advised this office that an average of not more than two pieces of mail per day are received for the magazine. Mr. Cratty has further stated that the scheme against which the fraud order at New York was directed, he has reason to believe, has been abandoned, and that, if the fraud order is revoked, such action will not operate in any way to permit the continuance of such objectionable scheme. It appears from the report of the postmaster at New York that the mail now being received at his office addressed to "New Thought" (Magazine) is very small, and as it would accordingly appear that the continuance of this order against the magazine is no longer necessary, I recommend that the application made by the "New Thought" Publishing Company of Chicago for the revocation of such order be granted.

Assistant Attorney General
for the Post Office Department.

The Postmaster General.

INDEX

OCT 19 1905

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POST OFFICE, NEW YORK, N. Y.
THIRD DIVISION,
CITY DELIVERY DEPARTMENT.

October 18th, 1905.

Hon. Assistant Attorney General

for the Post Office Department,

Washington, D.C.

Sir:

Your letter of the 14th instant, asking to be advised of the amount of mail being received for the magazine "New Thought" mentioned in Fraud Order No. 1382, duly received.

In reply, I have to state that an average of two pieces of mail so addressed are now received here daily.

Very respectfully,

Postmaster.

Post Office Department,

WASHINGTON, D. C.

OCT 21 1905

ORDER NO. 378

O R D E R E D .

That so much of Order No. 1352, dated December 10, 1904, as relates to "New Thought" (Magazine), be, and the same is hereby, revoked.

F. H. Hitchcock

Acting Postmaster General.

(41069-C.)

connected with the Chicago company, which has no connection whatever with the objectionable business of Flower and against which the fraud order was directed, but that on the contrary it has been and is engaged in the legitimate publication and issuance of a magazine; that letters addressed to the "New Thought" Publishing Company at Chicago forwarded to New York, and there stamped fraudulent and returned

OFFICE OF THE
ASSISTANT ATTORNEY GENERAL
FOR THE
POST OFFICE DEPARTMENT
WASHINGTON

October 21, 1905.

MEMORANDUM.

On December 10, 1904, a fraud order was issued by the Department against Sidney Flower and "New Thought" (Magazine), at New York, New York. Briefly stated, the objection made was that Sidney Flower or some person known by that name was using the mails in connection with the "New Thought" (Magazine) for the purpose of fraudulently obtaining money under the pretense that it would be used as part of a pool formed for speculating in the wheat market. Josiah Cratty, Attorney, of Chicago, Illinois, has appeared before this office, first in December, 1904, and again recently, and has represented that a publishing company of Chicago, by the name of the "New Thought" Publishing Company purchased the subscription list of the New York magazine in the fall of 1904, and also agreed to continue and complete the subscriptions for said magazine, as the publishing of it at New York was to be abandoned by Mr. Flower; that Sidney B. Flower is not now and never has been in any way whatever connected with the Chicago company; that the Chicago company has had no connection whatever with the objectionable business of Flower and against which the fraud order was directed, but that on the contrary it has been and is engaged in the legitimate publication and issuance of a magazine; that letters addressed to the "New Thought" Publishing Company at Chicago have been forwarded to New York, and there stamped fraudulent and returned to the writers so marked; and that the treatment of mail intended for it in such manner tends to injure the reputation and standing of the company

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and to embarrass it in the conduct of its business. Mr. Cratty has stated that the Chicago company is induced by these considerations to request the revocation of the fraud order now standing at New York, New York, so far as it relates to the "New Thought" (Magazine). The postmaster at New York, New York, has been requested to state the amount of mail being daily received for the "New Thought" (Magazine), and in reply to such request has advised this office that an average of not more than two pieces of mail per day are received for the magazine. Mr. Cratty has further stated that the scheme against which the fraud order at New York was directed, he has reason to believe, has been abandoned, and that, if the fraud order is revoked, such action will not operate in any way to permit the continuance of such objectionable scheme. It appears from the report of the postmaster at New York that the mail now being received at his office addressed to "New Thought" (Magazine) is very small, and as it would accordingly appear that the continuance of this order against the magazine is no longer necessary, I recommend that the application made by the "New Thought" Publishing Company of Chicago for the revocation of such order be granted.

R. P. Goodwin
Assistant Attorney General
for the Post Office Department.

The Postmaster General.

October 23, 1903.

Postmaster,

New York, New York.

Sir:

I enclose herewith copy of Order No. 378, dated October 21, 1903, revoking so much of Order No. 1352, dated December 10, 1904, as relates to "New Thought" (Magazine), of your city.

Very respectfully,

Assistant Attorney General
for the Post Office Department.

Post Office Department,

WASHINGTON, D. C., December 7⁰, 1904.

ORDER No. 1352

It having been made to appear to the Postmaster General, upon evidence satisfactory to him, that

SYDNEY FLOWER, and "NEW THOUGHT" (magazine)

at New York, New York, are engaged in conducting a scheme or device for obtaining money through the mails by means of false and fraudulent pretenses, representations, and promises, in violation of the Act of Congress entitled "An act to amend certain sections of the Revised Statutes relating to lotteries, and for other purposes," approved September 19, 1890—

Now, therefore, by authority vested in him by said act, and by the Act of Congress entitled "An act for the suppression of lottery traffic through international and interstate commerce and the postal service, subject to the jurisdiction and laws of the United States," approved March 2, 1895, the Postmaster General hereby *forbids you to pay any Postal Money Order* drawn

to the order of said

parties

and you are hereby directed to inform the remitter of any such postal money order that payment thereof has been forbidden, and that the amount thereof will be returned upon the presentation of the original order or a duplicate thereof applied for and obtained under the regulations of the Department.

And you are hereby instructed to *return all letters*, whether registered or not, and *other mail matter* which shall arrive at your office directed to the said parties

to the postmasters at the offices at which they were originally mailed, to be delivered to the senders thereof, with the word "*Fraudulent*" plainly written or stamped upon the outside of such letters or matter. Provided, however, that where there is nothing to indicate who are the senders of letters not registered or other matter, you are directed in that case to send such letters and matter to the *Dead-Letter Office* with the word "*Fraudulent*" plainly written or stamped thereon, to be disposed of as other dead matter under the laws and regulations applicable thereto.

Signed R. G. Byrne

Postmaster General.

To the Postmaster,

New York, New York.

OFFICE OF THE
ASSISTANT ATTORNEY GENERAL
FOR THE
POST OFFICE DEPARTMENT
WASHINGTON

December 9, 1904.

MEMORANDUM.

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IN RE

Alleged violation of sections 3929 and 4041 of the Revised Statutes as amended, by Sydney Flower and "New Thought" magazine, New York, N. Y., in conducting through the mails a scheme to defraud.

On July 2, 1904, Sydney Flower and "New Thought" magazine, 27 East 22d street, New York, were cited to appear before the Post Office Department and show cause why a fraud order should not issue against them, on the ground that they were using the mails in the conduct of a scheme for obtaining money by means of false or fraudulent pretenses, representations or promises.

This citation was based upon representations of Sydney Flower contained in the issues of "New Thought" for January, February, March, April and May, 1904. In the issue of the magazine for January, 1904, reference is made to funds on deposit with Flower, upon which it is stated dividends at the rate of 50 per cent. per annum have been paid, and that these payments have been made solely "out of the earnings of this sum; not out of the principal." It is further stated that it is proposed "to keep this up all summer," and dividends equal to "one per cent. per week to New Thought subscribers from this time on are guaranteed." Identical statements of alleged returns upon investments are made in the issues of "New Thought" for February and March, 1904, and statements similar in character are to be found in the edition of the magazine for April, 1904. In the issue of the publication for May, the "North Shore Reduction Company" and the "Investment Fund" are described, and promises of large dividends upon investments in these concerns are made. In reference to the Investment Fund it is stated that "interest up to March 15 has been paid at the rate of 1 per cent. per week. Interest since March 15 has been paid at the rate of 1 per cent.

twice monthly. Excess of the earnings of the Fund during March over dividends earned by the Fund and paid out of the earnings exceeds \$3,000." It is here stated that at the date of March 28 the amount of cash invested in the "Investment Fund" exceeds \$52,000.

In the publication for June, 1904, the claim is made by Flower that on June 1 he had over \$72,000 for investment, and had paid dividends upon this sum at the rate of 24 per cent. per annum, and that the Fund has earned \$35,000 in excess of these dividends.

In none of these statements is there anything to indicate the manner in which these immense returns are obtained, save that in the issue of "New Thought" for April reference is made to "the Investment Fund" and it is stated that "the Fund is placed in Chicago, and makes its profits out of wheat. The Fund is managed by several men." In this same issue it is also stated that "the Fund has earned over 100 per cent. from the beginning to the present time. The managers of the Fund have taken no chances with the capital. The fund will continue to earn 100 per cent. per annum regardless of war or peace, or any disturbing conditions of the market. The Fund is so placed that it can be closed up in three days, and all cash returned to investors without the loss of a cent."

Circular letters sent out to subscribers for "New Thought" undertake to induce investments in sums of \$10 in a scheme designated "Royal Ten". It is stated that \$250,000 will be required to float this enterprise, and that it is desired to distribute certificates among 25,000 people.

In the report of the inspector, upon which this notice to show cause was issued, it was stated that he had requested permission to examine the books kept by Flower showing his various transactions occurring in connection with the "Investment Fund" etc., but that upon the pretense that there was no authority to allow such an inspection in the absence of Flower, such permission was denied.

On July 14 John J. Vause, an attorney of New York City, and Mrs. Springer, also of New York, who said that she was largely interested in the publication of the magazine, appeared before the Assistant Attorney General and undertook to make answer to the allegations that the mails were being used by Flower and the magazine for fraudulent purposes. It was explained by the attorney that the large returns upon moneys placed in the "Investment Fund" so-called had been earned in the operation of a system of "puts and calls," being a sort of speculative insurance carried on in the city of Chicago, and letters were produced from persons in Chicago testifying that it was quite possible, and even usual, to earn returns by means of such a system of from 100 to 200 per cent. upon moneys invested. It was stated, however, that the "Investment Fund" scheme had been abandoned by Flower and that no deposits for investment in said fund had been accepted since the last of March, 1904; that all deposits received since that date had been returned to the persons sending them; that the dividends promised had in every case been paid; that more than half the amount of the funds deposited had been returned to depositors, and that the remainder was then being returned, and that full access would be given to the books and records of Flower and the "New Thought" magazine, in order that the truth of these representations might be ascertained. An affidavit embodying in substance the statements made by the attorney was executed by Sydney Flower, on July 14, 1904. In this affidavit it was agreed that no advertisement soliciting investments in the "Investment Fund", or in any similar fund or enterprise promising extravagant or unusual returns upon investments made therein would thereafter be issued or published by Flower in the publication called "New Thought," and that no such solicitations would be made by him in any other manner whatever through the use of the mails of the United States; that all moneys thereafter received for investment in said fund, or in

similar enterprises would be returned to the senders thereof; the stipulation being made, however, that of deposits placed in his hands for investment in said fund, investments not exceeding the sum of \$10 in the case of each individual investor might be solicited and accepted for certificates of stock in the enterprise known as the "Royal Ten," which was stated to have in contemplation the erection and operation of ten sanitariums in various parts of the United States. It was expressly agreed, however, that in every case in which the investor should request or demand a return to him of the sum deposited for investment in the "Investment Fund," such sum would be returned. In his affidavit it was also agreed by Flower that the books, records and correspondence in his office and in the office of the "New Thought" magazine should be subject to examination by post office inspectors acting under the direction of the Post Office Department, for the purpose of ascertaining whether the representations made in his affidavit and in his answer to the charges preferred against him and the magazine were true, and whether he and said magazine were carrying out the agreement embraced in the affidavit in good faith, and according to its terms.

Upon this affidavit, and in view of the explanations made to the Assistant Attorney General, the mail which was being withheld from delivery by the postmaster at New York was released. Under date of July 18 request was made upon the Fourth Assistant Postmaster General that the inspector to whom the case had been assigned be directed to make a very careful examination of the books and records of Flower and the "New Thought" magazine, for the purpose of verifying the statements and representations made on their behalf, "and to take such other steps as may be necessary to show whether or not the parties have been acting in good faith and whether the statements and representations made by them are true." Under date of July 26 the inspector reports that on the 21st he called at the office of Sydney Flower and was advised by Miss Snyder, who was in charge of the place, that

Flower was out of the city; that the inspector informed her that the object of his visit was to make an examination of the books of Flower in accordance with the terms of an agreement made by him with the Post Office Department; that Miss Snyder said she could not permit inspection of the books in the absence of Flower, who was on a business trip up the state, but that she would communicate with him at once and was satisfied he would be in New York on the following Saturday morning, when access to the books would be given; that Miss Snyder stated to the inspector that she would communicate with him by telephone on the following day (Friday) advising him of the nature of the reply received by her from Flower. The inspector states that no message was received by him on Friday as promised, and that on Saturday he called up Miss Snyder and inquired regarding the matter. She informed him that she had heard from Flower, and had been directed that if the inspector should call again he be referred to Mr. Vause, a brother of John J. Vause, the attorney, for any information desired. Call was immediately made upon Mr. Vause, who upon being informed of the object of the visit of the inspector, stated that he would communicate with Flower, and have him come to New York at once, when an inspection of the books could be made. It was promised by Mr. Vause that he would communicate with the inspector by telephone on the following Monday. Nothing being heard from the attorney, the inspector inquired of him by telephone if Flower had returned. The reply was that he had not, but that the attorney could "almost guarantee that he would be in New York within a week, and that upon his arrival" the inspector would be immediately notified. The inspector expressed the view that Flower had no intention of complying with the terms of his agreement, made under oath, and submitted the matter for such further action as was thought advisable. On August 3, 1904, the inspector was directed by telegraph to inform Attorney Vause that unless the request for

an inspection of the books of Flower should be immediately complied with, all mail for Flower and "New Thought" magazine would be withheld. Under date of August 4 the inspector reported that in pursuance of the instructions contained in this telegram, he telephoned to Vause and demanded that he be afforded opportunity to make an immediate inspection of the books of Sydney Flower and "New Thought" magazine. The reply of Vause was that he would write to the office of the publication at once, and advise the inspector. On the morning of the 4th the inspector called at the office of Flower and the magazine, and was advised by Miss Snyder that Flower was still out of the city, and that she did not know when he would return. The officer then made demand that he be allowed to examine the books of the office, but Miss Snyder replied that she had no authority to accede to this demand, and that she thought it very unfair that it be made in the absence of Mr. Flower. On being shown a copy of Flower's affidavit, she admitted that it did agree to an inspection of the books, but added that she had nothing whatever to do with the matter, as everything had been placed in the hands of Attorney Vause, who had instructed her to do nothing without first consulting him. Demand upon Vause for an inspection of the books of Flower was renewed by the inspector, but the attorney requested that the matter go over until he could communicate with Flower, which was in effect a refusal to comply with the demand. Upon the receipt of this report, the postmaster at New York was directed by telegraph to withhold from delivery all mail, and from payment, all money orders for Sydney Flower and "New Thought" magazine.

The action of Sydney Flower in wholly disregarding his agreement with the Post Office Department to subject his books and records to examination by a post-office inspector, as well as all the other circumstances surrounding his course of dealing with this office, indicates clearly that those books and records fail to bear out the statements and representations made to the Assistant Attorney General

in regard to the scheme advertised by Sydney Flower, and in pursuance of which remittances of funds aggregating a large amount were obtained for "investment." The representation that a large proportion of the funds so received had already been returned to the senders, and that the remainder was being returned, is probably false. This statement is important, and if true could of course be established by an examination of the books. It is fair to assume it to be untrue, judging from the refusal of Flower and of his attorneys and agents to subject those books to inspection.

A communication from the postmaster at New York dated November 30, 1904, shows that there are now being withheld at the New York post-office about 3,000 letters directed to Sydney Flower and "New Thought" magazine. It is recommended that a fraud order issue against the parties name, in order that this mail, none of which apparently bears a return card, may be forwarded to the Dead Letter Office and duly disposed of.

Assistant Attorney General
for the Post Office Department.

The Postmaster General.