

## THE CARRON COMPANY.

ALL the actors in the following drama are dead, and have passed to their account. No question, therefore, affecting their personal position can now arise.

More than a hundred years ago, certain gentlemen at Sheffield, friends and relations of Scotch people of good position, took it into their heads to establish an iron foundry in Scotland, on the banks of the Carron Water, near Falkirk, and they succeeded in obtaining a charter under the union seal of Scotland, dated in June, 1771, constituting them a corporation with the power of holding land to any extent, and fixing their capital at £150,000 sterling, divided into six hundred shares of £250 each. Of the 600 shares 556 only were ever actually taken up and paid for.

The most active promoters of the venture at the time were a Sheffield man, Dr. Roebuck, a lineal ancestor of the late eminent politician of that name, and one Charles Gascoigne, of a then well-known Yorkshire family.

The company got into working order at once, commenced its operations by purchasing a site at Carron, and established Gascoigne as manager. The charter contained a peculiar clause, under which no partner was at liberty to sell his shares in open market, but was compelled first to offer them to the company itself at such price as he saw fit, and on their being declined by the company, then to the other shareholders at the same price, with no right to sell to a stranger until both the company and the other partners had formally declined, or at a lower price. Another clause of the partnership prevented any partner who did not hold at least ten shares from having any right of interference or control of the management. The modern system of boards of direction had not then come into vogue,

and every partner in this company who had ten shares or upwards was, *ipso facto*, a managing partner, and entitled to interfere actively in the conduct of the affairs. There was also a clause by which one per cent. per annum of the annual profits was to be set aside as a sinking fund, and the whole residue of the profits was to be disposed of by general meetings of the managing partners, to be held annually in October; and there was, of course, the usual string of conditions that proper accounts were to be kept, disclosing the true state of the company's affairs, and that such accounts should be produced at the annual general meetings.

The company for the first few years of its existence did not turn out a success; and Gascoigne, probably feeling his incapacity, absconded to Russia with all the company's cash he could lay his hands on. Many years afterwards he returned *incognito* to Scotland; but being traced by his creditors, he was pursued to Tynningham Castle, and only

escaped by crossing the North Sea to Sweden in an open fishing smack, which he seized on the coast.

In the year 1786 the concern was at a very low ebb, and the managing partners were obliged to cast about for some competent man of business who could take the management at the works, and revive the energy of the company.

Accordingly, in that year they selected a Cumberland man, who had originally been a watchmaker at Keswick, but had a year or two before gone to Carron in some very subordinate capacity, to act as resident manager. The selection was well justified in one sense, by results.

Joseph Stainton was a man of remarkable ability and singular tenacity of purpose. Under his management affairs were very shortly brought into good order, and from that time to the day of his death, in 1825, he worked the company thoroughly well, making it one of the most prosperous and

productive trading enterprises in the world. Its business consisted of raising iron ore and coal, and manufacturing crude iron, as well as making articles out of the iron they themselves raised and smelted. A dividend of five per cent. per annum was paid yearly from 1788 to 1805, when it was raised to nine per cent., at which rate it remained stationary till 1839.

It should have been stated above that, in addition to the annual meetings prescribed to be held in October, the charter directed that there should be committees of managing partners held whenever required to look into the affairs, and such committees were, in fact, held for some few years after the appointment of Joseph Stainton as manager; but they soon fell into desuetude in the same measure as Joseph Stainton's influence grew, and the last ever held, until the catastrophe about to be related, took place in 1813.

Not only was Joseph Stainton a man of first rate mental power, but he was also possessed of the strongest family affection,

so far as that affection develops itself in a pecuniary direction. Not only did he himself enjoy the lucrative position of managing director, but he also gradually introduced into the company, to fill every office worth acceptance, his immediate relatives. In 1808 he made his brother Henry, a man equal, if not superior, to himself in ability, manager in London, a post which this brother retained till his death in 1851. A nephew, Thomas Crosthwaite, was appointed, in 1801, manager at Liverpool; and on Crosthwaite's death in 1830, Henry Dawson, another nephew, took his place. A third nephew, Thomas Dawson, became manager at Glasgow. A fourth nephew, Joseph Dawson, became sub-manager at the works at Carron, and afterwards, in 1825, on Joseph Stainton's death, chief-manager; and he in turn, on his death in 1850, was succeeded by yet another nephew, William Dawson; and other connections figured wherever wanted.

Henry Stainton (the brother of Joseph)

deserves a few lines to himself. He resided at Lewisham, near Blackheath, and was, it will be remembered, the manager in London. His peculiar hobbies were amateur hydraulics and the care of tame deer and wild fowl. He purchased for these pets a few acres of adjoining land supplied by a spring of water, and spent many years and large sums of money in converting these acres into a system of canals, reservoirs, cascades, and islands, at various levels by means of lifts and sluices of his own design. His habit was to rise at six o'clock, winter and summer alike, and to spend the first two hours of the day with his pets; the rest of the day he devoted to the iron trade. When not busied with his hydraulics or his pets, his whole thoughts turned on iron. Even Sunday was no day of rest for him. He was not accustomed to attend any place of worship, but spent the day on his islands ruminating on new patterns for grates and other castings. When the idea of a design struck him he would dot it down

on paper, and send it on the following day to Carron. Society he never courted, or permitted to approach his house, either for his own sake or his children. Another curious feature in his character was the scrupulous fidelity with which he seems to have preserved every scrap of writing ever addressed to him, and the draft of every letter ever written by him. Nor is it unreasonable to infer that in this careful record he had in constant view the possibility (afterwards converted into actual fact) of there arising a necessity for the correspondence being useful at some time or other for his self-defence, or rather to show that he never sinned alone, should his partners and confederates turn round upon him to screen themselves. Notwithstanding that he lived at great cost, and made large settlements on his children, his personal estate was at his death sworn for probate at £400,000.

To return to the concern itself. The period under review may be divided into two parts, from 1801 to 1825, in which latter year Joseph



Stainton died, and from 1825 to 1850. During the first period the profits of the concern were very great, owing to the extensive business done by the company with the Government in the course of the Napoleonic wars, the company, in fact, absorbing almost the entire manufacture of cannon, and giving its name (Carronades) to one description of gun. Although the modest dividend of five, afterwards raised to nine, per cent. was paid during this time, a much larger sum should have been, but was not, distributed, because, it would seem, the two brothers Stainton even then had formed in their minds the design which was at a later period carried out almost to final victory, and which, but for internal dissension, would have made this powerful concern the sole appanage of the happy family.

Inasmuch as no partner could sell a share without first offering it to his partners, it occurred to the brothers that they had only to keep down the ostensible value of the property in order to induce their partners to

sell their shares at under value. At all events, and whether this design then existed or not, it is a fact that the published balance-sheets and accounts did not disclose to the proprietors vast accumulations of profits, to such an extent that the balance-sheet of June, 1824, being the last before Joseph Stainton's death, understated the property of the company by upwards of £310,000, no less than £109,000 of this large sum representing realized property, such as landed estates, canal shares, money lent, ships, etc.

After Joseph Stainton's death, however, in 1825, the scheme assumed a more distinct and decided aspect, and between 1825 and 1850 no less than £650,000 more was put out of sight, during which period the happy family so prospered in their scheme that they purchased up, either for themselves or for the company as a corporation, which virtually meant themselves, so many shares that in 1850, before the true facts came to light, no less than 328 shares, or more than half the

whole concern, were held by members of the Stainton or Dawson family as individuals, and 154 shares (inclusive of the 44 never issued) were held by the company, whilst only 118 shares were owned by independent shareholders.

The history of the boldness with which for nearly half a century this family contrived to suppress the results of the obstinate productiveness of the works is a most interesting and startling record. The *modus operandi* was twofold: first, by direct manipulation of the accounts in the ledgers; and secondly, by suppression and non-entry of assets. Each half-year the managing partner at the works was accustomed, for his own pleasure and for the information of the London manager, to make out a balance-sheet showing the real profits; but this balance-sheet they cut down and adjusted precisely as they thought proper, partly by understating or omitting stocks in hand, and partly by entering large sums as debts due from the company which were in

fact due to it, a method by which, if the accumulations prior to 1824 were taken into account, something more than a million sterling was, up to the year 1850, quietly put by.

Having power under their charter to purchase land, whenever they saw an estate in the neighbourhood at all attractive in a mineral point of view the manager would purchase it, and would enter in the ledger to some new account the amount of the purchase money. The estate, of course, should thereafter have been treated as an asset of the company; but, as it would never have answered the purpose of the family to let their partners know the value of the company's property, they were in the habit of writing down these purchased estates year by year—sometimes very rapidly indeed—until after the lapse of a few years there was little or no record at all of such estates, and by this process the company became great landowners, especially of mineral and warehouse properties, without the knowledge of the non-official partners.

The most active period of this startling organization dates from 1830 to 1850, during which no person not being a member of the happy family was permitted to acquire a single share, the family possessing themselves of all which were offered at prices varying from £500 to £600 each share, such shares being worth at the time, if true accounts had been forthcoming, something like £2000 each.

Had the members of this happy family been true to each other, this gigantic transaction would never have come to light; but while the united family were working together to acquire all the shares of the company, Henry Stainton, the London manager, was carrying on an additional and private game of his own. Not content with buying shares whenever he could get them, he had accumulated in London an enormous private profit. His salary, fixed in 1825, was £2000 a year, with £250 extra for Government business; but, scorning such paltry remuneration, he had from the first chosen not to take any fixed

salary, but simply to charge the company what he liked for himself, and in his books to call such charges "portorage on wares," or "sundry expenses."

Up to the time of his death he had thus overcharged the company for his own benefit upwards of £200,000, besides holding in his own name another almost equally large sum of bank stock and other funds, part of the concealed treasure of the company. Feeling, as it would seem, his end near, Henry Stainton, in 1850, thought it prudent to recapitulate to the manager in Scotland the state of so much of the company's concealed reserves as he thought might be well that his partners should be able to require his executors to give up after his death, and accordingly he wrote to his nephew, William Dawson, in April, 1850, as follows :—

"DEAR NEPHEW,

"Not being prepared to do it from memory, I now make haste to communicate

the actual state of the *reserve* account, long ago put in my hands for safe and secret custody, being originally the outcome of the Board's (*i.e.* the Board of Ordnance) account, the regular produce to be added to the principal as my judgment might direct. It is as follows on the first of this month :—

Bank of England Stock, £30,000, worth say	£	60,000
Exchequer Bills, £24,000 ... ..		24,000
Cash uninvested at my acting account in the		
Bank of England ... ..		<u>12,046</u>
Making together ... ..		£96,046

The whole, being the property of the Carron Company, stands in my name, and it is entirely unknown to any one here besides myself. How far it may be prudent to communicate this fact is for you to judge; that it should be communicated to the partners generally would, in my opinion, be exceedingly indiscreet. It was originally intended to form a fund to meet any unforeseen occurrence in the business,—such as, for instance, the present and prospective state of the iron trade,—

without making any *public* difference as to the company's proceedings in money matters. There was a further outcome of the Board's account, as nearly as I can recollect, of about £8000, which was carried at once to the company's credit—how entered in the Carron books I know not, but this must have been within the last twenty, or at most twenty-five, years."

Henry Stainton dying suddenly in 1851, and his own son and successor finding in the books entries unintelligible to him, being the before-mentioned "portorage on wares," and the like, disclosed them to the other members of the family, who soon discovered, or pretended to discover, the diversion of the property of the company into Henry Stainton's pocket, and, most injudiciously for themselves as it now would appear, treated this son in a sharp and oppressive manner, compelling him to pay over to them for principal and interest no less than £220,000 in one lump,



and a subsequent sum of about £50,000 on further investigation, but with the result that he (it is not necessary to say with what motive) disclosed the whole thread of the secret organization, from its conception to its close, to some of those gentlemen who had sold shares to his family at various dates during the then last quarter of a century.

Those ex-shareholders upon this took legal proceedings against the surviving members of the family, with the detail of which this statement need not be encumbered; and after the usual obstructions and delays afforded by our then system of jurisprudence, those ex-shareholders or sellers recovered by compromise a very large sum of money, exceeding £1000 per share. Had the ex-shareholders been young people ready to fight the battle to the end, this £1000 per share return would probably have grown into £2000; but they were old quiet folks, only too glad to have their last days made comfortable, and the result was that the family retained by far the larger part

of their so-called reserves for their own benefit.

Extracts from the correspondence of the members of the family with one another, which were discovered in the course of the litigation, illustrate in a most remarkable manner the courage with which the systematic accumulation and concealment of profits were carried out.

So early as the commencement of the year 1825, Mr. Tod and Mr. Romanes, two of the outside shareholders, not members of the happy family, were very urgent in their search for information as to the position of the company; and it is interesting to note how these men, who were men of business, were hoodwinked, and eventually wearied out of the concern. Here are samples of some of the letters written by the managers on the occasion:—

In April of that year, Joseph Dawson, the manager of the works at Carron, wrote to his uncle, Henry Stainton, the manager in London, "If the balance-sheet should be

granted, I think it would be advisable to state the inventories in one sum, instead of stating separately so much for the weight and value of the goods and materials, and so much as the value of the buildings and utensils. According to the weight of the inventory of the London warehouse, the goods will hardly average £5 per ton. This might startle the writers (that is, Messrs. Tod and Romanes) if they begin to calculate."

Again, in May, "I enclose you a copy of the balance-sheet, made out in the way in which it used to be laid before the general meeting, in which the columns are marked which we now intend to leave out, and also an abstract of the same, which it has been customary to send to all the partners entitled to vote. I shall thank you to say which we should send to Messrs. Tod and Romanes."

Again, in October, "I am somewhat at a loss how to write to Tod and Romanes about the information they want, as it was promised

to them at the general meeting. I am afraid we can hardly refuse them altogether, and it would perhaps be as well to give them a few general items at the meeting, from which they could not obtain any real information of any consequence."

Henry Stainton was equal to the occasion, for in January, 1826, he wrote to his nephew at Carron, "It is exceedingly necessary to keep all real information from these gentlemen, to prevent them doing mischief; but in doing so, it may be very necessary to keep carefully in view that, in unavoidable intercourse with fools in this world, people generally get better on by flattering than by fighting them; one or other it is impossible to avoid, as they are not to be guided by reason."

And again, in December, after Messrs. Tod and Romanes had in the mean time by every possible means endeavoured to get at the facts, "I think you should now, without further delay, send them answers as to the

London and Liverpool accounts, keeping copies of them, as it will serve to amuse Romanes in the mean time, and can do no harm in any way."

The nephew at Carron replied to his uncle in London, "In writing the letter to Romanes, would it not be desirable to abstain from entering into any minute particulars in regard to what quantities of goods and other articles we make, lest it should afford him a handle for further inquiries and comparison of the quantities of the articles with the profit made on them?"

Again, in January, 1827, Henry Stainton, in London, wrote to his nephew at Carron, "We must just let them plunge on, always giving them calmly as little information as possible. I think Tod and Romanes' last letter is a very whining affair, very unlike the bold bullying of all their former letters."

The nephew at Carron replied, "As it would be extremely desirable for various reasons that Romanes should not see the books, it would

perhaps be advisable yet to furnish them with a copy of that part of the statement which I sent last week, leaving the account of insurance on goods. The first thing, however, that will probably occur to Romanes will be, What can have become of such a large sum of undivided receipts? and this will lead to further questions and explanations."

Again, in April, 1827, Henry Stainton wrote to his nephew at Carron, "I have carefully gone over the balances and adjustments you propose, of all of which I entirely approve, only I could wish the profit on the whole to be something nearer £5000, the sum at which, by conjecture, I stated it to Romanes. The shortest way would, I believe, be to add about £350 to the inventory of pig-iron; but do it in any way you think best. As the sum is so small, it cannot be of much consequence anywhere. I do not want to alarm them too much, as that might have the effect of their insisting upon having an accountant set to examine the books and details, and to report,

etc., etc., for their information; and, for the same reason, I do not wish to give a *direct* refusal to any demand for papers and states that they may make, however unwilling I am to communicate any real information to them."

Later on, another outside shareholder, Mr. Jardine, applied to Joseph Dawson for information under various heads, and was treated much in the same way.

In April, 1839, Joseph Dawson, from Carron, wrote to Henry Stainton in London, "I beg to annex copy of a letter from Mr. Jardine, requiring various statements and information regarding the company, which I have little doubt you will consider it improper to furnish. I propose either to acknowledge the receipt of the letter next week, and to say that I cannot furnish the documents which he requires without the authority of a general court of the company; or I might, in the letter remitting the dividend with the abstract of the balance-sheet, say that the whole of the

accounts are included in the debits and credits in the abstract."

Henry Stainton replied, "I think the best way would be not to take any notice of Mr. Jardine's letter till you send him his dividend, with the usual abstract of the balance-sheet, when you can, as you propose, decline furnishing the details without being authorized to do so by a general court. Were you to write to him sooner, he would probably stir heaven and earth to get Sir James (Gibson Craig) to join him in honouring us with both his company and his questions at the meeting, which it will save you some trouble to avoid."

Again, in October, Henry Stainton wrote to his nephew at Carron, "I took advantage of the comparative leisure of the country yesterday to go over the state of the stock-ledger balances, and proposed adjustment of some of the accounts, comparing the whole with the former half-years from June, 1836, and I think you cannot do better than close the



books, as proposed, and get everything ready for the meeting. Should Mr. Jardine make his appearance, you must make the best you can of him, giving him as little information as possible."

And again, in December, "I see by the list of partners that it is as I expected, and that we will be far too heavy for Jardine, were he even able to command all the votes not in our own family, so that although he may give you some trouble he cannot ultimately be able to do any mischief."

Mr. Jardine, however, was not to be thus put off. In February, 1840, he wrote to Joesph Dawson, renewing his application for specific information, to which he maintained he was entitled, and proceeded as follows: "In the mean time, and until you show me that my opinion is erroneous, the assertion I make is, that the affairs of the company are managed by you and your near relations exactly as you think proper, without control of any sort; that the half-yearly states of the

company's affairs are not so framed as to exhibit to the partners the real amount of the profits, the properties belonging to the company being stated greatly below their real value, while the profits are made to appear much less than the profits really made. Thus, the amount of the debts due by the company, as set forth in the last half-yearly balance-sheet, is £207,163, while you admit that of that sum £49,026 consists, not of debts due by the company, but of sums set aside to meet bad debts, being thus a fund belonging to the company. Further, that under the above aggregate sum of debts, set forth as due by the company, there are other two items of £53,971 as insurance on goods, and £59,631 as discounts and abatements. By transferring these large sums to the credit and deducting them from the debit of the company, a difference arises in favour of the company of more than double the whole capital. It is impossible to avoid noticing, however disagreeable it may be to advert to

such a topic, that, while these statements have been set forth, you and your near relations in the management have been enabled to purchase stock during the last year at the price of about £40,000, which, if I am at all correct in my deductions, is far under its real value." Mr. Jardine went on to say that, if his statement were correct, a court of law would order a searching investigation into the company's affairs, with the view of obtaining for the partners their just share of the real profits of the company; that if he had expressed himself strongly it was from no wish to exaggerate, but from all information being denied to him. He added that he had thought it right to send a copy of that letter to Sir James Gibson Craig.

The Sir James Gibson Craig here referred to was the company's solicitor in Edinburgh. He was a man of great eminence, and held a deservedly high position in his profession for ability and integrity. On receiving a copy of the letter, he wrote to Henry Stainton,

earnestly entreating him to give his most serious consideration to the contents.

The advice had no more effect on Henry Stainton than water on a duck's back. Mark the cool courage of the reply. He wrote to his nephew in March, "I have been thinking over the heap of rubbish Jardine has poured out in his last letter. I believe he thinks to frighten us into compliance with his wishes, as he seems to have frightened Sir J. G. Craig; but I do not feel inclined to be frightened at this great Bubbley Jock and all his noise. I would give no answer whatever to his last letter."

The nephew was not so confident, for he wrote to Henry Stainton in reply, "I have seen Sir J. G. Craig, who appears to consider Mr. Jardine's letter as a matter of the greatest importance to us, and lays great stress upon his (Jardine's) assertion, that the half-yearly abstract does not contain a fair statement of the company's affairs. He said he is quite certain that if Mr. Jardine were to bring the

matter into the courts, the court would, on account of the large amount standing at the credit of discounts and abatements and insurance accounts, and to these accounts not being properly stated in the half-yearly abstracts, order the company's books to be examined for twenty or thirty years back. He also said that he considers the late sales of stock might be set aside, owing to the half-yearly abstract sent to the partners not containing the true value of the stock."

The correspondence between the managers, Sir J. G. Craig, and Mr. Jardine continued in the same strain throughout the year 1840 and for some years afterwards, Sir James urging the delivery to all the partners of full, true, and particular accounts of the affairs, funds, debts, and credits of the company, reminding the managers that the accounts rendered did not answer that description, and that whilst the other partners were kept in ignorance of the real state of the company's affairs, the managers and their relations had purchased

every share of stock that came into the market, and that they and the relations then held between three and four hundred shares out of the whole number taken up. But the managers coolly and calmly set all such representations at defiance.

Side by side with this correspondence affecting the outside partners, the managers were writing to each other boldly as to their internal operations amongst themselves.

After the death of Joseph Stainton in 1825, Henry Stainton, his brother, who, it will be remembered, was the manager in London, wrote in October of that year to his nephew, Joseph Dawson, the manager at Carron, "I have this morning prepared a series of minutes and resolutions to be moved at the next court. I want this business wholly off my hands, that I may get to my regular work as soon as possible." The minutes included the following proposed resolutions:—

"Resolved, that it is incumbent on this court to declare their entire approbation of

the whole proceedings of the late manager in conducting the business in every respect, and further resolved to erect a monument to his memory in the churchyard of Larbert, agreeably to a design and estimate now submitted to the court, bearing the following inscription :—

“ ‘ This monument has been erected by Carron Company to the memory of Joseph Stainton, Esq., their late manager, in testimony of their sincere gratitude for his many and important services, and of their entire approbation of the whole of his official conduct. The sum of profits divided amongst the proprietors during his management amounted to £480,000 sterling. He departed this life at Mungal Cotte, 21st February, 1825, aged 69 years. To declare this approbation in the face of all mankind.’

“ Resolved, to request the present manager to keep his predecessor’s line of conduct steadily in view, and to follow up all his plans

and designs in such manner as shall appear to him most expedient."

There was nothing wasted in the above inscription on "In cælo quies," or "Requiescat in pace," or sentiment of that nature. Joseph Stainton's hopes and merits were based on his having divided amongst the proprietors £480,000 sterling, which, after all, was not much more than half what he ought to have divided!

Henry Stainton bettered the instruction, as has been before seen, and here are samples of some of the letters between the managers which were written on the same lines:—

In September, 1826, Joseph Dawson, at Carron, wrote to his uncle, Henry Stainton, in London, "I beg to annex a copy of the stock-ledger balances, from which you will observe that the profit for the last half-year amounts to £15,085. This we propose to reduce by transferring £2500 from flask goods to pig-iron, and reducing the value of the pig-iron inventory to that extent. Also by diminishing



the inventory of flask goods £1000, and by transferring £1000 from general charges to the credit of timber, and deducting that amount from the timber inventory. This will leave £10,585 as the profit of the last six months. As this sum is still rather too much, it might be further reduced by transferring from £1000 to £1500 from general charges and flask goods to great forge and bar-iron, and by diminishing their respective inventories to the same amount, or by transferring so much to the credit of the insurance accounts."

Henry Stainton replied, "I would rather not touch the insurance accounts if you can help it, as some of the partners have their eyes upon these sums, and may think they are becoming too large to be left at rest. I prefer operating upon flask goods so extensively rather than upon general charges, as they are fully aware the profit upon the warehouses is carried to this account, and they will expect to see something from it."

Again, in January, 1827, the manager at

Carron wrote to Henry Stainton in London, "To reduce the amount of the account with the Bank of England, would it not be advisable that part of the money now in the company's hands be withdrawn and otherwise invested? I am afraid that, if the account were produced, the balance would appear too glaring not to attract the notice of our enemies, and lead to further inquiries."

Again, in April, 1828, Henry Stainton wrote to his nephew at Carron, "It does not occur to me that there is anything objectionable in the balance as you propose to put it, unless it be that the Glasgow inventory will be rather low, as that warehouse, if I remember right, was to be valued, if necessary, at £1500."

Again, in June, the nephew wrote to the uncle, "I see no objection whatever to the entry which you propose to make to the credit of the Board of Ordnance; but that, as a similar entry must be made in our books here, it might be difficult to give a satisfactory reason for the transfer of so large a sum, would it not be

better to make it for a smaller sum at present, on account of the general dulness of the trade?"

Again, in August, Henry Stainton wrote to the nephew, "I have directed Mr. White to alter the form of his balance-sheet in the account for June, to carry away the constantly accumulating amount of profits made there. I was afraid if these accounts came to be produced at the meetings, and the large amount was seen, it might be demanded of what it consisted. Was it not unnecessary? Could it not be divided? etc., etc."

And much more in the same strain for several years afterwards.

Continuing in April, 1836, Joseph Dawson, at Carron, wrote to Henry Stainton, "I now beg to hand you a statement of the stock-ledger balances to the 31st of December last, and the way in which we propose to arrange some of the accounts."

On the 5th of the same month, Henry Stainton replied, "I am favoured with your

letter of the 2nd, with the state of the balances, and of the mode in which you propose to arrange the accounts. There might have been no harm in bringing out the half-year's profit £500 more than you propose, but it may be just as you like."

Later in the same year, Henry Stainton wrote to his nephew at Carron, suggesting various alterations in the account for the then past half-year, when the profits had been very large, and proceeded, "The inventory of the blast furnaces should be put under a regular abatement of five or ten per cent. half yearly, till it is entirely reduced, and also the houses."

In other words, these valuable articles should be written down till they were made to disappear altogether.

In April, 1838, Henry Stainton wrote to his nephew at Carron, referring to some new land purchased, and said, "I approve of the entries you propose to make. It is quite right to keep an account open in the books for your

new purchases. You may reduce the value when and how it may be most convenient, but they should be kept at some value so as to be kept in sight."

This purchase was accordingly "kept in sight" in the books as worth £1000. It had cost, as a matter of fact, £11,200; but there were at least ten properties not "kept in sight" at all, either in 1824 or afterwards, though worth more than £60,000 in 1824, and as many more "kept in sight" at less than their value by at least £30,000.

Sir James Gibson Craig, the company's solicitor in Edinburgh, at length, about the year 1846, began to be very much alarmed at the conduct of the managers. He had entirely disapproved of their conduct from the first. He repeated his conviction that any price which would be offered for Carron shares under the restrictions in the deed of settlement would be considerably below the value. Shares were, in fact, then for sale, and he broadly stated his opinion that it would be

illegal for any managing partner to avail himself under the circumstances of the privilege of purchasing them. Becoming an old man, Sir James, in order, probably, to discharge his own conscience, in April, 1846, addressed to Joseph Dawson, the manager of the works, a letter couched in as bold language as it was possible for a solicitor to use to his client. It was as follows: "By the contract it is provided that a true, full, just, and general account of everything connected with the company shall be made up. The managing partners have exclusively the power of making up an account, and it is provided that the book in which the account is appointed to be kept shall always be open to the inspection and examination of all the partners. I have often remonstrated without effect against the total disregard, in making up the account, of the provisions of the contract. The account made up is neither true, nor full, nor just, nor general, of everything connected with the company. It does not disclose the state of

the company's affairs, but conceals them. The debts due by the company are overstated to the amount of upwards of £130,000; the assets of the company are understated by a much larger amount. Many articles, such as Bank of England and other stocks, of the value of £100,000, the value of the warehouses in London, Liverpool, Glasgow, and Leith, the shipping, etc., do not appear in the account at all. No one who is not a managing partner can have the least idea of the value of the stock, and I therefore think it illegal in any managing partner to buy the stock of any one who is not a managing partner, and who has no means of knowing the value of his stock, but is kept by the person purchasing in ignorance of it." And then Sir James went on to say that whenever any person had the courage to apply to the court for relief the conduct of the managers would be found illegal and fraudulent.

Let the reader picture to himself the courage

of the happy family, when, on receiving this letter from their own legal adviser, the only remark upon it made by Henry Stainton, the London manager, in a letter to his nephew, was, "I am this day favoured with the copy of the extraordinary letter from Sir James Gibson Craig. I am very much inclined that Thomas (*i.e.* Thomas Dawson) should accept the shares without further ceremony, and without your taking the slightest notice of this extraordinary letter. Jardine will no doubt bark to the same tune—let him bark!"

It should be remembered that when this strong remonstrance was written by Sir James Gibson Craig to the manager of the works, Sir James was entirely ignorant that, in addition to the concealment of property of which he was aware, the London manager had a private and concealed reserve of his own belonging to the company, and approaching a quarter of a million sterling!

As the result of the litigation which arose



out of the foregoing circumstances, the happy family in February, 1861, refunded, or rather disgorged, to the claimants, some of the ex-shareholders who had parted with their shares in ignorance of their true value, £143,750 in cash, besides returning to the representatives of deceased ex-shareholders shares and cash representing an aggregate value of about £100,000 more.