13 Original Ownership Interests.

The Ship and its Cargos

As discussed in the Legal Opinion section of this report [page 143], in excess of ninety years has passed without active maintenance of title by the original owners and without successful attempts by others to gain title by diligent salvage. It is most likely that the REPUBLIC and its contents are abandoned in fact, and, as a consequence, will be considered abandoned as a matter of law. The reader, however, should be aware of possible residual ownership interests in the wreck and its contents.

The Ship

IMM and White Star Line

Following in the wake of his April 1901, United States Steel Corporation, in 1902 American financier J.P. Morgan began his attempt to also control shipping in the North Atlantic. His huge American shipping empire was known variously as the Morgan Combine, the American Shipping Trust, and the International Mercantile Marine Company (IMM). IMM was incorporated under the laws of New Jersey on June 6, 1893, as the International Navigation Company; the company's name was changed to International Mercantile Marine by amended certificate of incorporation dated October 1, 1902.[1]

The Oceanic Steam Navigation Company (OSNC), owners of the REPUBLIC (and TITANIC), conducted business under the trade name White Star Line. White Star, originally a British concern, passed out of British hands in 1902 when 100% of OSNC's capital stock was purchased by IMM. Although the ships of White Star Line remained of British registry and responsible to British authority and regulation, as of 1902, the line was owned and controlled by American interests. White Star was only one of several lines where a majority of shares were controlled by IMM. Other lines under IMM ownership and control included the American, Red Star, Atlantic Transport, National, and Leyland lines.[2] In 1903 the Company took over the Dominion Line's Liverpool - Boston and Boston – Mediterranean services including Dominion's four largest and most modern steamers, the COLUMBUS, MAYFLOWER, COMMONWEALTH and NEW ENGLAND. They were transferred to OSNC and renamed respectively REPUBLIC, CRETIC, CANOPIC, and ROMANIC, all with the suffix "IC" as was the custom of the White Star Line. See Organizational Chart, IMM and Subsidiary Companies.

Because of the intended scope of its operations, and with multiple steamship companies under its ownership and control (and, no doubt, with additional acquisition ambitions), IMM found it appropriate to self insure, creating an insurance pool funded by payments collected from its various subsidiary shipping companies; IMM made disbursements from this Insurance Fund to its subsidiaries for appropriate losses.

> The Company [IMM] has inaugurated the system of insuring its own ships to a large extent, it being deemed that this could be done advantageously and safely with such a large fleet as the Company commands. Under this system an insurance fund has been established into which the premiums are paid and against which all losses and premiums paid for additional insurance are charged. The premiums are paid into the fund in cash and are charged directly into operating expenses. ...

IMM, First Annual Report, June 30, 04, p 6

The subsidiary companies expensed their Insurance Fund payments in the year that they were made. Annual profits and losses of the Fund were taken by the parent company IMM, and appear within its annual financial statements.

The Republic's Loss

> **DIRECTORS PRAISE MEN**
> **OF REPUBLIC AND BALTIC**
>
> ____
>
> The Directors of the International Mercantile Marine Company this afternoon entered a minute on their books praising the officers and crew of the steamships Republic and Baltic. It was a follows:
>
> The board of directors of the International Marine Company, having been advised of the

disaster to the White Star line steamer Republic, **which resulted in her total loss** [Emphasis supplied.], and having been informed by the executive officers of the company of the consummate skill and matchless bravery displayed by the officers and crew of the Republic and Baltic in rescuing from imminent danger, under exceptionally adverse circumstances, every imperiled passenger, deem it eminently fit to place on record an expression of their admiration of the valiant service rendered and undaunted spirit shown by the officers and crews of the Republic and Baltic in the face of extreme peril.

Such strict adherence to discipline, and readiness to forget all personal safety when the lives of passengers are in jeopardy, can but inspire those who "go down to the sea in ships," with a deeper respect for the seafaring man and a new confidence in the value of that sense of personal responsibility which the trained seaman never fails to evince.

The board directed the secretary to forward to the officers and crews of the steamers Republic and Baltic a copy of this minute.

EMERSON E. PARVIN
Secretary.

Evening Mail, January 27, 1909, 3:2

The first mention of the Republic's loss within IMM's Annual Reports, and how IMM apportioned and accounted for that loss, appears in IMM's 1908 Annual Report:

Owing to the heavy loss incurred by the disaster to the steamship 'Republic,' January 24, 1909, it was decided not to credit any part of the profit of the [insurance] fund for 1908 to the Profit and Loss Account of the Company, but to retain the entire amount in the Reserve Fund.

1908 Annual Report, June 30, 09, p 5

Newspaper accounts at the time reported the accounting aspects of the Republic's loss as follows:

The insurance on the Republic aggregates $1,000,000. One-half of this risk, it is announced, had been taken by the company itself, and the other half is distributed among the various insurance companies, including Lloyds, but no single policy is greater than $50,000.

New York American, January 24, 1909, 4:4

The REPUBLIC was valued at a little under $2,000,000. She was insured in the company's insurance fund up to $1,000,000. In addition to this, upward of $250,000 was carried in a half dozen British and American marine insurance companies. ... The loss of the REPUBLIC is the largest the fund has been called upon to pay, but as it amounts to between $5,000,000 and $6,000,000, it will be seen that the fund could stand several losses of the same magnitude. Officers of the line believe that maintenance of the fund is amply justified by its efficacy in the present instance. ...

New York Post, January 25, 09, 2:2

The REPUBLIC was valued on the books of the International Mercantile Marine Company at about $1,750,000. She was insured in the company's special fund for $1,000,000 and in addition about $350,000 was carried by half dozen British and American marine underwriters, chiefly in British. The company's fund stands between $5,000,000 and $6,000,000 at the present time. ...

Journal of Commerce, January 26, 09, 1:2

And, finally, in its 1909 Annual Report, IMM stated:

Your Directors regret to have to report that the working of the Insurance Fund for the year 1909, shows a loss of $396,757.86, due mainly to the total loss of the steamship 'Republic', the larger portion of which fell upon your Fund; but, as stated in the last report, the profits of the Fund for 1908, amounting to $1,062,344.29, were retained in the Fund on account of this casualty, and therefore the loss was promptly paid.

IMM, 1909 Annual Report, June 30, 10, p 5

IMM's balance sheet entry "Insurance Account" states "Losses, including S. S. 'Republic,' $1,402,102.86." IMM's consistent accounting practice for any profits or losses of the insurance fund was to include that profit or loss within its (the parent's) Statement of Earnings. For 1909, even after the payment for the Republic's loss (and, remembering that the Fund's profits for 1908 were retained specifically for this purpose), the Insurance Fund showed a profit of $357,460.62; this profit was transferred to IMM's December 31, 1909 Profit and Loss Account. However, once

IMM's Insurance Fund had been adjusted to reflect the loss, IMM never carried a corresponding asset for the potential salvage value of the Republic – indicating that the vessel was simply written off, with good reason. Simply stated: the Republic was beyond the salvage technology of the period. This belief was a consequence of the Republic's exposed location and extreme depth; she was beyond salvage and considered a total loss. Contemporaneous remarks articulated by the representatives of salvage companies made this reality, at that time, unequivocal. See: Post Submergence Salvage, http://rms-republic.com/sal04.html

OSNC also filed a claim in the legal action brought by the Lloyd Italiano Society de Navigazione, owners of the S.S. Florida. The Florida's owners sought to limit their liability, as permitted under the Harter Act, for losses that resulted from the collision - including OSNC's $1,250,000 [3] claim for the total loss of the Republic. Although OSNC subsequently withdrew its claim, the claim reflects IMM's impression of the Republic's value - zero. See also: http://rms-republic.com/conceal04.html

The Titanic's Loss

> The Titanic cost $7,500,000 and carried Lloyd's insurance for $5,000,000. Insurance carried in the company's own insurance fund amounted to $500,000. This leaves a loss of $2,000,000 to the Mercantile Marine Co. as a result of the Titanic loss.
>
> Total insurance fund of the Mercantile Marine as of Jan 1, 1911, amounted to $1,672,767. During 1910 there was $573,007 saved from this fund, and if a corresponding amount were saved for the year ended Dec. 31, 1911, total insurance fund of Mercantile Marine Co. would approximate $2,000,000, which would just cover loss of the Titanic, thereby wiping out Mercantile Marine's entire insurance fund – if loss were so applied.

Wall Street Journal, April 17, 1912, 7:3

IMM's practice of failing to maintain a corresponding asset, even if identified as residual, contingent or of uncertain value, for the assets acquired as a result of the losses paid from its internal Insurance Fund is also seen in the way IMM adjusted its accounts for OSNC's 1912 loss of Titanic.

The Insurance Fund balance, as of January 1, 1912, contained $2,006,856.39 (funds were retained from its 1911 surplus to apply specifically to this loss). Gross premiums paid into the account during 1912, including interest and differences in exchange rates, were $1,913,843.06. This amount includes an additional $868,058.75 payment to the Fund (from IMM itself) for "Loss uninsured, and expenses" as identified within IMM's Income Account.

Payments from the Insurance Fund for 1912 losses, including Titanic, were $2,987,928.67. Other expenses from the Insurance Fund, for such items as "Lay Up and Cancellation Returns," "Premiums paid for Additional Insurance in Outside Companies," and miscellaneous were $424,799.53, bringing the total 1912 payments from the fund to $3,412,728.20.

The 1912 cash flow of the Insurance Fund, was:

Balance as of January 1, 1912	$2,006,856.39	
Premiums Paid-In during 1912	$1,913,843.06	
		$3,920,699.45
Less Payment for losses	-$2,987,928.67	
Less Miscellaneous	-$424,799.53	
Balance as of January 1, 1913	$507,971.25	

Even after disbursement from the Fund for this substantial loss, IMM reported:

> Your Directors regret to report that owing to the deplorable marine disaster which the company sustained … the results of the working of the Insurance Fund for 1912 show a loss of $1,498,885.14. With the surplus brought forward from December 31, 1911, however, the Fund, after all losses up to December 31, 1912, have been provided for, shows a surplus of $507,971.25 remaining to its credit on that date.

IMM, 1912 Annual Report, June 30, 13, p 5

Again, IMM did not maintain an asset on its books for any possible salvage or residual value for Titanic. The Titanic, too, was simply adjusted as an expense paid out, in the case of Titanic, from both the company's self-insurance fund and, to the extent that the Insurance Fund (through receipts of its normal premium allocations) and third party insurance coverage were insufficient, indicated on the IMM's Income Statement as an uninsured loss.

The 1909 loss of Republic was borne $1,250,000 or at least 71% by IMM and possibly up to $350,000 or at most 20% by private insurers. Whereas in 1912, IMM bore at most one-third of Titanic's $7,500,000 loss, and private insurers suffered the remainder. IMM expensed both loses in the year in which they occurred, and the respective assets ceased to exist in any form or in any manner on the company's books. Both Republic and Titanic, as far as IMM was concerned, were total losses.

During World War I, IMM suffered the loss of forty-three (43) steamers, 409,967 tons gross register, including OSNC's Laurentic (carrying a British gold shipment to Canada), Oceanic, Britannic and others. IMM's vessels of British registry were pressed into war service by the British admiralty. As a result, the losses for these vessels, "were, of course, all covered by war risk insurance."[4] Any residual interest on White Star Line vessels lost during WWI would, therefore, rest with the respective insurance payors.

Receivership

World War I reduced travel and restricted human and free-enterprise resources, many of which were pressed into war service - detrimentally affecting IMM's business.

> On October 1, 1914, the Company defaulted in the payment of the semi-annual interest on its 4-1/2% Bonds, and on February 1, 1915, defaulted in the payment of semi-annual interest on its 5% Bonds. On April 1, 1915, the previous default having continued 6 months, The New York Trust Company, Trustee under the indenture securing the 4-1/2% Bonds, took action for the appointment of a Receiver, and P. A. S. Franklin was appointed Receiver. The Receivership does not affect any of the subsidiary companies whose stocks are owned and the lines have been operated without interruption. On April 30, 1915, the Fidelity Trust Company, as Trustee under the Mortgage securing 5% Bonds, obtained an extension of the Receivership for the protection of its rights and the rights of the holders of the 5% Bonds, in accordance with which, the Receivership of P. A. S. Franklin was so extended.

International Mercantile Marine Company History, Special Manuscript Collection, Vanderlip, Organizations, Rare Book and Manuscript Library, Columbia University.

The Receiver's reports as filed in IMM's bankruptcy proceeding, Original Bill No. 12-222, District Court of the United States for the Southern District of New York, In Equity, provides a list of all of IMM's assets. The assets listed include, among others, "Insurance Fund Cash in Bank and on hand April 3, 1915: J. P. Morgan & Co., New York, - $44,652.81; London Joint Stock Bank, Ltd. - £1241. 4. 7.":

However, the Receiver did not identify or include any asset as an IMM interest in any vessel(s) for which IMM made payment for losses from its Insurance Fund to its operating companies.[5]

Divestiture of OSNC

White Star Line was divested by IMM on January 1, 1927; the "entire holding of Oceanic Steam Navigation Company, Limited, shares (White Star Line) [parentheses in original] was sold to the Royal Mail Steam Packet Company (Royal Mail) of England for £7,000,000,"[6] then under the control of Lord Kylsant. IMM received £2,000,000 from Royal Mail on January 24, 1927, leaving the balance to be paid pursuant to a specified payment schedule.[7] As security for this obligation and as a part of the agreement, IMM maintained a security interest in all of the outstanding stock of the Oceanic Steam Navigation Company. The agreement also provided that IMM was to act as agent for White Star Line in the United States and Canada for two years, which was later extended; IMM continued to act as Royal Mail's US and Canadian agent until June 30, 1934.[8]

There is no mention of the transfer to Royal Mail of any interest whatsoever in any asset that was formerly expensed by IMM through its Insurance Fund.

The operating results of OSNC last appeared in IMM's 1926 Annual Report. In 1927, they were excluded.

> Owing to the sale of the White Star Line its operating results are not included in the 1927

figures and the depreciation applicable to its steamers has been eliminated from our accounts …

IMM, 1927 Annual Report, June 21, 1928, P 5

The Great Depression brought severe consequences for the shipping industry in general, and, as a result, a belt-tightening, consolidation and restructuring for IMM. On February 1st 1931, IMM took control of the Roosevelt Steamship Company, Inc. merging their respective operations. The operations and financial statements of both companies were consolidated in IMM's 1931 Annual Report. Again, no provision for any surviving interest in vessels paid-off by IMM's Insurance Fund was made within any IMM financial statement, or within the new consolidated statement. In its discussion of the takeover, IMM stated:

> No cash consideration was involved in the transaction, 25,000 shares of International Mercantile Marine Company no par value, heretofore in the Treasury of the Company, having been given in payment for the entire capital stock of the Roosevelt Steamship Company, Inc.

IMM, 1930 Annual Report, April 16, 1931, P 6

In its December 31, 1930, Consolidated Balance Sheet, IMM lists as an asset:

> Receivable from Royal Mail Steam Packet Company on or before December 31, 1936 with interest at 4% per annum, secured by entire capital stock of Oceanic Steam Navigation Company, Ltd. ………………. $11,397,500.00

1931 also saw the end of IMM's self Insurance Fund; no doubt IMM applied the Fund's surplus cash to more pressing depression-era needs:

> Your Directors having decided that it would be to the best interests of the company to close the Insurance Fund and allow the subsidiary companies to place their marine risks in future direct with outside underwriters, the Fund has been discontinued as of December 31, 1931.

IMM, 1931 Annual Report, May 17, 1932, P. 7

The 1931 Statement lists the Fund's cash flow, which disappears from IMM's 1932 Annual Report. The 1931 balance of the Fund, $7,774,895.35, was transferred to IMM's 1932 contingent reserves, an asset account now appearing on IMM's 1932 Balance Sheet. Again, there is no listing for any possible residual interest in assets for which payments were made from IMM's Insurance Fund.

However, IMM did include assets within its financial statements that were, or became, of questionable value. This is seen specifically in the way IMM accounted for Royal Mail's failure to meet its OSNC purchase payment obligations. IMM, in its 1931 Annual Report, introduced the uncertainty as to the value of Royal Mail's receivable due to Royal Mail's default on its payment obligations and 1931 bankruptcy.

> Receivable from Royal Mail Steam Packet Company, secured by entire capital stock of Oceanic Steam Navigation Company Ltd., £2,350,000 carried in previous years at $4.85 per £ sterling. The value of this account receivable depends upon the financial ability of the debtor to discharge its obligation, upon the value of the collateral if and when realized, and upon the exchange value of the £ sterling at the time of collection … ………………………………………….. $11,397,500.00

IMM, 1931 Annual Report, May 17, 1932, P. 14

In its 1932 Annual Report, IMM further identifies its claim against Royal Mail, for the sale of OSNC, reiterating the uncertainty as to the value of the claim. The claim, however, still remained valued as an asset within IMM's 1932 Annual Report. Only in its 1933 Annual Report did IMM remove the value for this receivable, but still continued to list the receivable (sans value) within its asset column. IMM continued this practice, listing this **uncertain, value-less** asset, through 1937.

In 1934, OSNC (White Star Line) and Cunard entered into a British government sanctioned (and British court sustained) agreement that transferred all of the vessels of both steamship companies to a new merger company known as the Cunard-White Star Line. In exchange for the transfer OSNC received 38% of the stock of the new company.

> AN AGREEMENT made this Thirtieth day of December 1933 between The Cunard Steam-ship Company Limited (hereinafter called 'Cunard') of the first part The Oceanic Steam

Navigation Company Limited (hereinafter called 'Oceanic') of the second part and The Commissioners of His Majesty's Treasury (hereinafter called 'the Treasury' which expression shall include the Commissioners from time to time in office) of the third part. ...

5. The Merger Company [Cunard-White Star] as soon as it is incorporated shall agree to purchase from Oceanic and Oceanic shall agree to sell to the Merger Company free from encumbrances:

First. - The assets of Oceanic referred to in Clause 1 of the said Memorandum.

Secondly. - Such other assets of Oceanic as Cunard and Oceanic have agreed or shall agree ought to be transferred to the Merger Company.

6. The purchase consideration to be given by the Merger Company to Oceanic for the purchase from Oceanic of all the said assets shall be the issue to Oceanic of Shares in the Merger Company credited as fully paid up to a nominal amount equal to 38 per cent of the total initial nominal share capital of the Merger Company. … Clause 1. A New Company to be formed, called 'Cunard-White Star Limited,' to acquire from ...The Oceanic Steam Navigation Company Limited the following assets, free of all mortgages and charges: -

(a) The North Atlantic Goodwill of both companies, including the use of 'Cunard' and 'White Star' names and flags for all purposes when applied to North Atlantic ships.

(b) **The <u>existing</u> North Atlantic fleets of both Companies:** [Emphasis supplied.] - *Oceanic:* Majestic, Olympic, Homeric, Georgic, Britannic, Adriatic, Albertic, Laurentic, Doric. Calgaric. ...

(e) All Tenders (or shares in Tender Companies), Launches and other small craft at present owned or controlled by the Parent Companies in connection with their North Atlantic services.

New Company to take over each ship at the conclusion of any current voyage after the fixed date. ...

(Reference as titled.)

As security for its claim against the Royal Mail Steam Packet Company, as has been stated in previous reports, the Company [IMM] holds through trustees, all of the outstanding stock of the Oceanic Steam Navigation Company, Ltd. (White Star Line). In accordance with the agreement entered into in 1934 by the Oceanic Company and the Cunard Line, all of the vessels of both companies in the North Atlantic fleet were transferred to a new merger company known as the Cunard-White Star Line, in exchange for stock of the merger company, of which the Oceanic received 38%. This action on the part of Oceanic did not meet with or receive the approval of your directors and all possible legal steps were taken to secure an injunction against the contract being carried out, but without success.

During the year, a scheme of arrangement with all creditors was announced by the Royal Mail Steam Packet Company, which included the liquidation of the Royal Mail. This scheme of arrangement was approved by the British courts. At the present time, it is not possible to determine the value of our claim against the Royal Mail under this agreement, but it is apparent that the value is probably only nominal.

IMM, 1934 Annual Report, June 30, 1935, P. 8

Once OSNC's ships were conveyed to Cunard-White Star, there was little IMM could do to recoup its receivable. In 1936, IMM formerly filed its claim with the liquidator of the Royal Mail Steam Packet Company, and received $352,002.96 in 1937, and $497,569.40 in 1938.

This [1938] liquidating dividend, together with the liquidating dividend received in 1937, results in a total of $849,572.36 received from the Liquidator of the Royal Mail Steam Packet Company on account of the liquidation of that company, which is equivalent to 6¼% of the claim filed by your company with the Liquidator. It is not anticipated that there will be any further substantial payments on account of this claim.

IMM, 1938 Annual Report, P. 10

And, the formerly "unvalued" asset on IMM's consolidated balance sheet ceased to reappear.

Royal Mail's acquisition of OSNC's stock would transfer ownership to Royal Mail of only OSNC's assets. IMM would have retained any residual interest it may have had, at that point, to any assets that were paid for (and not otherwise transferred by IMM) through its internal Insurance Fund. This conclusion is also reinforced by OSNC's transfer, in its merger with Cunard, of only existing and specifically identified assets to the new Cunard-White Star.

Had IMM not abandoned Republic, without a specific transfer of the REPUBLIC, and because IMM self insurance drew premiums from all IMM companies and disbursed to all IMM companies, any former substantial interest to the REPUBLIC's (and TITANIC's) hull, machinery, and accoutrements would not have transferred to OSNC, Royal Mail, Cunard or Cunard-White Star but would have remained with IMM.

IMM, United States Lines Company, and United States Lines, Inc.

J. P. Morgan's plans for IMM, his goal to capture the North Atlantic shipping industry, were never realized. From its Wall Street launch in 1902, the firm experienced a series of non-successes stemming, primarily, from both internal and external influences on the business environments in which it operated. Internally (influences within or created by the shipping industry), by the early 1900's, the shipping companies were in a state of a vicious rate war that, actually, was the genesis for Morgan's foray into the North Atlantic Shipping marketplace. If he could buy up competing shipping companies, he could stabilize pricing.

In its 1903 Annual Report, IMM made clear "the depression in freights on the North Atlantic continued." By 1912, in an article concerning White Star's April 15th loss of Titanic, the Wall Street Journal's assessment of IMM's early years, stated:

> [T]he capture of the White Star Line by the American Bankers aroused a storm of indignation in England and caused heavy subsidies for the Cunard Steamship Co. and rivalry of building of big ships, both between the English White Star Line taken into the American combination, and the old English Cunard Line, and also between these companies and the two big German steamship companies. In a few years all the steamship companies suffered an era of low rates and reduced or suspended dividends.
>
> Recently tonnage rates over the world have been very much higher, and prosperity and dividends and increased surpluses were in sight.
>
> The record of the International Marine seems to be thus far the poverty of low ocean rates, or on high ocean rates steamship disaster.

Wall Street Journal, April 17, 1912, 7:3

Externally (political and world economic influences), World War I brought about an immense shortage of labor, from fireman and coal stokers to ship's officers, as well as materials/resources, all of which were re-directed toward the war effort. Most ships were under Government charter with constricted contractual agreements. Attrition of their fleets through hostilities further reduced the ability of steamship companies to generate revenues, let alone profits. The steamship companies did not fare appreciably better in the post-war years and, of course, by 1929, the Great Depression had gripped the world's economy.

This series of events caused IMM to take on a geopolitical, US-market centric focus. IMM's American companies were, generally, profitable, but its foreign companies regularly suffered losses. As a result, IMM began to concentrate on its US operations, making acquisitions of US flagged steamship companies, placing more emphasis on freight, restructuring (and packaging for sale) its foreign flagged operations/lines as "investments," and eventually selling/divesting its non-US operations.

IMM sold its White Star Line (British, supra) in 1927, incorporated American Line Steamship Corporation in 1927 (US), liquidated its subsidiary International Navigation Company (British) in 1930, acquired the Roosevelt Steamship Company, Inc. (US, supra) in 1931, and, in 1931, IMM acquired an important interest in the capital stock of the United States Lines Company (US) which also owned American Merchant Line.

IMM's strategy was made clear in its 1933 Annual Report:

> Owing to this anxiety to develop under the American flag and to dispose of the [Company's] foreign flag tonnage which, as previously announced, has been losing money, sales have been made during 1933 and so far this year of twenty-two freight steamers and one passenger and freight steamer of Frederick Leyland & Company, Ltd. [British], also four freight steamers of the Atlantic Transport Company, Ltd. [British]. This leaves our foreign tonnage now consisting of only five combination passenger and cargo steamers and four cargo steamers, a total of nine steamers only, as compared to thirty-six steamers on December 31, 1932 and it is proposed to continue this same policy with the remainder of our foreign flag tonnage.

IMM, 1933 Annual Report, May 15, 1934, P. 6

During 1934, IMM purchased American Mail Line, Ltd.'s interest in both the United States Lines Company and Roosevelt Steamship Company, Inc., which brought IMM's holdings to 83.33% of the Common Stock of United States

Lines Company, and 77 ½% of the Common Stock of the Roosevelt Steamship Company, Inc. Beginning with its 1934 Annual Report, the balance sheets and P&L statements of these two companies were now included within IMM's Annual Reports. Also, in that year, IMM had disposed of all of its remaining foreign flag tonnage. By 1934, IMM had only American tonnage; J.P. Morgan's dream of an international North Atlantic shipping monopoly, if it had not done so earlier, had clearly ended.

IMM, however, in its new US focused incarnation, survived. By 1937, IMM had purchased 100% of United States Line Company's Common Stock and held 85% of Roosevelt Steamship Company, Inc.'s Common Stock. In its 1937 Annual Report, IMM made clear the importance it placed on its wholly owned subsidiary United States Lines Company: "United States Lines Company is the principal subsidiary of your Company on which your Company must mainly depend for future income."[9] The financial statements of IMM, United States Lines Company and Roosevelt Steamship Company, Inc. were consolidated in 1937. Needles to say, and consistent with all of IMM's previous financial statements, the consolidated financial statement bears no indication of any residual interest by IMM in any asset relating to IMM's Insurance Fund.

J.P. Morgan's intended purpose for IMM had ceased to exist, the formerly "international" IMM had disposed of all of its foreign tonnage, and IMM looked almost exclusively to its wholly owned subsidiary United States Lines Company for its main income. With this emphasis, it was natural for IMM to change its name and structure. On May 29, 1943 International Mercantile Marine Company (the parent New Jersey corporation) merged through a stock exchange and appropriate accounting adjustments with its wholly owned subsidiary United States Lines Company (a Nevada corporation). IMM, the surviving New Jersey corporate entity, amended its certificate of organization, and changed its name to United States Line Company.[10]

Again, IMM/United States Lines Company did not indicate within its financial statements any possible surviving interest in assets related to its Insurance Fund disbursements.

United States Lines Company's next significant corporate reorganization took place in 1966. In its 1966 Annual Report, United States Lines Company succinctly described its reorganization, and its motivation for reorganization: United States Lines Company desired to "diversify its activities."

> **Reorganization**
> The reorganization of the corporate structure of the company, approved by the Maritime Subsidy Board/Maritime Administrator and by the stockholders at their last annual meeting, was completed on January 3, 1967, as authorized by the Board of Directors. Pursuant to the plan of reorganization, substantially all of the business property and assets of the company were transferred to a new wholly owned subsidiary, United States Lines, Inc., which was formed for this purpose in the State of Delaware on June 10, 1966.
>
> In exchange for the property transferred to United States Lines, Inc., the company received 2,000,000 shares of Common Stock of United States Lines, Inc., which constitutes all of its authorized capital stock. At the same time, United States Lines, Inc. assumed all debts, liabilities and obligations of the company pertaining to the transferred property and as agreed upon pursuant to the plan of reorganization.
>
> The principal assets remaining with the company, in addition to the 2,000,000 shares of United Stats Lines, Inc. referred to above, consisted of (1) all of the capital stock of Number One Broadway Corporation, a wholly owned subsidiary which owns and operates the building situated at No. 1 Broadway, New York, New York, and (2) $2,000,000 in cash and securities.
>
> As a result of the reorganization, United States Lines Company is now in a position to diversify its activities. In this connection, various suggestions are under consideration. While no definite decisions have been reached, the company believes that profitable activities can be developed which will contribute to its overall earnings.

1966 Annual Report, United States Lines Company, P. 13

By 1966, if United States Lines Company maintained any residual interest in the assets for which disbursements were made from its (IMM's) Insurance Fund over fifty years earlier, that residual interest never appeared on its books, nor was such interest transferred to or acquired by the new corporate entity United States Lines, Inc. As a result, such interest - if any - would have remained with the parent New Jersey (and original IMM) corporate entity, United States Lines Company.

In 1969, United States Lines Company (the parent and original New Jersey corporation), through an exchange of its capital stock for stock of Walter Kidde & Company, Inc., merged with Walter Kidde & Company, Inc. The assets of United States Lines Company, including its wholly owned subsidiary, the recently formed Delaware corporation United

States Lines, Inc., came under the ownership and control of Walter Kidde & Company, Inc.[11] IMM, the New Jersey corporation, J.P. Morgan's grand scheme to monopolize North Atlantic shipping, tracing its roots to 1893, originally named International Navigation Company, then International Mercantile Marine, then United States Lines Company, owner of Republic and Titanic, the owner of any possible residual interest in assets relating to its internal Insurance Fund - ceased to exist. The potential assets derived from Insurance Fund disbursements never appeared on the books of IMM/United States Lines Company, were not a consideration in IMM's/United States Lines Company's merger(s), did not appear as assets transferred to Walter Kidde & Company, Inc., and did not appear as assets within the subsequent financial statements of Walter Kidde & Company, Inc.

If any residual interest were to exist, such interest would reside, by 1969, with Walter Kidde & Co., Inc. (Kidde, incorporated in New York in 1917, reincorporated in Delaware in 1968[12]), a former industrial conglomerate/powerhouse of multiple companies.

Shortly after the merger, in 1970, Kidde put its newly acquired wholly owned subsidiary, its Delaware corporation, United States Lines, Inc. on the market. Kidde finally sold United States Lines, Inc. in 1978 to McLean Securities Inc. (McLean)[13] for $110.8 million in cash. McLean, and its subsidiaries including United States Lines, Inc., filed for bankruptcy in 1986, one of the largest bankruptcies in US history. McLean's multi-billion dollar bankruptcy remains unsettled.[14] Another United States Lines Company asset, One Broadway building, also came under Kidde's ownership and control. Kidde sold off this building in 1979.[15]

In the feverish takeover activity of the 1980s, Kidde itself became the target of British corporate raider Sir Gordon White of Hanson PLC (Hanson).[16] In 1987, Hanson bought Kidde through a stock exchange "in a complicated deal that arbitragers and analysts valued at about $1.79 billion,"[17] and subsequently "de-merged" Kidde's various holdings, selling off Kidde's companies, company by company.[18] The current Kidde PLC (d/b/a Kidde International) is only a mere survivor of this breakup, just one of more than 100 former Kidde companies/"operating units"[19] which were ultimately repackaged and divested by Hanson.

Summary

IMM wrote off the Republic as a total loss in 1909, and the Titanic in 1912, expensed its internal Insurance Fund disbursements for these losses, and included the corresponding accounting transactions within its respective annual reports. After the disbursements were made from IMM's Insurance Fund, the corresponding property interests which might have survived were never carried as an asset (contingent, of uncertain value, or otherwise) by IMM or United States Lines Company, were never considered as assets in IMM's bankruptcy, in any reorganization or merger, were never transferred to United States Lines, Inc. or to Kidde or to Hanson, or to any other party or entity. No attempt was ever made by IMM or any related or successor company to salvage these vessels, or to sell or otherwise subrogate IMM's original interests in these wrecks. The losses of Republic and Titanic were simply adjusted on IMM's books as, ultimately, operating expenses; these losses were considered, merely, as a part of the costs of doing business - and abandoned. IMM, the original owner and the corporation that, arguably, might have retained an interest, ceased to exist over thirty years ago.

Other Insurers

The Company believes that the subrogation interest acquired by the $250,000 to $350,000 of the Republic's value paid to IMM by "half dozen British and American marine underwriters, chiefly in British," is abandoned or would have negligible impact upon salvage operations, and certainly no impact upon recovery of any possible non/self-insured government gold cargo(es). Our inquiries to the Salvage Association, London, in an attempt to identify the potential ownership interests of former insurers and to notify them of our action in the U. S. District Court, produced the following responses:

> We note that you maintain that the Insurer's interest in the vessel has ceased because of their abandonment of the vessel, but we would comment that there is no evidence that the Insurers have abandoned the vessel to the world at large. It is believed that Insurers have not exercised their rights of subrogation by virtue of having settled a Total Loss with the ship owners at the time of the casualty, and still reserve the right to make a claim against any proceeds obtained in respect of any items of the vessel which may be recovered, if they wish to do so.

From our experience in dealing with casualties of this age we are extremely doubtful whether any records are now available anywhere which would give details of the cargo carried by the 'REPUBLIC' or mention names of Shippers or Consignees or state the full list of underwriters involved. ...

J. F. Nicholls, Assistant Manager, Salvage Sales and General Information Department, 9th February 1984

... We may be able to identify insurers with records showing that they paid losses on the vessel or its' cargo, which might help to resolve this impasse should the need arise at some time in the future.

A. R. Price, Deputy General Manager, 14th March 1984

The Cargos

Passenger Effects

Claims for loss of passenger effects were satisfied by the FLORIDA Harter Act limitation of liability case that resulted in the sale of the FLORIDA and, generally, pro-rata disbursement of funds from that sale to claimants. To the extent that such payments were below 100% of the loss, a residual interest may survive. Where passenger effects were insured privately, ownership interests would have transferred to the respective insurance companies that made payment on the claims.

Cargo

Where cargo was insured privately, ownership interests would have transferred to the insurance company that made payment on the claim.

Should the naval payroll and operational funds be salvaged, title would be maintained by the U. S. Government, although the Joint Venture may be entitled to a liberal salvage award. In the event of self-insurance of other cargos, we believe that a defaulted ownership interest would be maintained by the owners. As a commercial transaction, rather than governmental funds - as in the case of naval monies – we would argue that a defaulted ownership interest in and to the $3,000,000 American Gold Eagle engagement would be held by either the Bank of France, the Consortium of French banking houses, or the Imperial Russian Government, depending on the sequence of title. If title to these cargos has not been abandoned, MVSHQ would be entitled to a liberal salvage award.

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[1] First Annual Report of the International Mercantile Marine Company for the Fiscal Year Ended December 31, 1903, June 30, 1904, P. 6; and, Poor's Manual of Industrials, 1913.

[2] Ibid, First Annual Report, P. 7

[3] Journal of Commerce, May 19, 09, 16:1

[4] 1918 Annual Report, International Mercantile Marine Co., P. 4

[5] Receiver's Report, July 30, 1915, Original Bill No. 12-222, District Court of the United States for the Southern District of New York, In Equity, International Mercantile Marine Company Documents, Special Manuscript Collection, Vanderlip Organizations, Rare Book and Manuscript Library, Columbia University.

[6] 1926 Annual Report, International Mercantile Marine Co., P. 5

[7] Royal Mail was to pay: £1,250,00 on June 30, 1928; £1,250,000 on June 30, 1929; and £2,500,000 on December 31, 1936, all with interest at 4% per annum from January 1, 1927 to the date of payment. Ibid.

[8] 1933 Annual Report, International Mercantile Marine Co., P. 6.

[9] 1937 Annual Report, International Mercantile Marine Co., P. 9.

[10] 1942 Annual Report, United Stats Lines Company, July 15, 1943, P. 1; and Notes to Financial Statements, P. 11.

[11] 1967 Annual Report (its last annual report), United States Lines Company, P. 3 and 12; Wall Street Journal, *Merger of U.S. Lines Into Kidde Approved By the Holders of Both*, Dec. 2, 1968, 19:1; and Jan. 13, 1969, 19:2;

[12] *Stock Market Encyclopedia*, Standard & Poor's, 1979.

[13] Wall Street Journal, Sep. 28, 1977, 19:1; Oct. 14, 1977, 10:3; Feb. 1, 1978, 7:1; and Apr. 13, 1978, 32:2.

[14] U.S. Bankrupty Court, Southern District of New York (Manhattan), Bankruptcy Petition #:86-12238-ajg.

[15] Wall Street Journal, Sept. 5, 1979, 4:2.

[16] This corporate raider sounds like the inspiration for the Gordon Geko character in the movie Wall Street. In real life, a director of Kidde was accused and subsequently convicted of insider trading.

[17] New York Times, Aug. 6, 1987, Late City Final Edition, D:1:1; Washington Post, Aug. 6, 1987, E1.

[18] *Hanson Continues US Disposal Programme*, Financial Times (London), Jan. 5, 1989, Sec. 1, P. 20; see also New York Times, Oct. 27, 1990, Sec.1, 33:2.

[19] *Hanson Completes Acquisition of Kidde*, PR Newswire, Jan. 4, 1988.