

### VIII. DIVIDEND PROSPECTS.

An 8 per cent. dividend on the \$97,080,400 New York, New Haven & Hartford Railroad Company stock outstanding in the hands of the public requires a surplus of \$7,766,432 over all fixed and other charges against income. These charges for the current year are estimated at not less than \$20,000,000. To pay an 8 per cent. dividend requires, therefore, net income from all sources of at least \$27,766,432.

The aggregate net income for the year ending June 30, 1907, from all sources, as reported to stockholders, together with the net earnings from the Massachusetts trolley lines, was not over \$25,383,644.46, or \$6,183,644.46 in excess of the minimum estimated charges upon income during the current year. This surplus of \$6,183,644.46 would be only about enough to pay a 6 per cent. dividend on the \$97,080,400 stock outstanding in the hands of the public. If, however, a charge against the year's income is made for betterments and improvements, and to meet depreciations as was done in each year prior to 1906-7, the estimated balance applicable to dividends would be correspondingly reduced. In other words, if such charge were made at the average rate \* prevailing prior to Mr. Mellen's administration, *the dividend balance would be reduced to \$2,797,486.56 or less than enough to pay during the year 3 per cent. in dividends.* Four per cent. in dividends has already been declared.

An increase of the net earnings from the operation of the steam railroads, of trolley lines, and of steamship lines does not seem probable. Business depression may be expected to reduce the gross earning more largely than operating expenses.

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\* 6.09 per cent. of gross earnings.

### IX. HIGH FREIGHT RATES.

The freight rates on the New York, New Haven & Hartford Railroad are unusually high. For the year ending June 30, 1907, the average freight haul was 90.20 miles, and the average freight rate 1.436 cents. This high freight rate is due in part to the character of the traffic, but in part also to the fact that the New Haven Company has steadily suppressed all competition in transportation within its territory. It does not seem probable that the communities served will long submit to the imposition by a monopoly of exceptionally high freight rates.

For comparison, the average haul and freight rates of "all the steam railroads operating in Massachusetts" are given, although difference in character of traffic must be considered:

	Average haul. Miles.	Freight rates. Cents.	Tons carried one mile.
Average of all steam railroads in Massachusetts . . . . .	93.58	1.19	5,035,305,109
N.Y., N.H. & H. . . . .	90.20	1.436	1,927,686,950
Boston & Maine . . . . .	98.74	1.082	2,296,970,964
Maine Central . . . . .	88.563	1.018	490,360,187



## X. CAUSES OF FINANCIAL DECLINE.

The great fall in the New Haven's credit is illustrated by the necessity of issuing now *at par* \$39,029,600 6 per cent. forty-year convertible gold bonds.

The financial decline of the New York, New Haven & Hartford Railroad Company is due to the reckless acquisition at exorbitant cost of "other properties" — acquisitions made partly with a view to suppressing competition with the New Haven's railroads, and partly with a view to mere aggrandisement. The aggregate capital obligations outstanding in the hands of the public of the New Haven system (including besides the railroads owned or leased and commonly known as the New York, New Haven & Hartford Railroad, also the controlled railroads operated separately, and the trolleys, steamships, electric light, and other interests), increased from \$158,883,443 on June 30, 1901, to \$498,849,805 on June 30, 1907, or \$339,966,362.

That a large amount has been recently expended by the New Haven Company in improvements of railroads owned and leased, and in the acquisition of additional securities in its leased railroads is well known; but the amount of expenditure made for these purposes has been largely overestimated by the public. The aggregate of such expenditure, though large in itself, is small as compared with the total increase of the New Haven capitalization.

Of the huge increase of \$339,966,362 in capitalization, not over \$60,000,000 represents capital expenditures made within the six years upon or new capitalization for the railroads owned and leased known as the New York, New Haven & Hartford Railroad, while nearly three times that amount was expended in the acquisition of interests in "other properties."

**1. IMPROVEMENTS OF RAILROADS OWNED AND ADDITIONS THERETO.** — The net amount of such increase of investment in cost of road and terminal properties owned during the six years is only \$42,884,549. (See Note 1.)

### NOTE 1.

The total cost of the railroad and equipment owned June 30, 1901, as shown by stockholders' report, was . . . . .	\$57,302,986
The total cost of the railroad and equipment owned June 30, 1907 (deducting leased equipment), was . . . . .	102,319,186
An increase of only . . . . .	\$45,016,200
But the whole of this sum is not represented by improvements or increase in property owned. The value of stocks and bonds owned June 30, 1901, in roads which were merged during the succeeding six years amounted to . . . . .	4,610,651
	\$40,405,549
and this sum must be deducted from the reported increase in cost in order to determine the actual increase in cost of railroads owned. On the other hand, there should be added to that cost the reported cost of the South Bay Wharf and Terminal and Roxbury Central Wharf properties, which, although controlled through stock ownership, are not included in the cost of road and equipment as reported to stockholders . . . . .	2,479,000
	\$42,884,549



2. IMPROVEMENTS ON RAILROADS LEASED. — During the six years ending June 30, 1907, the capital expenditures upon the roads now leased charged to cost of road amounted to \$15,711,034. (See Note 2.)

3. INVESTMENTS IN SECURITIES OF LEASED ROADS. — During the six years the aggregate amount invested in acquisition of securities of roads now leased was \$6,768,435 (book value). (See Note 3.)

NOTE 2. — COST OF ROADS NOW LEASED.

	1901. Cost including Equip- ment.	1907. Cost including Equip- ment.	Net Increase.
Old Colony . . . . .	\$30,009,933	\$34,524,085	\$4,514,152
New England . . . . .	40,298,192	44,131,586	3,833,394
Boston & Providence . . . . .	5,917,323	5,708,075	209,248 decrease
Providence & Worcester . . . . .	5,105,137	5,105,137	
Norwich & Worcester . . . . .	4,165,005	3,983,816	181,189 decrease
New Haven & Northampton . . . . .	6,582,017	7,114,555	532,538
Berkshire . . . . .	600,000	1,068,588	468,588
Prov., Warren & Bristol . . . . .	497,411	497,411	
Holyoke & Westfield . . . . .	462,269	465,000	2,731
Rhode Island & Mass. — Mass. Div. . . . .	112,321	112,321	
Milford & Woonsocket . . . . .	173,381	173,381	
Milford, Frank. & Providence . . . . .	101,308	101,308	
Plymouth & Middleboro . . . . .	305,000	305,000	
Harlem River & Port Chester . . . . .	8,701,269	15,451,337	6,750,068
Chatham . . . . .	98,436	98,436	
	<u>\$103,129,002</u>	<u>\$118,840,036</u>	<u>\$15,711,034</u>

## NOTE 3.

Book value of stock owned June 30, 1901, of roads now leased:

55,190 shares Old Colony . . . . .	\$4,968,050.00
49,285 " New Eng. Pfd. . . . .	2,541,726.50
199,575 " " " Com. . . . .	3,993,940.00
425½ " H.R. & P.C. . . . .	42,250.00
1,000 " Berkshire . . . . .	38,988.00
1,000 " R.I. & Mass. . . . .	191,700.00
24,600 " N.H. & North. . . . .	1,021,051.58
	<u>\$12,797,706.08</u>
Increase . . . . .	\$6,768,435.00

Book value of stock owned June 30, 1907, of roads now leased:

68,967 shares Old Colony . . . . .	\$7,638,758.53
49,999 " New Eng. Pfd. . . . .	2,655,174.65
199,838 " " " Com. . . . .	4,006,270.00
10,000 " H.R.P.C. . . . .	1,000,000.00
8,193 " Berkshire . . . . .	1,463,909.34
1,902 " Boston & P. . . . .	583,453.72
2,669 " Prov. & W. . . . .	791,086.43
1,000 " R.I. & Mass. . . . .	191,700.00
550 " Nor. & W. . . . .	127,488.79
1,486 " Mil. & W. . . . .	74,300.00
1,000 " M.F. & P. . . . .	50,000.00
24,600 " N.H. & North. . . . .	984,000.00
	<u>\$19,566,141.46</u>



4. INCREASE OF INVESTMENT IN PROPERTIES OTHER THAN STEAM RAILROADS OPERATED AND CAPITALIZATION OUTSTANDING IN HANDS OF PUBLIC. — The investment of the New Haven Company in the "other properties," acquired during the six years ending June 30, 1907, and the securities of the controlled properties then outstanding in the hands of the public, was as follows:

	Book Value of New Haven Co.'s Investment (Bonds, Stock, and Advances).	Par Value of Securities in Hands of Public.	Total.
A. Railroads Controlled and Operated Separately:			
(a.) Central N.E. Ry. Co. . . . .	\$8,391,869.00	\$3,122,204.00	\$11,514,073.00 <sup>1</sup>
(b.) N.Y., Ont. & Western and leased lines . . . . .	13,692,422.00	56,975,388.00	70,667,810.00 <sup>2</sup>
B. Trolley Lines:			
(a.) Connecticut Trolley System (including Conn. Ry. & Ltg. Co.) . . . . .	32,476,038.00	31,733,132.00	64,209,170.00 <sup>3</sup>
(b.) Rhode Island Trolley System (including underlying securities) . . . . .	21,896,374.00*	22,344,300.00	44,240,674.00 <sup>4</sup>
(c.) Mass. Trolley System (including stocks guaranteed and underlying bonds) . . . . .	21,846,060.00†	6,742,185.00	28,588,245.00 <sup>5</sup>
(d.) Eastern New York Trolley System . . . . .	11,794,484.00	413,000.00	12,207,484.00 <sup>6</sup>
(e.) Vermont and Northern New York Trolley System . . . . .	1,047,932.00	11,200.00	1,059,132.00 <sup>7</sup>
C. Steamship Properties . . . . .	32,260,899.00	2,458,600.00	34,719,499.00 <sup>8</sup>
D. Electric Light, Gas, Water Supply, and Power Properties not included in Street Railway Properties . . . . .	1,206,623.00	1,001,000.00	2,207,623.00 <sup>9</sup>
E. New England Navigation Co.‡ (bonds held by O.C. R.R. Co. and N. & W. R.R.) . . . . .		4,275,000.00	4,275,000.00 <sup>10</sup>
F. Miscellaneous Bonds and Stocks Owned (including Boston & Maine stock) . . . . .	12,917,864.00		12,917,864.00 <sup>11</sup>
G. Real Estate in Boston and New York . . . . .	5,210,000.00		5,210,000.00 <sup>12</sup>
	\$162,740,565.00	\$129,076,009.00	\$291,816,574.00

5. IMPROVEMENTS NOT INCOME PRODUCING. — The improvements recently made on railroads owned and leased have been, in the main, necessary or desirable, but to a large extent non-income producing. In the six years ending June 30, 1907, the amount so expended, charged to capital account of the New Haven or of its leased lines was \$47,838,463, but in spite of high freight rates the gross earnings increased only \$15,469,624.95 or 38 per cent. The net earnings from operation during the six years increased *as reported* \$5,668,022.14 or 46.9 per cent.; but this increase represents in the main a change in the methods of bookkeeping. If there had been charged to operating cost of the year 1906-7 the same average percentage of gross earn-

\* This includes the \$19,898,000 Providence Sec. Co. debentures guaranteed by the New York, New Haven & Hartford R.R. Co. outstanding in the hands of the public.

† This includes \$4,000,000 New Eng. Inv. & Sec. Co. preferred stock and \$3,387,950 Springfield Railroad Co. guaranteed by New York, New Haven & Hartford R.R. Co. outstanding in the hands of the public.

‡ The New England Navigation Co. declines to make any report of its assets and liabilities and the same are considered only so far as disclosed in the report of the New Haven Co.

1 For details see p. 58.

2 For details see p. 58.

3 For details see p. 58-60.

4 For details see p. 60.

5 For details see p. 62.

6 For details see p. 62.

7 For details see p. 64.

8 For details see p. 64.

9 For details see p. 66.

10 For details see p. 66.

11 For details see p. 66.

12 For details see p. 66.



ings for improvements and betterments as was done in the four years ending June 30, 1903, the net earnings from operation for 1906-7 would have been reported as only \$14,365,697.40 or an increase over 1900-1 of only \$2,281,864.93 or 18.7 per cent.

6. "OTHER PROPERTIES" PURCHASED AT EXCESSIVE COST.—*A. RAILROADS CONTROLLED AND OPERATED SEPARATELY.—(a) Central New England Railway Company.—*This Railway Company showed for the year ending June 30, 1907, a net deficit from operation of \$431,046.92, and, after payment of fixed charges a net deficit of \$647,568.72. In the operating expense for the year was included expenditures for rebuilding and strengthening the Poughkeepsie bridge. The Company appears to have required advances from the New Haven Company to June 30, 1907, of \$976,003.61. The report for the quarter ending September 30, 1907, shows an operating deficit of \$46,618 as compared with a surplus of \$15,830 for the corresponding quarter of 1906.

(b) *New York, Ontario & Western.*—The 291,600 shares of common stock in this Company purchased by the New Haven at about \$45.00 per share, or \$13,105,185.62 on November 1, 1904, were selling in the market on December 2, 1907, at \$32 per share. For twenty-five years prior to the purchase of this stock by the New Haven Company, the New York, Ontario & Western Railroad Company had not paid a dividend upon its common stock. In the year ending June 30, 1907, it paid dividends at the rate of 2 per cent. per annum. It has a bonded indebtedness (including bonds of leased lines) of \$26,825,000 and appears to have required an advance from the New Haven to June 30, 1907, of \$584,024.40.

*B. TROLLEY LINES.*—On June 30, 1907, the investment of the New Haven Company in its several street railway systems, together with securities thereof (at par) outstanding in the hands of the public, and their operated trackage and gross and net earnings, as reported, were as follows:



The New York, New Haven & Hartford Railroad Co's. Trolley Systems.	Investment and Securities Outstanding, including Notes Payable.	Trackage Operated, Miles.	Investment and Outstanding Capitalization per Mile.	Gross Earnings.	Gross Earnings per Mile Operated.	Net Earnings.	Net Earnings per Mile Operated.
Connecticut System . . . . .	\$64,209,179.00†	613,903‡	\$104,591.73	\$6,632,040.78*†	\$10,803.07*†	\$2,353,173.48*†	\$3,833.13*†
Rhode Island System . . . . .	44,240,674.00	311,000	142,253.29	Data not available		Data not available	
Massachusetts System . . . . .	28,228,245.00	561,369	50,284.65	3,988,164.49‡	7,104.35	1,320,838.77‡	2,352.88
Eastern New York System . . . . .	12,207,484.00			Data not available			
Vermont & Northern New York System	1,059,132.00			Data not available			

\* Includes Worc. & Web. & Dud. 9 mos. earnings.

† Includes lighting plants, etc.

‡ The report to stockholders, June 30, 1907, states that the Connecticut Company, which is the operating subsidiary company, operates 64.17 miles of street railway line. This includes the lines in the towns of Rye, Port Chester, Harrison, Mamaroneck, and New Rochelle in New York State.

For the purpose of comparison, the data concerning the well-known street railway properties of the Massachusetts Electric Companies, which are of a character substantially similar to the street railway properties of the New Haven Company, are given, namely:

Massachusetts Electric Cos.:	Capitalization, including Notes Payable.	Trackage Operated, Miles.	Capitalization per Mile.	Gross Earnings.	Gross Earnings per Mile Operated.	Net Earnings.	Net Earnings per Mile Operated.
Old Colony Street Ry. } Boston & Northern St. Ry. }	\$43,399,979.88	905,688	\$47,919.34	\$7,400,947.32	\$8,171.63	\$2,647,042.95	\$2,922.68



The meagre financial results of operating the Massachusetts Electric Companies properties, despite their relatively small capitalization per mile, should make clear the burden assumed by the New Haven Company through its street railway expansion.

It is obvious that the Rhode Island properties, at \$142,253 per mile of track operated, the Connecticut properties, at \$104,591 per mile, and even the Massachusetts properties, at \$50,284 per mile, must long prove unprofitable investments.

C. *Steamship Properties.* — No reports have been made by the New Haven Company of the cost of these properties or of the details of operation. No data are available, therefore, for determining their value. It is currently reported, however, that these properties were in large part bought at exorbitant prices.

D. *Real Estate in Boston and New York, valued at \$5,210,000.* — This item consists in the main, of the old Providence Station in Boston. It is undoubtedly of large value, but of a present small earning capacity.

### CONCLUSION.

From the above facts it would seem to be clear that the New Haven Company is not in a position to assume the additional financial burdens or the additional responsibilities of railroad management, which the acquisition of the Boston & Maine system would necessarily impose upon it.

The New Haven's credit is strained to the uttermost. Its heavy fixed charges and small dividend balance leave it no appreciable borrowing capacity. The exclusion of its securities from the sphere of savings bank investment, and the taxability of its stock in the hands of the holder must further contract its financial possibilities. Furthermore, the mere fact of practical consolidation of the two systems would, under the most favorable conditions, tend to restrict the aggregate amount which any single investor would otherwise be willing to invest in the two systems.

On the other hand, the burdens of management already assumed by the New Haven must tax to the uttermost the ability of its officers. For years to come the closest attention to the development of the properties already acquired and to wise economy in operation and administration will be essential in order that this Company may carry the financial burdens unwisely assumed, and ultimately recover from the excesses of recent years. Its officers have no surplus of time or ability to give to the problems of the Boston & Maine system.

For detailed financial statements, see pp. 42 to 66.



**Boston & Maine Railroad.**

## SUMMARY.

## I.

*The company is strictly a railroad corporation. It has substantially no outside properties. Its securities are proper savings bank investments. Its stock is tax exempt.*

## II.

*It forms (in connection with its leased and controlled lines) one of the leading railroad systems of America with 3,592.17 miles of line and gross earnings of \$50,986,553.60.*

## III.

*In six years the Boston & Maine Railroad increased its railroad gross earnings 34.41 per cent.*

## IV.

*In six years the outstanding capitalization of the Boston & Maine Railroad increased only 21.4 per cent., while the outstanding capitalization of its leased lines actually decreased \$307,900, or 3/10 of one per cent.*

## V.

*In six years its fixed charges increased only \$218,100.48 or 2.72 per cent.; and more than half of this increase was due to increase in taxes.*

## VI.

*In six years its net earnings increased 13.73 per cent. and its surplus over fixed charges applicable to dividends increased 115 per cent.*

## VII.

*During the past six years its financial condition has been growing steadily in strength, and it is in a sound condition for further development of its transportation facilities.*



## Part Second.

### BOSTON & MAINE RAILROAD.

#### I. THE CHARACTER OF THE COMPANY.

1. **STRICTLY A RAILROAD COMPANY.** — The Boston & Maine Railroad is strictly a railroad company. It is incorporated under the laws of Massachusetts, New Hampshire, and Maine. It owns or operates substantially no properties other than steam railroads.

(a.) Its trolley lines consist of 18.10 miles owned and 27.88 miles leased and represent an aggregate investment or capitalization of \$1,409,560.

(b.) Its steamships consist of one boat on Lake Winnepesaukee, owned, valued with wharves at \$69,260, and one on Lake Memphremagog leased as a part of the Connecticut & Passumpsic Railroad.

(c.) It holds only \$8,808,676.81 in bonds or stocks of other corporations. Of this amount \$2,516,000 represents Maine Central stock and \$5,454,549.75 stock in the Fitchburg Railroad, most of the latter stock having been purchased from the Commonwealth of Massachusetts.

(d.) Its only other property is real estate of a book value of \$1,383,873.13 acquired for railroad purposes and profitably rented meanwhile.

2. **ONE OF AMERICA'S IMPORTANT RAILROAD SYSTEMS.** — The Boston & Maine is one of America's leading railroad systems. Including leased lines and railroads controlled but operated separately, it has 3,559.52 miles of line, and a total trackage of 5,817.71 miles. For the year ending June 30, 1907, the gross earnings of the system from operation were \$50,986,553.60. Of the 852 operating companies in the United States, with an aggregate mileage of 220,028 miles reporting to the Interstate Commerce Commission for the year ending June 30, 1906, only thirteen had gross earnings as large as that.

The miles of line owned or leased by the Boston & Maine Railroad are 2,232.25 as compared with 2,006.23 owned and leased by the New Haven. The freight tonnage carried one mile on these lines by the Boston & Maine Railroad in the year ending June 30, 1907, was 2,296,970,964 as compared with 1,927,686,950 tons carried by the New Haven.

3. **SECURITIES SAVINGS BANK INVESTMENTS.** — The bonds and notes of the Boston & Maine Railroad are proper investments for savings banks. Its stock is savings bank collateral. For *sixty-six* years continuously the company has paid dividends; since 1900 the dividend rate has been 7 per cent.

4. **STOCK TAX EXEMPT.** — The Boston & Maine being a "railroad corporation" its stock is exempt under Massachusetts laws from taxation in the hands of the holder.



## II. CAPITALIZATION.

1. **STOCK.** — The total outstanding capital stock of the Boston & Maine Railroad on June 30, 1907, was \$31,022,165.70, of which only \$29,889,165 was outstanding in the hands of the public; the balance was held in the treasury of the company or of the Maine Central. Each share of Boston & Maine Railroad common stock so outstanding represents a cash investment in the property of the company of \$153.75. Much of this stock was issued at high premiums under the strict anti-stockwatering laws of Massachusetts.

2. **BONDS.** — The outstanding funded indebtedness of the Boston & Maine Railroad on June 30, 1907, was \$33,402,504.\*

3. **SIX YEARS' INCREASE IN STOCK.** — The amount of the capital stock of the Boston & Maine Railroad outstanding in the hands of the public increased from \$25,384,070 on June 30, 1901, to \$29,889,165.70 on June 30, 1907, an increase of only 17.74 per cent.

4. **SIX YEARS' INCREASE IN INDEBTEDNESS.** — The funded debt of the Boston & Maine Railroad, including notes payable, real estate mortgages, and sinking fund, increased from \$26,744,408 on June 30, 1901, to \$33,402,504 on June 30, 1907, an increase of only \$6,658,096, or 24.89 per cent.

The gross earnings of the railroads (steam) increased 34.41 per cent.

5. **ADDITIONAL FUNDED INDEBTEDNESS.** — No increase of capitalization of the Boston & Maine has been made since June 30, 1907, except an issue of \$4,100,000 of one-year notes to be applied in part to payment of the short term notes then outstanding, to improvements, and the purchase of new equipment. On September 30, 1907, the Company had in its treasury \$5,319,118 cash.

6. **VALUE OF EQUITY.** — The aggregate funded indebtedness of the Boston & Maine Railroad, including bonds guaranteed, was on June 30, 1907, \$34,880,504. The aggregate market value of its stock outstanding in the hands of the public at the market price December 2, 1907 (\$155 for preferred and \$134 for common), was \$40,204,322. That is, the aggregate market value of the stock was \$5,323,818 more than the par value of all of its bonds and notes so outstanding.

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\* The Boston & Maine Railroad does not control any of its leased roads.



### III. FIXED CHARGES.

1. **FIXED CHARGES, 1906-7.**—The fixed charges for the year ending June 30, 1907, including rentals, interest, taxes, and other deductions from income, were \$8,233,237.41.

2. **SIX YEARS' INCREASE IN FIXED CHARGES.**—The total fixed charges and deductions from income of the Boston & Maine Railroad increased from \$8,015,136.93 for the year ending June 30, 1901, to \$8,233,237.41 for the year ending June 30, 1907, an increase of only \$218,100.48 or 2.72 per cent. More than half this increase, to wit, \$127,520.56, was attributable to increase in taxes.

3. **FIXED CHARGES, 1907-8.**—The estimated fixed charges for the current year, including interest, rentals, taxes, are about \$8,500,000, an increase of about \$267,000 over those for the year ending June 30, 1907. This increase represents mainly the interest on the \$4,100,000 six per cent. one-year notes recently issued, awaiting such change in financial conditions as shall enable the company to sell at fair prices the shares of fully paid Boston & Maine stock now among its treasury assets, and additional long term debenture bonds at low rates.



#### IV. NET INCOME.

1. NET EARNINGS FROM OPERATION OF RAILROADS (STEAM). — (a) *1906-7 net earnings.* — The reported net earnings for the year ending June 30, 1907, of the lines operated by the Boston & Maine Railroad were \$10,101,410.11. The sum of \$741,668.83 expended for new equipment charged against the year's income is included in operating expense; and \$493,248.88 expended for betterments and improvements is charged against the year's income, instead of being charged to operating.

(b) *Six years' increase in net earnings.* — The net earnings from steam railroad operation for the six years ending June 30, 1907, increased from \$8,881,583.51 on June 30, 1901, to \$10,101,410.11 on June 30, 1907, an increase of \$1,219,826.60 or 13.73 per cent.

If the method of accounting had been followed in the year 1906-7 so as not to include in operating expense either the \$741,668.83 expended for new equipment or the \$493,248.88 expended for betterments and improvements and charged against the year's income, the net earnings from operation would have been \$10,843,079. Freight and passenger rates decreased slightly during this period.\*

This increase in net earnings has been made in spite of heavy charges for maintenance of way and equipment, and for improvements and betterments and new equipment charged against operating expense or income throughout the whole period, whereas the New Haven reduced its pro rata charges for maintenance charged against operating expense or income during the year 1906-7 (see page 13) nearly one-fifth as compared with the average of the four years preceding Mr. Mellen's administration.

During the seven years the Boston & Maine expenditures for maintenance of way and equipment, and for improvements and betterments or new equipment charged to operating expense or to the year's income was as follows:

	*Average freight rate per ton mile. <i>Cents.</i>	Average passenger fare per mile. <i>Cents.</i>
1901 . . . . .	1.134	1.763
1907 . . . . .	<u>1.082</u>	<u>1.753</u>
Decrease . . . . .	.052 or 4.59 per cent.	.010 or .57 per cent.



Year Ending June 30,	Gross Earnings.	Expenditures for Maintenance of Way and Equipment and for Improvements, Betterment and New Equipment, Charged to Operating Expense.	Percentage to Gross Earnings.
1901 . . . . .	\$30,331,246.35	\$7,134,839.25	23.51
1902 . . . . .	31,594,130.48	7,333,844.14	23.20
1903 . . . . .	33,529,423.96	6,845,298.87	20.40
1904 . . . . .	34,643,976.73	7,475,523.00	21.57
1905 . . . . .	35,902,643.89	8,705,538.99	24.23
1906 . . . . .	38,855,368.20	9,798,742.53	25.21
1907 . . . . .	40,771,010.53	9,704,391.20*	23.80

\* This includes \$493,248.88 expended for additions and betterments charged against the year's income.

(c) *1907-8 net earnings.* — For the quarter ending September 30, 1907, the net earnings increased \$225,224 over the corresponding quarter of 1906, although the gross earnings increased only \$510,614. In other words, the operating expense for the first quarter of the year ending 1907-8 was 69.48 per cent., as compared with 70.11 per cent. for the corresponding quarter of the previous year.†

2. NET INCOME FROM "OTHER PROPERTY." — (a) *1906-7 net earnings.* — The aggregate net income for the year ending June 30, 1907, from sources other than steam railroads, were as follows:

	Net.
From street railways, gross . . . . .	\$214,990.00
Less expense . . . . .	214,006.00
	<u>\$984.00</u>
From steamboats, gross . . . . .	\$27,475 90
Less expense . . . . .	21,922.28
	<u>5,553 62</u>
From grain elevators and stock yards, gross . . . . .	\$111,780.07
Less expense . . . . .	62,868.76
	<u>48,911.31</u>
From rent of real estate . . . . .	296,458.40
From dividends on stock and interest on bonds . . . . .	300,317.60
From interest received . . . . .	81,075.83
From miscellaneous income . . . . .	26,507.15
	<u>\$759,807.91</u>

† The "Car service balance," however, which in the year 1906-7 was charged to operating expense, is under recent rulings of the Interstate Commerce Commission not so charged, and appears as a deduction from income. The amount so deducted on account of "Car service" was \$297,875.22.



(b) *Seven years "other income."* — In the seven years ending June 30, 1907, the "other income" varied from a maximum of \$975,251.71 in 1901, to a minimum of \$437,126 in 1906. These variations are largely due to variations in the earnings of the grain elevator and stock yards. In the year ending June 30, 1906, the destruction of the grain elevator by fire caused a loss.

(c) *1907-8 "other income."* — There is no reason for expecting any substantial change in the amount of "other income" for the current year over that of the year preceding, except that the Maine Central Railroad, having on September 20, 1907, increased its dividend from 7 to 8 per cent., an additional \$25,160 in dividends will doubtless be received by the Boston & Maine from its holding of 25,160 shares of Maine Central stock.



### V. HOW DIVIDEND REQUIREMENTS MET.

During the six years ending June 30, 1907, the dividend requirements have to an increasing extent been met from net earnings from operation of the railroad (steam). In the year ending June 30, 1907, the balance to be provided from "other income" was only \$105,159.46. The schedule on page 39 shows the company's growing strength in this respect.

### VI. DIVIDEND PROSPECTS.

The amount required for the year ending June 30, 1908, for the dividend on the Preferred stock (6%) is . . . . .	\$188,988
The amount required for the dividend of 7% upon the Common stock outstanding (including that on which the final payment is to be made on December 31st), is	1,871,768
	<u>2,060,756</u>

There seems to be no reason to doubt that the net income of the company will be ample to pay this dividend.



HOW DIVIDEND REQUIREMENTS MET. 1901-1907.

Year Ending June 30,	Operating Percentage.*	Net Earnings from Operation of Steam Railroad.	Fixed Charges.	Balance Applicable to Dividends.	Dividend Requirements.	Balance to be Pro- vided from Other Income.	Other Income.	Surplus Net Income.†
1901 . . . . .	70.71	\$8,881,583.51	\$8,015,136.93	\$866,446.58	\$1,645,000.39	\$778,553.81	\$975,251.71	\$196,697.90
1902 . . . . .	70.52	9,312,275.81	8,059,432.63	1,252,843.18	1,764,359.00	511,515.82	685,168.15	173,652.33
1903 . . . . .	71.70	9,488,684.75	8,088,043.53	1,400,641.22	1,771,722.50	371,081.28	544,552.44	173,471.16
1904 . . . . .	72.24	9,615,733.10	8,198,843.50	1,416,889.60	1,778,999.50	362,109.90	583,851.63	221,741.73
1905 . . . . .	73.42	9,541,458.04	8,161,236.84	1,380,221.20	1,806,646.00	426,424.80	639,636.23	213,211.43
1906 . . . . .	74.14	10,045,793.29	8,294,714.85	1,751,078.44	1,834,646.00	83,567.56	437,126.00†	353,558.44
1907 . . . . .	75.22	10,101,410.11	8,233,237.41	1,868,172.70	1,973,332.16	105,159.46	759,807.91	654,648.45

\* For the purpose of this table the earnings from street railways, steamboats, grain elevator properties, and stock yards are included under "Other Income."  
 † Before deducting sinking fund charges. ‡ Grain elevator burned.



## VII. ELEMENTS OF FINANCIAL STRENGTH.

During the six years ending June 30, 1907, the Boston & Maine Railroad has been steadily growing in financial strength.

**1. INCREASE IN GROSS EARNINGS.** — In spite of a slight reduction in freight and passenger rates,\* it has increased its gross earnings 34.41 per cent. while the increase of its capitalization was only 21.4 per cent. and the fixed charges increased only 2.72 per cent.

Its gross earnings in 1906-1907 on the 4,027.80 miles of track owned or leased were \$10,122.40 per mile as compared with \$13,217.06 per mile on the 4,206.83 miles of track owned or leased by the New Haven.

**2. INCREASE IN NET EARNINGS.** — In spite of an increase (due to general causes) of operating expenses during the six years from 70.71 per cent. to 75.22 per cent., the net earnings increased 13.73 per cent. Its net earnings in 1906-1907 per mile of track owned or leased were \$2,507.92 per mile as compared with \$3,506.64† per mile on the New Haven, although the freight rates on the New Haven were 32.71 per cent. higher than on the Boston & Maine.

**3. INCREASE IN SURPLUS NET EARNINGS.** — The surplus net earnings from operating for the year ending June 30, 1901, remaining after paying fixed charges was sufficient to meet only about one-half of the dividend requirements. The balance had to be supplied from "other income." For the year ending June 30, 1907, such surplus net earnings were nearly sufficient to meet the whole dividend requirements, although the dividend requirements had increased \$328,331.77, or 19.95 per cent.

**4. NO BURDENSOME PROPERTIES.** — The Boston & Maine Railroad has substantially no outside properties. During the six years ending June 30, 1907, practically all its new capital expenditures have been devoted to improving its own road or equipment or that of its leased lines. Such expenditures for improvements and betterments and equipment of its own and leased lines charged to capital account have aggregated \$14,335,259.89. Other improvements and equipment were added during that period which were not charged to capital account.

**5. MAINE CENTRAL DEVELOPMENT.** — The Maine Central Railroad Company, of whose stock the Boston & Maine holds a majority, though independently operated, constitutes a very important part of the system. It now has (including leased and controlled roads) 931.40 miles of line — over one-fourth of the total mileage of the system. During the six years ending June 30, 1907:

(a) Its gross earnings increased from \$5,868,546.61 to \$8,348,139.15, or 42.2 per cent. in spite of lower freight rates.‡

\* See Note, p. 35.

† In figuring the New Haven net earnings per mile, the 1906-1907 reported net earnings of \$17,751,854.61 per mile are reduced by the sum of \$3,000,000, charged in this year to profit and loss instead of to operating or the year's income as theretofore (see page 14).

‡ The average freight rates and haul of the Maine Central Railroad for the year ending June 30, 1901, and June 30, 1907, respectively were as follows:

	Average haul per ton, miles.	Freight rates, cents.	Tons carried one mile.
1901 . . . . .	79.96	1.15	299,114,181
1907 . . . . .	88.563	1.018	490,360,187



(b) Its reported net earnings from operation increased from \$1,906,207.71 to \$2,683,966.18, an increase of \$777,758.47, or 40.8 per cent.

(c) Its surplus net income over fixed charges increased from \$604,109.55 to \$1,247,209.14, or 106 per cent.

(d) Its total capital obligations including bonds, stocks, and notes payable increased only \$6,049,956, or 21.49 per cent.

(e) Although its dividends have been increased from 6 per cent. to 8 per cent., it has actually expended out of its earnings more than twice as much for new equipment as for dividends.

(f) The large amount of improvements, betterments, and additions made from current income may be inferred from the heavy annual charges for maintenance and renewals shown by the following schedule:

MAINE CENTRAL RAILROAD AND LEASED LINES.

Year Ending June 30,	Gross Earnings.	Expenditures for Maintenance of Way and Equipment and for Improvements, Betterment and New Equipment, Charged to Operating Expense.	Percentage to Gross Earnings.
1901 . . . .	\$5,868,546.61	\$1,561,725.10	26.61
1902 . . . .	6,194,304.08	1,971,036.14	31.82
1903 . . . .	6,541,160.26	2,058,115.68	31.46
1904 . . . .	6,773,560.28	2,107,958.21	31.12
1905 . . . .	7,251,535.98	2,083,210.43	28.72
1906 . . . .	7,794,745.49	2,777,321.57	35.63
1907 . . . .	8,348,139.15	2,721,146.61*	32.59

\* This includes \$724,306.32 expended for additions and betterments and charged against the year's income.

The above shows a record of conservative growth unequalled, it is believed, in the history of American railroads.

**CONCLUSION.**

The development of the business and financial strength of the Boston & Maine and the Maine Central affords a marked illustration of the advantages of steady, conservative growth. Their sound financial condition forms a safe basis for future independent development of this great system in the interests alike of the stockholders and of the communities served.

For detailed financial statements see pp. 43 to 65.

LOUIS D. BRANDEIS.



## COMPARATIVE STATEMENT OF NEW HAVEN

## FIRST: OUTSTANDING

## NEW HAVEN.

## I. Capitalization, June 30, 1907.

On June 30, 1907, the total capitalization of the New Haven System \* was as follows :

- (a.) The New Haven Company and Companies controlled and operated, as appears by Annual Report to Stockholders :

Stock. <sup>1</sup>	Funded Debt.†	Totals.
\$97,360,800	\$231,787,100	\$329,147,900

- (b.) Companies Leased and Operated, not Controlled :

	Stock.	Bonds.	
Old Colony . . . . .	\$11,474,700 <sup>2</sup>	\$15,760,200	
Boston & Providence . . . . .	3,809,800 <sup>3</sup>	2,170,000	
Prov. & Worcester . . . . .	3,233,100 <sup>4</sup>	1,500,000	
Norwich & Worcester . . . . .	2,951,600 <sup>5</sup>	1,200,000	
Holyoke & Westfield . . . . .	240,000 <sup>6</sup>	200,000	
Plymouth & Middleboro . . . . .	80,000	225,000	
Chatham . . . . .	68,200	17,000	
West Shore Railway . . . . .		30,000	
Conn. Ry. & Lighting . . . . .	17,120,100	13,466,078 <sup>7</sup>	
United Traction & Electric Co. . . . .	8,000,000	8,894,000	
R.I. Suburban . . . . .		4,682,000	
Union Railway . . . . .		25,000	
Pawtuxet Valley E. Co. . . . .		247,200	
Cumberland . . . . .		69,000	
	<hr/>	<hr/>	
	\$46,977,500	\$48,485,478	95,462,978

\* The term New Haven System as used includes, besides the New York, New Haven & Hartford R.R. Co. and its lines leased, operated and controlled also companies controlled and operated independently.

† Including Notes Payable. This sum includes also \$4,275,000 New England Navigation Co. Debentures held by the Old Colony and Norwich & Worcester Railroads.

<sup>1</sup> See Appendix p. 69.

<sup>2</sup> See Appendix p. 69.

<sup>3</sup> See Appendix p. 69.

<sup>4</sup> See Appendix p. 69.

<sup>5</sup> See Appendix p. 69.

<sup>6</sup> See Appendix p. 69.

<sup>7</sup> See Appendix p. 70.



## AND BOSTON &amp; MAINE SYSTEMS.

## CAPITALIZATION. \*

## BOSTON &amp; MAINE.

## I. Capitalization, June 30, 1907.

On June 30, 1907, the total capitalization of the Boston & Maine System† consisted, as appears by annual reports to stockholders, of:

(a.) Boston & Maine Railroad: consisting of:

Pfd. Stock.	Com. Stock.	Funded Debt.†	Totals.
\$3,149,800	\$26,739,365 <sup>1</sup>	\$33,402,504 <sup>2</sup>	\$63,291,669

(b.) Boston & Maine Leased Companies, Operated, not Controlled:

	Stocks.	Bonds.	
Fitchburg . . . . .	\$17,360,000	\$22,667,000	
Concord & Montreal . . . . .	7,447,600	7,023,000	
Boston & Lowell . . . . .	6,599,400	6,528,000	
Connecticut & Passumpsic Rivers . . . . .	2,500,000	1,900,000	
Connecticut River . . . . .	3,118,000	2,259,000	
Vermont & Massachusetts . . . . .	3,193,000	772,000	
Worcester, Nashua & Rochester . . . . .	3,064,400	1,776,000	
Northern . . . . .	3,068,400		
Manchester & Lawrence . . . . .	1,000,000	274,000	
Concord & Claremont . . . . .	2,200	500,000	
Massawippi Valley . . . . .	400,000		
Nashua & Lowell . . . . .	800,000		
Lowell & Andover . . . . .	625,000		
Pemigewasset Valley . . . . .	503,400		
Other Leased Roads . . . . .	1,779,300		
	\$51,460,700 <sup>3</sup>	\$43,699,000 <sup>4</sup>	95,159,700

\* The term capitalization as here used includes only stocks and bonds outstanding in the hands of the public or held by independent companies.

† The term Boston & Maine System as used includes besides the Boston and Maine Railroad and its leased lines, also companies controlled and operated independently.

‡ Including Notes Payable.

1 See Appendix p. 74.

2 See Appendix p. 74.

3 See Appendix p. 74.

4 See Appendix p. 74.



Totals.  
Brought forward from page 42, — \$424,610,878

## (c.) Companies Controlled and Operated Separately:

	Stock.	Bonds.	
I. Massachusetts Street Railway System:			
N.E. Inv. and Security Co. * Pref'd			
Stock Guaranteed by New Haven	\$4,000,000		
Springfield R'ys Co. Pf'd (Guar. by			
New Haven) . . . . .	3,387,950		
Minority Interest in Stock of Street			
Railways which are controlled by			
N.E Inv. & Security Co. . . . .	1,026,058 <sup>8</sup>		
Bonds of Street Railway Companies			
which are controlled by N.E.			
Inv. & Security Co. . . . .		\$5,727,327 <sup>9</sup>	
	<u>\$8,414,008</u>	<u>\$5,727,327</u>	14,141,335
2. Central New England Ry. Co. . . . .	\$772,328 <sup>12</sup>	\$2,349,876 <sup>13</sup>	
3. † N.Y., Ont. & Western R.R. Co. ‡ . . . .	28,955,783 <sup>14</sup>	26,025,000	
Leased Lines not Controlled:			
N.Y., Ont. & Western R.R. Co.			
Leased Lines not Controlled:			
Rome & Clinton R.R. Co. . . . .	345,360		
Utica, Clinton & Binghamton			
R.R. Co. . . . .	849,245	800,000	
	<u>\$30,922,716</u>	<u>\$29,174,876</u>	60,097,592
			<u>\$498,849,805</u>

## II. Increase of Capitalization during the six years ending June 30, 1907.

In the six years ending June 30, 1907, the capitalization of the New Haven System increased from \$158,883,443 to \$498,849,805, viz.: \$339,966,362, or 213.9 per cent., as follows:

## (a.) New Haven Company and Companies Controlled and Operated:

	1901.	1907.	Increase.	
Stock . . . . .	\$55,266,525 <sup>15</sup>	\$97,360,800	\$42,094,275	76.2%
Funded Debt ‡ . . . . .	57,176,700 <sup>16</sup>	231,787,100\$	174,610,400	305.3%
	<u>\$112,443,225</u>	<u>\$329,147,900</u>	<u>\$216,704,675</u>	193.0%

\* The figures in respect to the New England Investment & Security Company may not be absolutely accurate, as the New Haven publishes no report and declines to give information. They do not include the large floating indebtedness which September 30, 1907, amounted to \$3,093,400 (see Appendix, Note 11, p. 71).

† New York, Ontario & Western stock was purchased on November 1, 1904, at \$45 per share and is selling at \$32, Dec. 2, 1907.

‡ Including Notes Payable.

§ To ascertain the full extent of the increase in the New Haven Company's liabilities, the further sum of \$14,141,335 should be added, being the amount of the Massachusetts guaranteed Trolley shares and underlying securities and outstanding stock, and \$21,917,200, being the amount of underlying securities of the Rhode Island Trolley Systems, so that the percentage of increase in funded indebtedness was actually 368 per cent. without including floating debt of Massachusetts Trolley Lines.

<sup>8</sup> See Appendix p. 70.

<sup>9</sup> See Appendix p. 70.

<sup>12</sup> See Appendix p. 71.

<sup>13</sup> See Appendix p. 71.

<sup>14</sup> See Appendix p. 71.

<sup>15</sup> See Appendix p. 72.

<sup>16</sup> See Appendix p. 72.



Totals.  
Brought forward from page 43, — \$158,451,369

(c.) Companies Controlled and Operated Separately:

	Pfd. Stock.	Com. Stock.	Funded Debt.*		Totals.
St. Johnsbury & Lake Champlain,	\$773,745 <sup>5</sup>	\$864,755 <sup>5</sup>	\$1,328,000 <sup>6</sup>	2,966,500	

Maine Central System:

	Stock.	Funded Debt.*		Totals.
1. Maine Central Railroad . . . . .	\$2,472,000 <sup>7</sup>	\$11,973,342 <sup>8</sup>		
2. Maine Central Companies Leased, Operated, not Controlled . . . . .	11,927,318 <sup>9</sup>	7,826,500 <sup>10</sup>		
3. Maine Central Companies Controlled and Operated Separately:				
Somerset Railway . . . . .	86,649 <sup>11</sup>	2,541,500		
Washington County . . . . .	0	2,290,000 <sup>12</sup>		
	\$14,485,967	\$24,631,342	39,117,309	

(d.) Operated by Boston & Maine as Agents for Stockholders:

	Stock.	Funded Debt.*		Totals.
Vermont Valley . . . . .	\$25,300 <sup>13</sup>	\$800,000		
Sullivan County <sup>14</sup> . . . . .		357,000		
York Harbor & Beach . . . . .	44,600 <sup>15</sup>			
Mt. Washington . . . . .	0	0		
	\$69,900	\$1,157,000	1,226,900	
			\$201,762,078	

II. Increase of Capitalization during the six years ending June 30, 1907.

In the six years ending June 30, 1907, the capitalization of the Boston & Maine System increased only from \$180,515,732 to \$201,762,078, viz.: \$21,246,346, or 11.8 per cent., as follows:

(a.) Boston & Maine Railroad:

	1901.	1907.	Increase.
Common Stock . . . . .	\$22,234,270 <sup>16</sup>	\$26,739,365	\$4,505,095 = 20%
Preferred Stock . . . . .	3,149,800	3,149,800	0
Funded Debt including Notes Payable and Real Estate Mort- gages, less Sinking Fund . . . . .	26,744,408 <sup>17</sup>	33,402,504	6,658,096 = 24.89%
	\$52,128,478	\$63,291,669	\$11,163,191 = 21.4%

NOTE.—The stock of the Maine Central acquired by the Boston & Maine below par (25,160 shares) sells at present market prices at \$190. The dividend rate was increased September 20, 1907 to 8 per cent.

\* Including Notes Payable.

5 See Appendix p. 74.

6 See Appendix p. 75.

7 See Appendix p. 75.

8 See Appendix p. 75.

9 See Appendix p. 75.

10 See Appendix p. 75.

11 See Appendix p. 75.

12 See Appendix p. 75.

13 See Appendix p. 75.

14 See Appendix p. 76.

15 See Appendix p. 76.

16 See Appendix p. 76.

17 See Appendix p. 76.



	1901.	1907.	Increase.	
<i>Brought forward from page 44, —</i>	\$112,443,225	\$329,147,900	\$216,704,675	193.0%
(b.) Leased Lines not Controlled:				
Stock . . . . .	25,451,318 <sup>17</sup>	46,977,500	21,526,182	84.5%
Funded Debt . . . . .	20,988,900 <sup>10</sup>	48,485,478	27,496,578	131%
 (c.) Companies Controlled and Operated Separately:				
Massachusetts Street Railway System:				
1. Guaranteed Stocks and Securities Underlying them:				
Stocks . . . . .		8,414,008	8,414,008	100%
Bonds . . . . .		5,727,327	5,727,327	100%
2. Central New England Ry. Co.:				
Stocks . . . . .		772,328	772,328	100%
Bonds . . . . .		2,349,876	2,349,876	100%
N.Y., Ont. & Western R.R. Co.:				
Stocks . . . . .		28,955,783	28,955,783	100%
Bonds and Notes Payable . . . . .		26,025,000	26,025,000	100%
N. Y. Ont. & Western Leased Lines not Controlled:				
Stock . . . . .		1,194,605	1,194,605	100%
Bonds . . . . .		800,000	800,000	100%

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\$158,883,443	\$498,849,805	\$339,966,362	213.9%
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<sup>10</sup> See Appendix p. 70.

<sup>17</sup> See Appendix p. 73.



	1901.	1907.	Increase.
<i>Brought forward from page 45, —</i>	\$52,128,478	\$63,291,669	\$11,163,191 = 21.4%
(b.) Leased Companies Operated, not Controlled:			
Stock . . . . .	51,192,000 <sup>18</sup>	51,460,700	268,700 = $\frac{1}{2}\%$
Funded Debt . . . . .	44,275,600 <sup>19</sup>	43,699,000	576,600 = 1.3% decrease
(c.) Companies Controlled and Operated Separately:			
St. Johnsbury & Lake Champlain:			
Preferred Stock . . . . .	773,745 <sup>5</sup>	773,745	0
Common Stock . . . . .	864,755 <sup>5</sup>	864,755	0
Funded Debt including Notes Payable . . . . .	1,328,000 <sup>20</sup>	1,328,000	0
Maine Central System:			
1. Maine Central Railroad:			
Stock . . . . .	2,472,000 <sup>7</sup>	2,472,000	0
Funded Debt including Notes Payable . . . . .	11,829,386 <sup>21</sup>	11,973,342	143,956 = $1\frac{1}{5}\%$
2. Maine Central Leased Lines, not Controlled:			
Stock . . . . .	8,535,318 <sup>22</sup>	11,927,318	3,392,000 = 39.7%
Funded Debt . . . . .	5,312,500 <sup>23</sup>	7,826,500	2,514,000 = 47 $\frac{1}{2}\%$
3. Maine Central Companies Controlled and Operated Separately:			
Washington County			
Stock . . . . .	0		
Funded Debt including Notes Payable . . . . .	0	2,290,000	2,290,000 = 100%
Somerset Ry. Stock . . . . .	0	86,649	86,649 = 100%
Funded Debt including Notes Payable . . . . .	0	2,541,500	2,541,500 = 100%
(d.) Operated by Boston & Maine as Agents for Stockholders:			
Mt. Washington Ry. Stock . . . . .	82,200	0	82,200 = 100% decrease
Vermont Valley:			
Stock . . . . .	513,300	25,300	488,000 = 95% decrease
Bonds . . . . .	800,000	800,000	0 = 0
Sullivan County Bonds . . . . .	357,000	357,000	0 = 0
York Harbor & Beach Stock . . . . .	51,450	44,600	6,850 = 13.3% decrease
	\$180,515,732	\$201,762,078	\$21,246,346 = 11.8%

<sup>5</sup> See Appendix p. 74.  
<sup>20</sup> See Appendix p. 77.

<sup>7</sup> See Appendix p. 75.  
<sup>21</sup> See Appendix p. 77.

<sup>18</sup> See Appendix p. 76.  
<sup>22</sup> See Appendix p. 77.

<sup>19</sup> See Appendix p. 77.  
<sup>23</sup> See Appendix p. 77.



III. *Prospective Increase of Capitalization for Current Year.*

Since June 30, 1907, the New Haven Company has increased its capitalization at least as follows:

Boston & New York Air Line . . . . .	\$805,000	1st Mortgage 4% Bonds.
Providence Terminal Co. . . . .	1,124,000	" " " "
	\$1,929,000	

The New Haven Company has given notice of intention to issue, at par, of \$39,029,600 6 per cent. 40 year Bonds, convertible into stock at par after January 15, 1923, the first payment thereon to be made January 15, 1908.

IV. *Value of New Haven Company Stock and Bonds.*

The New Haven stock is issued under statutes of Connecticut, which lack the stringent provisions of the Massachusetts law for preventing stock watering.

The aggregate market value of the New York, New Haven & Hartford stock outstanding at the Dec. 2, 1907, market price (\$132 per share) is \$128,146,128. The present outstanding funded indebtedness of the New Haven Company, including notes payable, guaranteed stock and bonds and securities underlying them, aggregates \$273,445,635.\* The New Haven's funded obligations as of June 30, 1907, exceed by \$145,299,507 the aggregate market value of the stock. When augmented by the new issue of \$39,029,600 6 per cent. 40 year notes, the funded obligations will be more than two and a third times as great as the present market value of its outstanding stock.

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\* Including proportion of guaranty (2/5) on \$14,000,000 Boston Terminal 3½ per cent. bonds.



*III. Prospective Increase of Capitalization for Current Year.*

No increase of capitalization of the Boston & Maine has been made since June 30, 1907, except the increase of \$5,300,000 in notes payable, to be applied in large part to the payment of existing short term notes, the purchase of new equipment, refunding short term notes, and the construction of double tracks and block signals. On September 30, 1907, the Company had \$5,319,118 cash in its treasury.

*IV. Value of Boston & Maine Railroad Stock and Bonds.*

Each share of the Boston & Maine Railroad common stock outstanding (par value \$100) represents an investment in the property of \$153.75. Much of the stock was issued at a large premium under the stringent anti-stock watering laws of Massachusetts.

The aggregate value of the Boston & Maine Railroad Stock outstanding at the market price Dec. 2, 1907 (\$155 for Preferred and \$134 for Common), is \$40,204,322, which exceeds by \$5,323,818 all indebtedness of the Boston & Maine Railroad on bonds and notes and guaranties, to wit: \$34,880,504.\*

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\* This includes the Guaranty on the \$1,328,000 St. Johnsbury & Lake Champlain bonds, and on \$150,000 Portland Union Station bonds (\$300,000) which are guaranteed jointly by the Maine Central and the Boston & Maine.