

federal statute under which the government can call the stockholders in... A suggestion is made that any expenditures in violation of the anti-trust...

"Directors," the commission declares, "cannot without accountability... whether the directors may be held responsible for the losses is a question...

The commission discusses the question of immunity which may have been given to witnesses against criminal prosecution by the government...

"SIGNIFICANT INCIDENTS IN LOOKING OF NEW HAVEN"

All the commission's strictures were on the management of the New Haven system under ex-President Mellon...

"The report cites these 'significant incidents': 'Marked features and significant incidents in the loose, irregular and unbusinesslike administration of the finances of the New Haven, as shown in this investigation, are the Boston & Maine despoliation, the inequity of the Westchester acquisition, the double payment for the Rhode Island trolleys, the recklessness in the purchase of Connecticut and Massachusetts trolleys at prices exorbitantly in excess of their market value...

"The money with which Billard acquired the stock and 52,000 shares of preferred stock of the Boston & Maine Railroad Company was furnished by the New England Navigation Company. This stock was turned over to the Rhode Island trolley company for \$2,375,000. It would seem that a suit by stockholders for the recovery of the profit which is justly due the navigation company, if any was made, would be a matter of course...

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of this corporation over the whole transportation field in New England. "If these directors were held responsible in the courts and at the bar for the public ruin which has befallen those things they should have done, the lesson to directors who do not direct would be very salutary."

"Directors Derelict. "Most of the directors of the New Haven accepted their responsibilities lightly. They failed to realize that the names they considered for the public and that their connection with the corporation led their public to invest. When these directors were negligent and serious losses resulted therefrom they were guilty of a grave derelict and a breach of trust that was morally wrong and criminal in its nature."

"Directors should be made individually liable to civil and criminal law for the manner in which they discharge their trust. A corporation can be no better or worse than those who operate it. It should be just as grave a crime to plunder a corporation as it is to plunder a man individually."

"In attempting to estimate the losses of the New Haven stockholders, the three large items which stand out from the account are those arising out of the acquisition of the Boston & Maine stock, the New York, Westchester & Boston stock and the Rhode Island trolley stock. A summary of the losses is as follows: 'Boston & Maine, \$23,223,725.68. 'New York, Westchester & Boston, \$14,571,500. 'Rhode Island Company, \$18,352,323. 'Total, \$56,147,550.61."

"There was a loss in the recent sale of the New Haven interests in the Merchants and Miners' Steamship Company of \$2,500,000. 'Springfield Railway Companies, \$20,221.15. 'Westchester Consolidated Street Railway, \$15,550. 'Westchester & Southbridge Street Railway, \$15,550. 'Connecticut Company, \$12,538,286.31. 'Rhode Island Company, \$18,352,323. 'Total, \$65,871,230.61."

"The prodigious property of the New Haven Railroad itself will be called upon to make up the deficit. It is estimated that the unproductive proffer of the transactions outside the trolley field in which stockholders suffered their money was \$2,500,000. 'But honest and efficient management of this property as a whole will undoubtedly in time restore its former standing."

PROFLIGATE WASTE IN THE WESTCHESTER TRANSACTION

"The New York, Westchester & Boston Railway report says: 'The Westchester is a story of the prodigal waste of corporate funds. The road was not necessary as a part of the New Haven system. It parallels the New Haven and traverses territory which the New Haven already served. The enormous sum of \$36,414,172.25 was expended for a road only 18.63 miles in extent, which is now operated at a loss of approximately \$1,250,000, and which will have to increase its earnings four and one-half fold before it can pay its operating expenses and charges. It is inconceivable that this entire road should have been entered upon by the New Haven as a result of the mandates of good judgment and proper railroading."

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at the expense of the stockholders of the New Haven, upon whom and to whom the public was ultimately rested, and the New Haven stock was diluted to the extent of the water thus added. 'This gas company also owned some Connecticut trolley lines, and it made a further condition that the Rhode Island trolley lines should be sold to the New Haven take over these properties."

"When the details had been worked out by Mr. Mellon for the assuming of this additional burden the board of directors was called upon to acquiesce. Mr. Mellon testified that these Connecticut trolleys represented a payment of about \$10,000,000 more than their value. 'This transaction seems such an extravagant purchase as makes it a matter of interest just who owned the securities of the Rhode Island Securities Company. This information could be obtained from the records of that company, but during the progress of this investigation it was learned that these books had also been burned."

"The Rhode Island and Connecticut trolley ventures are further evidence of the reckless and profligate management of the money of the New Haven stockholders in carrying out an unlawful policy of transportation monopoly. 'As to the steamship lines which were acquired at an approximate cost of \$21,000,000, the report has the evidence of the financial condition of the company, but during the progress of this investigation it was learned that these books had also been burned."

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BILLARD MERELY AGENT FOR NEW HAVEN COMPANY

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MEN WHO SERVED ON NEW HAVEN BOARD... The list of directors of the New York, New Haven & Hartford Railroad, as last constituted under the presidency of Charles S. Mellon was given out yesterday at the New Haven offices as follows: William Rockefeller, New York; Charles F. Brooker, Ansonia, Conn.; Edwin Miller, Moosup, Conn.; William Skinner, Holyoke, Mass.; D. Newton Barney, Farmington, Conn.; Charles S. Mellon, New Haven; Robert W. Taft, Providence; James S. Elton, Waterbury; James S. Hemingway, New Haven; A. Heaton Robertson, New Haven; Frederick F. Brewster, New Haven; Henry K. McHarg, Stamford; Alexander S. Cochrane, Boston; John L. Billard, Meriden; George F. Baker, New York; Samuel Lee, Philadelphia; Laurence Minot, Boston; M. F. Plant, Groton, Conn.; J. De V. Warner, Bridgeport; Thomas De Witt Cuyler, Philadelphia; Edward Milligan, Hartford; Theodore N. Vail, Boston; Francis T. Maxwell, Rockville, Conn.; Sidney W. Winslow, Boston; John T. Pratt, New York. Other men who served as directors of the New Haven at some time during the period covered by the Interstate Commerce Commission's report are: John M. Hall, New Haven; Percy R. Todd, New Haven; A. D. Osborne, New Haven; J. W. Whittemore, Naugatuck, Conn.; F. W. Cheney, Manchester, Conn.; Charles F. Choate, Boston; Augustus S. May, New Haven; E. D. Robbins, New Haven; John G. Parker, New Haven; H. McK. Twombly, New York; George J. Brush, New Haven; William D. Bishop, Bridgeport; George M. Miller, New York; Lewis Cass Ledyard, New York; Nathaniel Thayer, Boston; Amory A. Lawrence, Boston; Royal C. Taft, Providence; Joseph Park, New York; C. M. Depew, New York; Carlos French, Seymour, Conn.; F. T. Maxwell, Rockville, Conn.

SEEK \$100,000,000 OF WASTED FUNDS... New Haven Stockholders Call on Directors to Start Suits. DECLAIM OLD BOARD LIABLE FOR LOSSES... Lawyers for Victims Argue That Recovery Can Be Obtained Under Law. (By Telegraph to The Tribune.)

which the stockholders will claim that the directors are liable for \$15,000,000 under another interpretation, and should be required to restore the funds to the New Haven treasury. Under date of July 19, the letter says: 'It appears from recent official investigations of affairs of the New York, New Haven & Hartford Railroad Company that former board of directors have expended more than \$12,000,000 in the purchase of trolley and steamship lines, Boston & Maine shares and in the 'Westchester deal,' so-called. The present value of the acquired properties, according to the best information accessible, does not exceed \$1,000,000. The loss, therefore, which has been imposed upon the company by these expenditures amounts to nearly \$10,000,000. 'Vital Question for Stockholders. 'Naturally, this unfortunate situation is one of supreme concern to the stockholders of the New Haven & Hartford Railroad Company. It is their duty to see that a finality to these losses, or whether in some way they may compel the directors, who alone are responsible for these disastrous expenditures, to make restitution. 'This question is also of scarcely less interest to the New England public. The railroad is engaged in public transportation, and its system affects the interests of a vast territory. Its efficiency, its safety, its promptness, its economy, its service to the public, are all matters of vital importance. The problem of its finances is critical. If restitution of its funds which have been wastefully and improperly expended will be compelled, the efficiency of the system, its promptness, its economy, its service to the public, will be restored and its financial problems solved. 'At the request of clients, we have investigated the question of the right of the corporation to recover the sums expended in the purchase of the trolley and steamship lines, Boston & Maine shares, or permitted, these transactions are legally liable to the corporation for the losses which have been thereby occasioned and are compelled by law to make restitution. 'At present we do not suggest proceedings upon the assumption that the directors have necessarily been guilty of conduct amounting to fraud. It is quite true that the directors have dissembled and that the probability that some of these transactions are tainted by fraud. 'The terms of the purchase of the Rhode Island Company, upon which Mr. Choate and Mr. Prouty so severely comment in his recent opinion, certainly justify unfavorable inference. The payment of \$15,000,000 for securities of a value clearly not in excess of \$2,000,000 is an absolute waste, as are the \$12,000,000 of the company's money in a single transaction—seems difficult to reconcile with honesty of purpose or judgment on the part of the directors. 'The directors are responsible for these expenditures. 'Dishonest and Fraud. 'The recent testimony of Mr. Mellon, also before the Interstate Commerce Commission, justifies the inference that the conduct of officials and directors, especially in connection with the 'Westchester deal,' was dishonest and a fraud upon the stockholders. 'It is our judgment that directors are liable for those losses which so plainly have resulted from their neglect of fiduciary duty. On this ground the corporation is entitled to recover from its directors the difference between what was actually paid out for these investments and their actual value—a sum amounting to not less than \$10,000,000. 'It is our opinion, therefore, that the directors who expended the funds of the New Haven road for the purchase of the trolley and steamship lines, Boston & Maine shares, or permitted, these transactions are personally responsible and may be compelled to make restitution to the treasury of the entire fund thus expended. 'On this ground, in our opinion, the railroad is entitled to recover from its directors \$15,000,000 in aggregate amount paid for Boston & Maine shares and steamship and trolley lines. 'We, therefore, in behalf of our clients, who are and during all the period of the transactions, have referred to above, respectfully demand that you enforce the proper legal proceedings