

Indiana American.

BROOKVILLE.

Friday Morning, January 27, 1871.

CINCINNATI, INDIANAPOLIS & LA-FAYETTE RAILROAD.

Meeting of Stockholders—Report of the Board of Directors—Severe Reflections on the Old Management.

The stockholders of the Cincinnati, Indianapolis & Lafayette Railroad held an adjourned meeting at Morris on Friday, for the purpose of hearing a report from the Board of Directors concerning the past management of the road and the nature and history of the various leases and contracts. The attendance was quite large, 80,757 shares being represented.—The meeting having been called to order by Hon. Wm. S. Grossbeck, Chairman, Mr. M. E. Ingalls, President of the Board of Directors, presented the following report of the Committee of Investigation:

Your committee have not had time to make so complete a report as they could wish. It will take months to investigate fully some of the transactions of the past management of this corporation. Again, your committee have been very careful to state nothing in this report about which there was any doubt, and they have therefore omitted many things of which there was no absolute proof.

They have thought it best to submit for your consideration the following, and at some future time they hope to give you a more full and detailed report:

Your committee first employed an expert accountant, who examined the stock ledger and found it to be correct. The number of shares issued is 113,607, of the par value of \$500 per share.

They next endeavored to obtain from the books a statement of the earnings and expenditures of the road for the past four years. Also, what portion of the earnings and expenses belonged to the leased lines.

Thus they were unable to do with any accuracy. The books have been very loosely kept, and no separate account of the earnings and expenses of the various portions of this road can be had, except as we estimate them.

The gross receipts of the entire line for the last three years have been about \$1,800,000 per year. No accurate account of the expenses has been kept.

The condition of the company, your committee find, in brief, to be this: It owns a line of road from Cincinnati to Lafayette, 179 miles, with good sidings and depots, and with an ample equipment if all the company own was used upon this line. Although the I. C. & L. Co. virtually own the whole line, the Ohio end is in the name of the Cincinnati & Indiana Railroad Co., a corporation which has a stock capital of two millions of dollars, \$1,935,400 of which is owned by the I. C. & L. Co., and is lodged with J. Edgar Thompson, W. A. Booth and Thomas A. Hendricks, Trustees to secure the last issue of \$2,000,000 of bonds of the I. C. & L. Co., known as the issue of 1869, which bonds are also secured by a mortgage upon the whole line of the road, its equipment and real estate.

Your committee find that there has been an overissue of this stock to the amount of \$500,000, which is pledged as collateral with various persons to secure loans of the I. C. & L. Company.

Both organizations have always had the same officers, and have been substantially one and the same company. This company also owns \$21,400 of this stock, which is in its possession.

There is forty-three thousand two hundred dollars' worth of this stock out in the hands of various individuals, and by the terms of the lease of the I. C. & L. Co. to the I. C. & L. Company the latter company is bound to pay ten per cent. upon it.

Your committee found the I. C. & L. Company operating—in addition to the main line of road from Cincinnati to Lafayette, 179 miles, which they own—a road from Fairland upon the line of our road to Martinsville, a distance of thirty-eight miles, the company furnishing equipment, doing all the repairs, paying all expenses, and an annual rental to the lessors of \$34,000; also, seventy miles of road from Valley Junction, a point on our line, 18 miles from Cincinnati, to Hagerstown, being what is known as the White Water Line.

The condition of our company as to income and expenditures, your committee estimate to be this: The receipts from the main line are from \$1,500,000 to \$1,600,000 per year. The expense, about \$1,000,000.

The leased lines are earning about \$300,000 per year, at an expense including rental, of over \$100,000.

The financial condition of our company we find to be this:

Bonded debt about \$ 200,000
Floating debt about 1,200,000
Stock capital 3,750,000

Total liability 5,150,000

The large amount of this liability surprised your committee, particularly as some of them had received from the late management positive assurances that it was less.

To determine whether the past management of this company has been a success or not, your committee endeavored to present to you a comparison of its present condition with its condition in 1865, and leave you to judge of the result.

Its liabilities at that time, as reported by Mr. Lord, President, and approved by the Directors, was this:

Bonded debt \$ 250,000
Stock capital 3,750,000

Total liability 4,000,000

In 1867, the road from Indianapolis to Lafayette was purchased for \$2,500,000 in bonds, and \$300,000 were issued to put the road in order.

This is the only addition that has been made to the length of our road.

If, then, our road has only paid its way during the last five years, which it should have done, for your committee are satisfied that the main line has been operated with profit, its liabilities to-day would be as follows:

Bonded debt 4,000,000
Stock capital 3,750,000

Total liability 7,750,000

Instead of that, we have a liability of

\$4,000,000, and we have incurred a floating debt of \$1,500,000, an increase of \$1,100,000 a year.

To what this alarming increase is due, or where your money has gone, your committee, in the short time they have had, have not been able to determine.

This information they hope to give you in a supplemental report.

A portion of it is undoubtedly due to the purchase of real estate in Cincinnati. A considerable amount has also been lost in running the leased lines.

HISTORY OF THE LEASED LINES.

The history of these leased lines your committee from interviews with the various owners and from the records of this corporation find to be this:

In 1863 the C. & L. Company owned a charter for a railway from Valley Junction to Harrison, seven miles. That company then made a contract with William Dwight and H. C. Lord, that in consideration they would pay the bills for the construction of the same as they were presented if the company would give them a perpetual lease of this road.

This plan was accepted by unanimously by the creditors present, and we have strong hopes of carrying it out and saving our property.

Your Directors have received propositions for canceling the White Water leases, which they hope to do upon favorable terms to this company.

We have not been able to learn that the lease was ever executed, but the I. C. & L. Co. appear to have treated it as executed, and have operated this road ever since for Mr. Lord and Mr. Dwight for fifty per cent. of the gross earnings, the I. C. & L. Co. furnishing all equipment, doing all repairs, and paying all expenses. This fifty per cent. the first year amounted to about \$10,000, and has steadily increased until last year it amounted to about \$24,000.

From Harrison to Cambridge City, fifty-five miles, a railroad was built by what was known as the Whitewater Valley Railroad Company. This company also had a charter to build a road from Cambridge City to Hagerstown, eight miles, but were unable to do it. In November, 1867, the I. C. & L. Company took a lease of this Whitewater Railroad for an annual rental of \$140,000, paying all expenses, doing all repairs and furnishing all equipment.

The I. C. & L. Company also obtained a right to finish this road from Cambridge City to Hagerstown at their own expense.

In December of the same year the I. C. & L. Company made a contract with H. C. Lord and B. E. Smith to build this eight miles of road, the company delivering to them \$205,000 of certificates of the company bearing eight per cent. interest.

Thus it will be seen that the I. C. & L. Company last year paid for this seventy miles of Whitewater Railroad a rental of over \$180,000, paying all taxes and expenses, doing all repairs and furnishing all equipment.

It must also be remembered that these roads were built upon the towpath of an old canal, and were therefore very cheaply built. What they cost your committee have not been able to ascertain, but from personal examination they are satisfied that these roads upon which our company pay an annual rental of 7 per cent. upon over \$2,500,000 could all have been built for less than half that sum.

Their expense including rental, has far exceeded their receipts.

But this loss by no means represents the injury to the main line by these Whitewater Valley roads. For some reason not known to your committee, in 1868 the entire business of the I. C. & L. Co., between Chicago and Cincinnati, was turned over to this Whitewater line, thus getting only 88 miles of travel instead of 179 by Lafayette, and the road last year paid for this seventy miles of Whitewater Railroad a rental of over \$180,000, paying all taxes and expenses, doing all repairs and furnishing all equipment.

Judge Hoadley, who was present, said that it will be seen that the I. C. & L. Company would be glad to relinquish their trust whenever the stockholders would arrange the debt of the corporation, charging for their service only a reasonable compensation.

If, however, the creditors should refuse to accept bonds in payment, then, in our judgment, the amount of money to be raised is too large to ask the stockholders to raise it, and we would advise putting the road into bankruptcy and delivering it over to the bondholders. Such a course would be ruin alike to creditors and stockholders, and it is hoped for the interest of all parties that it may be avoided.

We are happy to add that, agreeably to a notice issued by the President, the Directors met a large number of the creditors of the company, on the 19th, and after a full discussion a plan was agreed upon between the Directors and creditors for finding the debt of the company in bonds secured by a new mortgage, the bonds to be taken at 90 cents on a dollar.

This plan was presented to the Directors, and we have the following resolution:

Resolved, That the Directors are hereby instructed not to pay the interest on the Hagerstown certificates, so called, unless compelled to do so by decree of the proper Court.

The resolution was adopted.

An inquiry being made in reference to the Whitewater Valley Railroad, Mr. Ingalls said an arrangement had been made by which that lease would probably be canceled.

Mr. Kennedy offered the following resolution:

Resolved, That the Directors are hereby instructed not to pay the interest on the Hagerstown certificates, so called, unless compelled to do so by decree of the proper Court.

The resolution was adopted.

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