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CENTRAL RAILROAD COMPANY

OF NEW JERSEY.

REPORT

OF

JOHN S. KENNEDY AND JOSEPH S. HARRIS,

RECEIVERS OF THE CENTRAL RAILROAD COMPANY OF NEW JERSEY,

OF THE

OPERATION AND MANAGEMENT OF THE RAILROAD PROPERTY IN THEIR CHARGE IN
THE STATES OF NEW JERSEY, PENNSYLVANIA AND NEW YORK DURING THE PERIOD
OF THEIR RECEIVERSHIP, OCTOBER 15, 1886, TO DECEMBER 31, 1887.

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OF THE

OPERATION AND MANAGEMENT OF THE RAILROAD PROPERTY IN THEIR CHARGE,
 IN THE STATES OF NEW JERSEY, PENNSYLVANIA AND NEW YORK,
 DURING THE PERIOD OF THEIR RECEIVERSHIP.

TO THE HONORABLE THE JUDGES OF THE UNITED STATES
 CIRCUIT COURT FOR THE DISTRICT OF NEW JERSEY :

The undersigned were appointed Receivers of the Central Railroad Company of New Jersey on October 15, 1886, while its railroad was being operated by the Receivers of the Philadelphia and Reading Railroad Company, under lease, and before the Central Company had exercised its option of terminating that lease. They entered into possession of the railroad on January 1, 1887, upon surrender of possession by the Philadelphia and Reading Railroad Company and its Receivers. Their Receivership will terminate on December 31, 1887, and their operation of the railroad will, therefore, have continued for one calendar year.

The financial results of the operation of the Central Railroad system during that year may be summarized as follows :

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Total amount of interest in default, and floating debt on January 1, 1887, when the Receivers took possession of the property	\$2,596,870
Total amount of interest in default and unprovided for on December 31, 1887, when the Receivership will terminate	None.
Total amount of floating debt at last named date	None.
Increase in gross earnings for ten months ending Oct. 31, over those of corresponding months of 1886.	817,892 81
Increase in expenses for ten months ending Oct. 31, over those of corresponding months of 1886.....	22,344 40
Increase in net earnings for ten months ending Oct. 31, over those of corresponding months of 1886.....	795,548 32

The following tabulated statements contain these financial results in greater detail:

STATEMENT I.

INTEREST AND FLOATING DEBT.

Interest in default on January 1, 1887, including interest due on that date and not provided for.

Name of Securities.	Total Issue.	Interest in Default.
Convertible Bonds	\$4,400,000	\$154,000
Consolidated Bonds.....	15,000,000	787,500

Adjustment Bonds.....	\$5,254,000	\$183,890
Debenture Bonds.....	3,264,000	391,680
American Dock & I. Co. Bonds..	5,000,000	125,000
New Jersey Stock Yard and Market Co. Bonds.....	140,000	19,600
		<hr/>
Total interest in default.....		\$1,661,670

Floating debt on the same date charged upon the property of Company, and represented by obligations of Henry S. Little, Receiver appointed by the Court of Chancery.....		745,000
Other floating debt.....		190,200
		<hr/>
Total interest in default and floating debt on January 1, 1887.....		\$2,596,870

*Interest on Funded Debt in default or unprovided for on
December 31, 1887.*

Name of Securities.	Total outstanding and not deposited in exchange for 5 per cent. General Mortgage Bonds.	Interest in Default or unprovided for.
Convertible Bonds	\$1,296,000	None.
Consolidated Bonds.....	4,060,000	None.
Adjustment Bonds	Called for payment.	None.
Debenture Bonds	779,800	None.
American Dock & I. Co. Bonds..	5,000,000	None.
New Jersey Stock Yard and Market Company Bonds.....	17,500	None.

STATEMENT II.

RESULTS OF OPERATION OF THE CENTRAL RAILROAD SYSTEM BY THE RECEIVERS FOR THE FIRST TEN MONTHS OF THE YEAR 1887 AND COMPARISON THEREOF WITH THE RESULTS FOR THE CORRESPONDING MONTHS OF 1886.

MONTH.	GROSS RECEIPTS.		OPERATING EXPENSES.		NET RECEIPTS.	
	1886	1887	1886	1887	1886	1887
January ...	\$753,334 28	\$614,578 17	\$445,306 41	\$410,144 13	\$308,027 87	\$195,434 04
February..	693,993 62	774 537 23	438,725 08	440,212 83	255,238 54	325,324 40
March	816,536 54	996,135 94	511,026 17	499,801 23	305,510 37	490,334 71
April	818,657 29	1,018,460 03	484,372 91	485,095 03	334,284 38	533,365 00
May	766,669 44	932,601 00	466,017 34	495,428 51	300,652 10	437,172 49
June	847,497 09	994,151 42	531,558 40	512,058 30	315,848 69	482,093 12
July	930,591 04	1,060,039 97	541,389 80	518,173 23	389,201 24	541,866 74
August	1,007,061 49	1,193,450 80	518,528 21	560,602 14	488,533 28	632,848 66
September.	1,095,501 82	1,042,419 05	542,911 59	573,412 18	552,590 23	460,006 87
October ...	1,049,805 92	971,047 73	575,378 58	564,631 49	474,427 34	406,416 33
Ten Months	\$8,779,528 53	\$9,597,421 34	\$5,055,214 49	\$5,077,558 98	\$3,724,314 04	\$4,519,862 36
Increase....	817,892 81	22,344 40	795,548 32

STATEMENT III.

AMOUNTS EXPENDED BY THE RECEIVERS FROM THE DATE OF THEIR APPOINTMENT TO DECEMBER 1, 1887, FOR PURPOSES OTHER THAN OPERATING EXPENSES AND FIXED CHARGES.

For renewals, betterments and extensions necessary for the proper conduct of the business, a portion of which will be repaid. \$266,171 34
 State and local taxes prior to 1887----- 566,053 27
 On account of expenses and indebtedness prior to January 1, 1887, of Receiverships, including that of H. S. Little----- 63,942 79

Receiver Little's indebtedness and loans.....	\$860,000 00
Real estate bonds and mortgages.....	62,776 00
Railroad Car Trust of Philadelphia certificates.....	26,400 00
Central New Jersey Car Trust certificates....	85,350 00
Central Railroad of New Jersey Car Trust certificates.....	139,000 00
New Jersey Car Trust certificates.....	50,000 00
Guarantee Car Trust certificates.....	25,000 00
Elizabethport and New York Ferry Company stock.....	100 00
New Jersey Southern Steamboat Co. Bonds..	7,600 00
Assessment on securities deposited under Reorganization Plan of the Philadelphia and Reading Railroad Company, paid pursuant to agreement of settlement hereinafter reported.....	300,000 00
	<hr/>
	\$2,452,393 37

The more important matters which have occupied the attention of the Receivers and affected the interests of the property in their charge during the Receivership, are as follows:

FIRST.—ACTION PRELIMINARY TO TAKING POSSESSION AND CONTROL OF THE PROPERTY ON JANUARY 1, 1887.

At the time of the appointment of the Receivers on October 15, 1886, the Central Railroad of New Jersey and all railroads of its system were being operated by the Receivers of the Philadelphia & Reading Railroad under the lease of May 29, 1883, though default had long since been

made in the payment of rent under that lease. The Central Company had obtained a decree of Court authorizing it to terminate the lease and re-enter upon its property, but had not yet exercised its right so to do. A careful review of the situation, with which the Receivers were already familiar, satisfied them that it was inexpedient for the Central Company to exercise this right and thus place the property in the control and management of the Receivers, until certain preliminary arrangements had been perfected. Among these preliminary arrangements were the following:

1. The creation of an organization, and the selection and appointment of suitable officers and employés.

2. Complete understanding with the Receivers of the Reading Company as to the time and details of re-entry, so as to prevent any interruption of traffic, and avoid possible complications in the operating and accounting departments of both roads.

3. Settlement of the question at issue between the Central and Reading Companies as to the ownership of supplies on the Central lines, which aggregated in value about \$500,000, the control and use of which was necessary in order to enable the Receivers to operate the road.

4. A traffic agreement with the Reading Company to prevent diversion of business and continue the interchange of traffic which had grown up during the existence of the lease, to and from points in the territory of the Reading Railroad.

5. Arrangements for temporary use of motive power in

addition to that owned by the Central without which the existing volume of traffic could not be moved.

These preliminary arrangements were all satisfactorily made.

The Receivers shortly after their qualification appointed as their Secretary, Mr. S. M. Williams; Treasurer, Mr. J. W. Watson, and Counsel, Messrs. Benjamin Williamson, Samuel Dickson and Robert W. de Forest. The organization was completed before entering into possession of the property on the first of January by the following appointments:

Mr. J. H. Olhausen.....	General Superintendent.
Mr. P. H. Wyckoff.....	General Freight Agent.
Mr. H. P. Baldwin.....	General Passenger Agent.
Mr. W. W. Stearns.....	Superintendent N. J. C. Div.
Mr. W. V. Clark.....	Superintendent N. J. S. Div.
Mr. G. W. Twining.....	Superintendent L. & S. Div.
Mr. W. H. Peddle.....	Engineer N. J. C. & N. J. S. Divs.
Mr. J. H. Thompson.....	Engineer L. & S. Div.
Mr. T. B. Koons.....	Freight Agent L. & S. Div.
Mr. W. F. True.....	Freight Agent N. J. S. Div.
Mr. A. Reckless.....	Purchasing Agent.
Mr. G. O. Waterman.....	Auditor Receipts and Disbursements.
Mr. George Wolf.....	Auditor of Passenger Traffic.
Mr. G. H. Sanborn.....	Auditor of Freight Traffic.
Mr. M. A. Koons.....	Coal Traffic Accountant.
Mr. H. W. Douty.....	Real Estate Agent.
Mr. Frank E. Higbie.....	Car Accountant.

The first day of January was fixed upon by agreement

with the Reading Receivers as a satisfactory date for terminating the lease and taking possession of the property, and all necessary details for this change of possession were perfected. Application was made to the Court for an order whereby the supplies on the Central lines were transferred to the Receivers of the Central subject to the legal rights of all parties. A traffic agreement with the Reading Company and Receivers was formulated, and the Reading locomotives in use on the Central lines were hired at reasonable rates until new locomotives could be secured.

Among other matters to which the Receivers gave their attention before January 1st, were the following :

A careful examination of the physical condition of the property satisfied them that, with some exceptions, its general condition was good and quite equal to that existing at the time of the lease. As a result of this examination they immediately ordered a new draw for the Newark Bay Bridge, which has since been constructed and is now in operation.

A like examination was made of the equipment, and steps were taken to obtain a complete inventory and valuation thereof.

Insurance to the amount of \$2,850,650 was effected upon selected portions of the property most liable to damage by fire.

Examination was made into the value of leased lines and properties subject to mortgage with a view of determining whether the Receivers were justified in continuing payment of rent and interest. As a result of this investigation rentals were paid on all leased lines and interest was paid on all real estate mortgages, so that the Central system of

railroads with all its appurtenances has been maintained intact during the Receivership.

Satisfactory arrangements were made for the use of new rolling stock to replace that temporarily furnished by the Reading, the withdrawal of which at an early date was to be anticipated.

SECOND.—TRANSFER OF POSSESSION ON JANUARY 1, 1887.

On January 1, 1887, all the railroads of the Central system and all the property belonging to that system in the States of New Jersey, Pennsylvania and New York were delivered up by the Receivers of the Reading to the Receivers of the Central. This change of possession took place without any interruption of business, and without any friction between the operating or accounting departments of either road, a result which must be attributed largely to the care and deliberation with which all preliminary arrangements had been made, and which would have been impossible except for the cordial co-operation of the Receivers of the Reading, their counsel and their officers, in carrying out the orders of the Court.

THIRD.—STRIKES.

On the same day on which the Receivers entered into possession of the road a strike was inaugurated by all coal handlers at and about the Port of New York, which included those employed at Port Johnston and Elizabethport, the shipping ports of the Central Railroad. This strike, while involving but few employés of the railroad, as distinguished from those of the Coal Companies or individual operators shipping over its line, put an end for a

time to all transportation of coal for shipment and greatly diminished the revenues of the railroad from that source during the months of January, February and a part of March, over which it extended. It assumed such threatening proportions that on January 13th special application was made to the Court, and an order was obtained directing the United States Marshal to co-operate with the Receivers in protecting the property in their charge. A large force of special deputies was sworn in for service at Port Johnston and Elizabethport, and for nearly two months this force was maintained at a very considerable expense. It was largely due to these precautions, in the opinion of the Receivers, that there was no loss of property whatsoever, and that no serious breach of the peace occurred on the premises of the Central Railroad.

While this strike was in progress the difficulties of the Receivers were greatly increased by a general strike of freight handlers in and about the City of New York, which occurred in February. This latter strike interrupted the movement of merchandise freight during a considerable portion of that month, thereby decreasing receipts, and adding largely to the cost of handling such business as was done. In both these cases the Receivers, after a careful examination into the alleged grievances of the strikers, were satisfied that their demands could not properly be granted.

Another serious strike occurred in September among the coal miners of the entire Lehigh Region, which still continues, and which has for more than three months completely suspended the transportation of coal from that district, involving a considerable diminution of revenue.

All these strikes have seriously affected the earnings of the road during the past year, and should be taken into account not only in judging the results of the Receivers' ad-

ministration, but in estimating the earning capacity of the property under normal conditions.

FOURTH.—STATE TAXES OF THE STATE OF NEW JERSEY FOR THE YEARS 1884, 1885 AND 1886, UNDER THE TAX LAW OF 1884.

At the time of the Receivers' appointment, this law had been adjudged constitutional, and questions arising out of its application and the valuations made by the Assessors under it were pending before the Supreme Court of the State of New Jersey, as to all the separate railroads embraced in the Central system.

Shortly after the Receivers' appointment a decision was rendered by the Court substantially affirming the taxes as assessed. The litigation involved the taxes for 1884 and 1885, on account of which there was due, according to the decision of the Court, on January 1st, when your Receivers took possession, \$305,014.39.

Meanwhile a new assessment had been made for the year 1886, differing but little in amount from the assessments of the previous years. The Receivers deemed it proper to appeal to the State Assessors, sitting as a Board of Appeal, for a reduction in these valuations. The State Board of Assessors accorded a patient hearing, and consented to modify their original position as to many disputed items, but they did not alter their previous decision as to several important matters, chief among which was the valuation of franchise.

As a result of these appeals the Assessors reduced the valuation of the Central Railroad for the year 1886, by \$951,387.85. They also made some small reductions in other railroads of the system.

The total amount of taxes assessed under this law and claimed by the State on January 1st, when your Receivers took possession, including taxes for 1886, as finally determined upon review, was \$564,923.58. As these taxes constituted a first lien upon the property prior to any mortgages, and as delay in payment might involve the Company in heavy penalties, the Receivers deemed their payment imperative. They have, therefore, paid under judgment or order of Court the entire balance of these taxes for the three years of '84, '85 and '86, but have taken such proceedings as are necessary to test the legality of the assessments.

FIFTH.—SETTLEMENT WITH THE PHILADELPHIA AND READING RAILROAD COMPANY AND ITS RECEIVERS.

At the time of the Receivers' appointment an accounting was in progress between the Reading and the Central, under decree of Court, which presented serious questions of law and fact. This controversy not only involved very large amounts—the claim of the Central being that the Reading was indebted to it upwards of \$3,850,851.45, and the claim of the Reading being on the other hand that the Central was indebted to it in the sum of \$1,385,723.50 in cash, and \$3,000,000 in bonds—but its pendency was a serious obstacle to the reorganization of either company.

After a substantial decision by the Master, affirmed by the Court, as to the basis of accounting, proceedings before the Master were suspended and negotiations for settlement carried on. These negotiations continued up to July 28th, when they resulted in an agreement which was satisfactory to and provisionally approved by all parties in interest, but no final action was taken until the reorganization of both companies had so far advanced, that the Court

gave permission to the Receivers to exercise larger discretion with the approval of the Boards of Directors of both Companies and the Reconstruction Trustees.

Under this agreement the Central Railroad Company received for its claim against the Philadelphia and Reading Railroad Company and its Receivers the following amounts, viz.:

Betterments on Central lines made by Reading Company and its Receivers, as claimed by them	\$299,270 75
Construction account of the Lehigh Coal and Navigation Company, and claims against other companies assigned to Central	297,982 42
Credit of amount realized by sale of \$1,000,000 First Series 5% Reading Bonds	578,876 60
\$2,000,000 Second Series 5% Reading Bonds with Coupons of August, '83, and February, '84, at par	2,100,000 00
Supplies, and Claims of Reading against New York and Long Branch R. R., assigned to Central	654,427 43
Unsecured Claims against Reading admitted to Reorganization, subject to payment of assessment	236,512 26

This settlement was all the more important because it relieves both parties from the litigation of many questions which could not have been otherwise satisfactorily disposed of, except after great delays before the Master, and which might have been with propriety taken on appeal by either party to the United States Supreme Court, and also assures the continuance of the present amicable relations so important to the prosperity of both companies, and which

could hardly have continued amid the irritation and misunderstanding incident to any protracted litigation.

SIXTH.—SETTLEMENT OF CONTROVERSY WITH THE LEHIGH COAL AND NAVIGATION COMPANY.

At the time of the Receivers' appointment suit had been commenced by the Lehigh Coal and Navigation Company looking to the termination of its lease of 1871 to the Central, by reason of breach by the Reading of the Supplemental Agreement made between the three companies in 1883, shortly after the lease of the Central Railroad to the Reading. To avoid a result seemingly so disastrous to all interests and to bring about harmonious action between the Lehigh Coal and Navigation Company and the Central Railroad Company, this litigation was suspended and negotiations entered into between the two companies which resulted in the Supplementary Agreements of June 28, 1887, and December 1, 1887, under which it is believed that the future relations of the two companies have been satisfactorily provided for.

SEVENTH.—SETTLEMENT OF LITIGATION WITH THE LEHIGH VALLEY RAILROAD COMPANY TOUCHING THE WEST LINE GRANT.

This litigation which had been in progress in different forms for more than fifteen years has been finally brought to a close by an agreement of settlement in connection with a traffic agreement with the Lehigh Valley Railroad, an arrangement which it is believed will materially increase the revenue of the Central Railroad at an early date and ensure harmonious action in the future between these two companies.

EIGHTH.—PAYMENT OF THE RECEIVERSHIP DEBT OF
HENRY S. LITTLE AND RELEASE FROM THE LIEN OF
THAT DEBT OF THE SECURITIES HELD BY HIM AS COL-
LATERAL SECURITY.

In May, 1883, when the Receivership of Henry S. Little was so far terminated by the Court of Chancery of New Jersey as to permit the surrender of the railroad to the Company, the Court retained possession of certain assets of the Central Railroad of a par value of \$4,897,200.12, as well as of \$3,000,000 bonds of the Philadelphia & Reading Railroad Company deposited as security for the payment of this debt, which then amounted to \$2,062,000. This debt had been gradually reduced to \$745,000, but the securities still remained in the possession of Mr. Little, and their control, free from all liens, became necessary in order to carry out the reorganization of the Central.

By friendly arrangement with Mr. Little, proceedings were instituted in the Court of Chancery to permit the payment of his debt or its assumption by the present Receivers and the transfer to them of said securities. The Court of Chancery of New Jersey gave the necessary authority to Mr. Little, and, on the Receivers' petition, the United States Court authorized payment by them and permitted them, if necessary, to borrow any amount, not to exceed \$745,000, which they might find necessary for the purpose. Payment, however, was made from funds in the Receivers' hands, without exercising the power to borrow conferred upon them by the Court.

NINTH.—CONSTRUCTION OF THE WILKESBARRE AND SCRANTON RAILROAD TO SCRANTON, AND JOINT USE OF A PORTION OF THE RAILROAD BELONGING TO THE DELAWARE & HUDSON CANAL COMPANY FOR CONNECTION BETWEEN IT AND WILKESBARRE.

Previous to November 7, 1886, the Central Railroad reached Scranton over the railroad of the Union Coal Company, owned by the Delaware & Hudson Canal Company, but operated by the Central Railroad Company under lease. This lease expired on the date above named, and the Delaware & Hudson Canal Company took possession of its road.

In order to ensure maintenance of the important Western and Northern connections of the Lehigh and Susquehanna Division of the Central Railroad at Scranton, a railroad known as The Wilkesbarre & Scranton Railroad was projected by persons interested in the Lehigh Coal & Navigation Company, and important terminal and connecting facilities were secured in Scranton. By agreement of January 27, 1887, with the Delaware & Hudson Canal Company, permanent trackage rights were secured over a portion of their line between Wilkesbarre and Scranton, to a connection with the new Wilkesbarre & Scranton Railroad at Minooka Junction, thus avoiding the necessity of extending this road to a connection with the Lehigh and Susquehanna Division of the Central Railroad.

TENTH.—FRIENDLY RELATIONS WITH CONNECTING ROADS.

The Receivers have deemed it their duty to promote and encourage friendly relations and profitable alliances with connecting roads.

The most important steps in this direction, viz., the settlement and traffic agreement with the Philadelphia & Reading Railroad Company, the agreement with the Lehigh Coal & Navigation Company, the settlement and agreement with the Lehigh Valley Railroad Company, the agreement with the Delaware & Hudson Canal Company and with the Wilkes Barre & Scranton Railroad Company, have already been mentioned. In addition to these, traffic or trackage agreements have been approved with the following named companies:

The Williamstown & Delaware River Railroad, to secure its New York business to the New Jersey Southern.

The Morris County Railroad, for a connection with the Lake Hopatcong Railroad near Port Oram.

The Lehigh Valley Railroad, for the use of a portion of the Nescopeck Branch of the Lehigh and Susquehanna Division, thus preventing the construction of a substantially parallel line and obtaining increased revenue from the existing line. All these agreements and all other contracts permanently affecting the interests of the company were made with the approval and concurrence of the President and Directors.

ELEVENTH.—NEW SOURCES OF REVENUE.

The Receivers have also endeavored to secure for the Central Railroad all possible new sources of revenue. To this end a portion of its Jersey City terminal property was leased to the North River Coal & Wharf Company, upon which an extensive pier has been erected by the Coal Company for the shipment of bituminous coal, reaching the Central Railroad at Tamanend on its Lehigh and Susquehanna Division, and on which the Central Company thus obtains a long haul.

A traffic agreement with the Baltimore & Ohio Railroad had been made shortly before the Receivers' appointment, under which considerable business has been done during the year, though not to the extent anticipated.

The new terminal facilities furnished at Scranton by the Wilkes Barre and Scranton Railroad when completed, will undoubtedly largely increase business at that point.

The Cumberland & Maurice River Railroad was purchased by friends of the Central in order to furnish a better terminus for its New Jersey Southern system and secure a long haul on all business to and from points on its line.

A small amount has been expended for excursion facilities at Lake Hopatcong from which considerable new business was derived during the past summer.

Pursuant to the same line of policy spurs have been built to connect the railroad with different factories and other establishments, where this step seemed expedient to secure freight.

TWELFTH.—ECONOMIC METHODS OF RUNNING THE ROAD.

The decreased proportion of operating expenses to gross receipts during the year indicates the extent to which greater economy has been secured in spite of the necessity of a complete organization of its own, which the railroad did not have during the year 1886, with which comparison is made.

The most important change of method during the year in the line of economic administration has been the running of coal trains through to Port Johnston and Elizabethport, without yarding at Odenwelder, Easton or to any consid-

erable extent at Hampton, a change which had before been recommended by the operating officers but never until this year carried into effect.

THIRTEENTH.—MAINTENANCE AND BETTERMENTS.

The Receivers have not felt authorized to use the revenues in their hands for betterments as distinguished from repairs, except in instances involving small expenditure, and only in such instances when these betterments promised immediate returns. They have, however, felt it their duty to make the road-bed safe beyond all peradventure, and have given especial attention during the year to the matter of bridges. A new steam draw on the Newark Bay Bridge of the main line was imperatively needed, and was ordered at a cost of \$43,000 before they took possession of the road. This draw, which is operated by steam, was completed in the early summer. Contracts have been given out for a renewal of the Hackensack and Passaic draws on the Newark & New York Branch.

A large sum has been expended upon repairs of bridges on the entire line much in excess of the ordinary yearly average for such purposes.

The double track on the Lehigh and Susquehanna Division has been completed below Mauch Chunk. Construction of a large yard at Mauch Chunk is in progress, and the erection of new station houses at Mauch Chunk and at Easton has been commenced. The expense of betterments on this division is borne by the Lehigh Coal & Navigation Company under the existing arrangements between the two companies.

New station houses have been erected or are in process of erection at West Bergen, Vreeland St., and Woodlawn Avenue, on the Newark & New York Branch; Kenvil,

Springtown and Mill Creek; increased station ground has been secured at Elm Station on the New Jersey Southern Division, and new sidings have been constructed on the Lehigh and Susquehanna Division, at Brills on the Newark & New York Branch, and at several other points. Increased station facilities have been secured at Elizabeth and Newark, where they were much needed.

FOURTEENTH.—NEW EQUIPMENT.

At the time of the Receivers' appointment the volume of business exceeded the capacity of the motive power of the Central Railroad, and a number of locomotives belonging to the Philadelphia & Reading Railroad Company were in service on its lines. Temporary arrangements had been made with the Reading Receivers to continue the use of these locomotives for a short time, but it was necessary to secure new ones to take their place at the earliest possible date. To this end the Jersey Central Improvement Company was organized with the approval of the Receivers, and new equipment needed has been purchased from time to time by the Improvement Company and placed at the disposal of the Receivers on favorable terms. By this and other means the equipment in use on the road has been increased during the present year as follows:

Locomotives, 27; Cars for Horses, 2; Hopper gondolas, 409; Refrigerator cars, 10; Car floats, 4.

Woodruff Parlor Cars have been placed on the road by arrangement with the Woodruff Company.

FIFTEENTH.—REORGANIZATION.

At an early period in the Receivership, a Reorganization Committee was appointed by the Trustees of the Adjust-

ment Mortgage, consisting of Messrs. F. P. Olcott, J. Rogers Maxwell, John Crosby Brown, George F. Baker and J. Kennedy Tod, and after the election of a new Board of Directors in May a plan of reorganization prepared by the Directors and this committee, with the approval of the Receivers, was issued on June 3, 1887. A copy of this plan of reorganization and of the accompanying propositions of The Central Railroad Company of New Jersey to its stockholders and certain of its creditors, is appended hereto and made a part of this report.

It was presented to the Court on June 15, and the injunction was so far relaxed as to permit the company, in the discretion of its Board of Directors, to execute and deliver the new bonds and mortgage, and to sell and exchange so many of the new bonds as were necessary to carry the plan into operation, such exchange and the application of proceeds of bonds sold to be made by the Receivers. This plan has been carried into effect by the Central Trust Company of New York as Trustee of the new General Mortgage and agent for the Receivers, pursuant to arrangements approved by the Directors, under the general direction of the Finance Committee of the Railroad Company, of which Mr. E. D. Adams is Chairman, and the extent to which exchanges of bonds of the Company have been made, is set forth in the following tabulated statement:

EXTENT TO WHICH THE BONDED DEBT HAS BEEN EX-
CHANGED AND PROVIDED FOR BY NEW GENERAL
MORTGAGE BONDS UNDER THE PLAN OF REORGANI-
ZATION.

Name of Securities.	Total Issue.	Deposited under plan or provided for.	Balance subject to former Interest charges.
Convertible Bonds.....	\$4,400,000	\$3,104,000	\$1,296,000
Consolidated Mortgage Bonds..	15,000,000	10,940,000	4,060,000
Adjustment " " ..	5,254,000	5,254,000
Debenture Bonds	3,264,000	2,484,200	779,800
Newark & N. Y. Bonds.....	600,000	600,000

Exchanges were also made with the holders of other securities, and the total reduction in the fixed charges through the conversions thus far effected will result in an annual saving of \$335,000.

SIXTEENTH.—AUDIT OF RECEIVERS' ACCOUNTS.

The Receivers' accounts have been audited each month by Hon. Barker Gummere, who was appointed Special Master by the Court for that purpose.

SEVENTEENTH.—RECEIVERS' CERTIFICATES AND DEBTS.

No Receivers' certificates have been issued, nor has any Receivers' debt been incurred during the Receivership.

PRESENT CONDITION OF CENTRAL RAILROAD PROPERTY.

At the commencement of the present year the Central Railroad was controlled and operated by the Reading; was in default for interest upon its funded debt to the amount of \$1,661,670; was involved in apparently inextricable litigation with its creditors, and with the Reading, and had been compelled to take refuge under the present Receivership in order to protect all classes of creditors alike. Its average net earnings had, for ten years, barely equalled its fixed charges, and in the last two years had fallen considerably below them.

The beginning of the new year will find it an independent railroad, operated and controlled, for the first time in more

than ten years, through a management elected by its own stockholders, with all accrued interest on its funded debt paid, all defaults cured and relieved from all the dangers and uncertainties of litigation. Its fixed charges have been so reduced as, in our opinion, to ensure permanent solvency.

THE CAUSES OF THIS CHANGE.

It may properly be added that the Receivers fully realize that their management of the property has been but one of a number of causes contributing to this result. They have deemed it their duty to preserve in its integrity all the property embraced in the Central Railroad system; to maintain and to increase its earning capacity; to cultivate such friendly relations with the public authorities, with the community, and with connecting and competing railroads, as would conduce to this end; and to promote, by all means within the proper exercise of their powers, an organization which promised permanent solvency.

They likewise appreciate that the results attained by them would have been impossible except for the confidence of the Court, the faithful service of their officers and employés, the co-operation of the directors and of the then President and former Receiver of the Company, Mr. Henry S. Little, at the time of their appointment and during the early part of their administration, and the subsequent action of the present directors and President, Mr. J. Rogers Maxwell, who has met with them regularly for many months past and given them the full benefit of his experience and judgment.

For the successful reorganization of the Company, how-

ever, the stockholders and bondholders are chiefly indebted to the present Board of Directors, who had the ability to carry through a wise and comprehensive plan of settlement, under which the creditors have not been required to make concessions nor the stockholders to submit to forced assessments.

December 31, 1887.

JOHN S. KENNEDY.
JOSEPH S. HARRIS.

APPENDIX.

PLAN OF REORGANIZATION AND PROPOSITIONS OF COMPANY.

OFFICE OF THE
CENTRAL RAILROAD COMPANY OF NEW JERSEY.

NEW YORK, June 3d, 1887.

To the Stock and Bondholders of the CENTRAL RAILROAD COMPANY OF NEW JERSEY, and its Constituent Companies:

At the request of the representatives of nearly sixty per cent. of the Company's indebtedness, and with the co-operation of the Receivers now in charge of the property and the Board of Directors, the undersigned have consented to act as a Committee for the reorganization of the finances of the Company.

Immediately after election, the present Board of Directors commenced a personal examination of the affairs and property of the Company for the purpose of ascertaining its condition, the reasons for its past failures, the means available for the restoration of its credit and the improvement and development of its estate, and the necessary steps for the restoration of the property to the stockholders.

It appears that the property is now subject to two separate Receiverships, one of appointment in 1877 and one in 1886.

The Receiver of 1877 holds certain securities and a lien upon the property of the corporation for the payment of \$756,175, July 1, 1887, and the expenses incidental to the discharge of the Receivership.

The Receivers of 1886 were appointed under a suit for foreclosure of the mortgage securing primarily the Adjustment Bonds, and thereafter the Consolidated and Convertible Bonds, and are now in charge of the operations of the Company. The suit for the sale of the property is now pending, and the Receivers cannot be discharged until the debts have been paid, for the protection of which their Receivership was established.

The property of the Central Railroad Co. of New Jersey is located in the States of New Jersey, Pennsylvania, New York, Maryland and Delaware, and is represented by thirty-nine separate corporations, the capitalization of which includes

thirty-five distinct forms of indebtedness for annual payments upon which the Central Company is liable.

This property is composed of:

(1.) *A system of transportation, by rail and water.*

(a.) Railroads owned	268.71	miles.
" leased.....	264.05	" "
" operated.....	115.67	" "

Total railroads, *648.43 miles.

(b.) *Boats for river and harbor use:*

Steamboats	4,	valued at \$320,000
Ferry boats	5,	" " 431,000
Tugboats	4,	" " 47,966
Floats	9,	" " 66,225

Total 22 \$865,191.

(2.) *Tide Water Docks and Terminal Property at the Harbor of New York.*

The ferry and connecting property in New York and New Jersey are owned or controlled by the Central Railroad Company of New Jersey. In addition thereto the Central Company is the owner in fee of the terminal lands known as the Jersey City Station, covering an area of 150 acres with its riparian rights. The extensive property adjoining these terminal lands at Communipaw is owned by the American Dock and Improvement Co., the entire capital stock of which is owned by the Central Company—the two interests forming one large undivided tract of terminal and water-front property.

In addition to the terminal lands and American Dock property, the Central Company is the owner of terminal facilities at Port Johnston consisting of 3 extensive coal wharves and upwards of 30 acres of land adjoining. It also has terminal facilities at Elizabethport, consisting of 33 acres of land fronting on Staten Island Sound, 3 freight docks and 9 coal piers fully equipped with tracks, scales, etc.

(3.) *Coal Property.*

The Central Company controls the operations of the Lehigh & Wilkesbarre Coal Co. by the ownership of three-fourths of its capital stock.

The importance to the Central Company of this coal property is shown by the facts that its output of coal for 1886 was 7.08 per cent. of the entire an-

* Not including the "Switch back" Railroad, 18 miles in length.

thracite production, and that the Central Company's receipts from the transportation of coal were fifty per cent. of the total traffic earnings.

The debt of the Central Company July 1st, 1887, including floating debt, receiver's debt, equipment trusts, defaulted and accrued interest, and all bonds and shares for the payment of interest or dividends on which the Central Company is liable, represents the following investments:

Terminal Railroad and Dock Property.

Mostly fronting on the harbor of New York..... \$7,679,739 59

Coal Property, etc.

In the anthracite fields of Pennsylvania..... 14,366,872 01

Equipment

For railroads, mines, ferry, river and harbor transportation, representing an expenditure as shown by the books of the Company, of upwards of \$15,000,000, of which amount there has been charged off \$4,000,000, leaving the value as fixed by expert appraisers, as \$11,000,000 which with equipment recently purchased, makes 11,552,500 00

Real Estate,

Other than that used for railroad purposes..... 1,973,623 72

Total for property other than railroad..... \$35,572,735 32

Railroad Lines.

648 miles of road owned and leased, including the Lehigh & Susquehanna Railroad and branches in Pennsylvania, the lease of which is included under existing mortgage liens securing present outstanding bonds 17,989,582 66

\$53,562,317 98

The foregoing valuation of boats and equipment are those made at the time of the last appraisement by experts appointed for the purpose.

With the exception of

\$5,000,000, Amer. Dock & Improvement Co's 5 % Bonds, due 1921.

1,400,000, New York & Long Branch R. R. Co's 5 % Bonds, due 1931.

450,000, Ogden Mine R. R. Co's 5 % Perpetual Guaranteed Stock.

\$6,850,000, long date obligations, the interest and rental liabilities of the Central Company are now fixed at rates that average more than $6\frac{3}{4}$ % per annum.

Had this rate been five per cent. during the past ten years, the Company would have earned a surplus for that period, would have avoided two receiverships, would have had the means at its command to extend and improve its property, and would have avoided the increase of debt now necessary to fund defaulted interest, and to bring the entire property into the highest state of efficiency.

For the period of *ten* years from 1877 to 1886, both inclusive, the operations of the road have failed to pay all fixed charges for interest, rentals and assessed taxes by \$1,530,435.04.

The net earnings during the past *five* years averaged \$4,943,743 per annum, and were insufficient to meet all fixed charges during that period, for interest, rentals and taxes, by \$43,820.91.

The Annual Fixed Charges

For interest, rentals and dividends, upon the above-described debt, and the State taxes, estimated at \$280,000, exclusive of the rental of the Lehigh & Susquehanna Railroad, now amount to..... \$3,700,148 97

The Net Revenue

In 1886 from this property was.....	\$4,716,866 53	
Out of this amount there was paid for rental of the Lehigh & Susquehanna Division		
33 1-3% of its gross receipts.....	1,414,400 00	
Balance (equal to 6.16% on the above indebtedness).....		3,302,466 53

Excess of Present Fixed Charges over the net income of 1886..... \$397,682 44

The *gross* earnings from January 1 to May 1, 1887, were \$3,405,411.34, an increase of \$382,116.90, or 12.6 per cent. over the corresponding period of 1886. The *net* earnings from January 1 to May 1, 1887, were \$1,537,253.15, an increase of \$393,516.37 over the corresponding period of 1886, but \$44,845.54 *less* than the fixed charges of the same period of 1887 for interest, rentals and taxes.

It is evident from the foregoing that in order to avoid a sale under foreclosure it is necessary to raise at once additional capital with which to secure the discharge of the receiverships, and that in order to establish the company upon a permanent basis of solvency the fixed charges must be reduced to within the average net earnings of the past. Economies of administration can be secured by the consolidation of many of the necessary constituent companies, and by other reductions of expenses, while the judicious expenditure of new capital for the repair, improvement and extension of the property, which cannot be made under the receivership, is necessary to secure an increase of the gross revenues, which were less in 1886 than they were in 1881.

It is also necessary to convert all forms of floating debt into a long-term bond, and to provide for the consolidation of the bonded liabilities into a single issue bearing a lower rate of interest.

The problem is, therefore, to fund demand debts, to raise additional capital, and at the same time to bring the present fixed charges, including rental of Lehigh and Susquehanna Division, of\$5,114,549
 within the net revenue for 1886, of 4,716,866
 a difference of..... \$397,683

To solve this problem it is proposed to authorize an issue of \$50,000,000 one-hundred-year gold bonds, bearing interest at such rates as may be fixed at the period of issue from time to time, but not exceeding five per cent. per annum, with coupon interest, payable semi-annually, and registered interest, payable quarterly.

These bonds are to be secured by a general mortgage, covering all the property of the company, including all the securities representing the control of the necessary constituent companies, and all equipment now subject to special car trust liens.

All the security of the old bonds will be preserved to the new bonds so that the latter will have the protection of all existing liens, with the additional security of all new property created by the fresh capital now raised. The necessary steps will be taken to ensure full compliance with these conditions.

Excluding the above-mentioned \$6,850,000 five per cent. long date obligations of constituent companies, new general mortgage bonds will be deposited with the Central Trust Co. of New York, Trustee, sufficient to provide for the payment of the entire interest and dividend-bearing liabilities of the Central Company, including the past due interest obligations of the company, as of July 1st, 1887, amounting to \$46,409,984 65
 and leave available for the improvement and protection of
 the property, 3,590,015 35
 of the total proposed issue of \$50,000,000 00

The reduction of fixed charges is greatly facilitated by the early maturity of a large part of the debt.

There will be payable

Within six months	\$13,546,984 65
During 1888 to 1890, inclusive.....	5,709,600 00
“ 1891-1897	2,574,000 00
“ 1899	16,780,400 00
“ 1902	4,400,000 00
“ 1906 and thereafter	<u>3,399,000 00</u>
Total.....	\$46,409,984 65

The Board of Directors have authorized an issue at the present time of only so many bonds bearing interest at the maximum rate of 5%, as may be necessary to carry out the accompanying propositions to the stockholders and creditors. These bonds will bear interest from July 1, 1887, and pending their preparation Interim Bond Certificates will be issued in form negotiable at the New York Stock Exchange. Scrip exchangeable for bonds will be issued for fractional amounts. The Coupon Bonds will be of \$1,000 each, interest payable January 1st and July 1st, convertible into Registered Bond Certificates of \$1,000, \$5,000, \$10,000 and \$50,000 each, with interest payable quarterly, January 1, April 1, July 1 and October 1, by interest checks mailed to owners of record. The Central Trust Company of New York will act as trustee under the terms of the mortgage.

To enable the company to carry out its propositions, the undersigned have formed a syndicate which, for a commission of two per cent., has agreed to purchase at par and accrued interest \$12,000,000 of the above described general mortgage 5% gold bonds, or so many thereof as may not be taken under the subscription privileges given by the company.

Should these financial plans be consummated, the fixed charges will be reduced within the net earnings of last year, and the company placed on a solvent basis, under the management of a board of directors of active business men, personally owning the control of the capital stock.

NEW YORK, June 3d, 1887.

FREDERICK P. OLCOTT,	} Reorganization Committee.
Chairman;	
J. ROGERS MAXWELL,	
GEORGE F. BAKER,	
JOHN CROSBY BROWN,	
J. KENNEDY TOD,	

The undersigned have examined the above proposals of the Reorganization Committee of the Central Railroad Co. of New Jersey, and have much pleasure in recommending the same to the favorable consideration and action of the Stock and Bondholders, believing as they do that under existing circumstances they are equitable and just to all concerned.

June 3d, 1887.

JOHN S. KENNEDY,
JOSEPH S. HARRIS,
Receivers of the Central Railroad Co. of New Jersey.

PROPOSITIONS OF THE CENTRAL RAILROAD COMPANY
OF NEW JERSEY.

TO ITS

STOCKHOLDERS AND CERTAIN OF ITS CREDITORS FOR
THE SALE OF ITS ONE HUNDRED YEAR 5 PER
CENT. GENERAL MORTGAGE GOLD BONDS.

Referring to the circular of the Reorganization Committee, of June 3d, 1887, and subject to its terms and conditions, the following propositions are made in connection therewith :

I.

Stockholders, Central Railroad Company of New Jersey,

of record June 15th, 1887, are entitled until June 25th, 1887, to subscribe to the new bonds at par and accrued interest, to the extent of 10 per cent. of the par value of their shares.

Payment will be due in equal instalments July 1st and August 1st, 1887, and may be made prior thereto at the option of the subscribers. The right to subscribe is transferable upon the form prepared therefor.

2.

Adjustment Bondholders, Central Railroad Company of New Jersey,

are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their old bonds at par and accrued interest, thus paying, as of July 1, 1887, \$1,000 Adjustment Bonds, with all unpaid coupons attached, for \$1,081.66 new bonds.

All bonds not notified for exchange on or before June 25, 1887, will be payable in cash at par and accrued interest, July 1, 1887.

3.

Newark and New York Railroad Company

Bondholders are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their old bonds at par and accrued interest, thus paying, as of July 1, 1887, \$1,000 old bonds with July 1st, 1887, coupon attached, for \$1,035 new bonds.

All bonds not notified for exchange on or before June 25, 1887, will be payable in cash, at par and accrued interest, July 1, 1887.

4.

Guarantee Car Trust.

Certificate holders are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their certificates at par and accrued interest, thus paying, as of July 1, 1887, \$1,000 Car Trust certificates for \$1,010 new bonds.

All certificates not notified for exchange on or before June 25th, 1887, will be payable in cash at par and accrued interest July 1, 1887.

5.

Central Railroad Company of New Jersey Car Trust.

Certificate holders are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their certificate at par and accrued interest, thus paying, as of July 1, 1887, \$1,000 Car Trust certificates for \$1,015 new bonds.

All certificates not notified for exchange on or before June 25th, 1887, will be payable in cash at par and accrued interest July 1, 1887.

6.

New York & Long Branch Railroad Co.

Stockholders are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their shares at par and accrued dividend, thus paying, as of July 1, 1887, at the rate of 100 shares for \$10,175 new bonds.

All stock not notified for exchange on or before June 25, 1887, will be payable in cash at par and accrued dividend July 1, 1887.

7.

South Branch Railroad Co.

Stockholders are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their shares at par and accrued dividend, thus paying, as of July 1, 1887, at the rate of 100 shares for \$10,150 new bonds.

All stock not notified for exchange on or before June 25, 1887, will be payable in cash at par and accrued dividend July 1, 1887.

8.

Consolidated Bondholders, Central Railroad Company of New Jersey,

are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their old bonds at 110 per cent. and accrued interest, thus

paying, as of July 1, 1887, \$1,000 Consolidated bonds, with all unpaid coupons attached, for \$1,187.50 new bonds. For the convenience of foreign bondholders, their right to subscribe will extend to and include July 15, 1887, and their subscriptions will be received and their bonds exchanged by Messrs. Brown, Shipley & Co., London.

9.

Convertible Bondholders, Central Railroad Company of New Jersey,

are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their old bonds at 110 per cent. and accrued interest, thus paying, as of July 1, 1887, \$1,000 convertible bonds with all unpaid coupons attached, for \$1,181.66 new bonds. For the convenience of foreign bondholders, their right to subscribe will extend to and include July 15, 1887, and their subscriptions will be received and their bonds exchanged by Messrs. Brown, Shipley & Co., London.

10.

Debenture Bondholders, Central Railroad Company of New Jersey,

are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their old bonds at 105 per cent. flat, thus paying, as of July 1, 1887, \$1,000 debenture bonds with all unpaid coupons attached for \$1,050 new bonds. For the convenience of foreign bondholders, their right to subscribe will extend to and include July 15, 1887, and their subscriptions will be received and their bonds exchanged by Messrs. Brown, Shipley & Co., London.

11.

New Jersey Southern Railroad Co.

Bondholders are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their bonds at par and accrued interest, thus paying as of July 1, 1887, \$1,000 old bonds, with July 1, 1887, coupons attached, for \$1,030 new bonds.

12.

Long Branch & Seashore Railroad Co.

Bondholders are entitled to subscribe to the new bonds at par and accrued interest, paying therefor in their bonds at 105 and accrued interest, thus paying, as of July 1, 1887, \$1,000 old bonds for \$1,055.83 new bonds.

To avail of the terms proposed, written notice must be given upon the forms prepared.

Copies of the circular of the Reorganization Committee, of June 3d, 1887,

and copies of these propositions with forms for subscription, exchange of bonds, and assignment of rights may be obtained upon application at the office of the Company, 119 Liberty street, and at the Central Trust Co., Trustee, New York.

To determine the stockholders, entitled to subscribe, the stock transfer books will be closed from Wednesday, June 15th, to Saturday, June 25th, 1887, inclusive.

All the above described privileges of subscription, except where otherwise stated expire on the 25th day of June, 1887, at 3 o'clock P.M.

By order of the Board of Directors

CENTRAL RAILROAD COMPANY OF NEW JERSEY,

J. ROGERS MAXWELL,

President.

NEW YORK, June 3d, 1887.