

STATEMENT

OF THE

BOARD OF DIRECTORS

TO THE

STOCKHOLDERS

OF THE

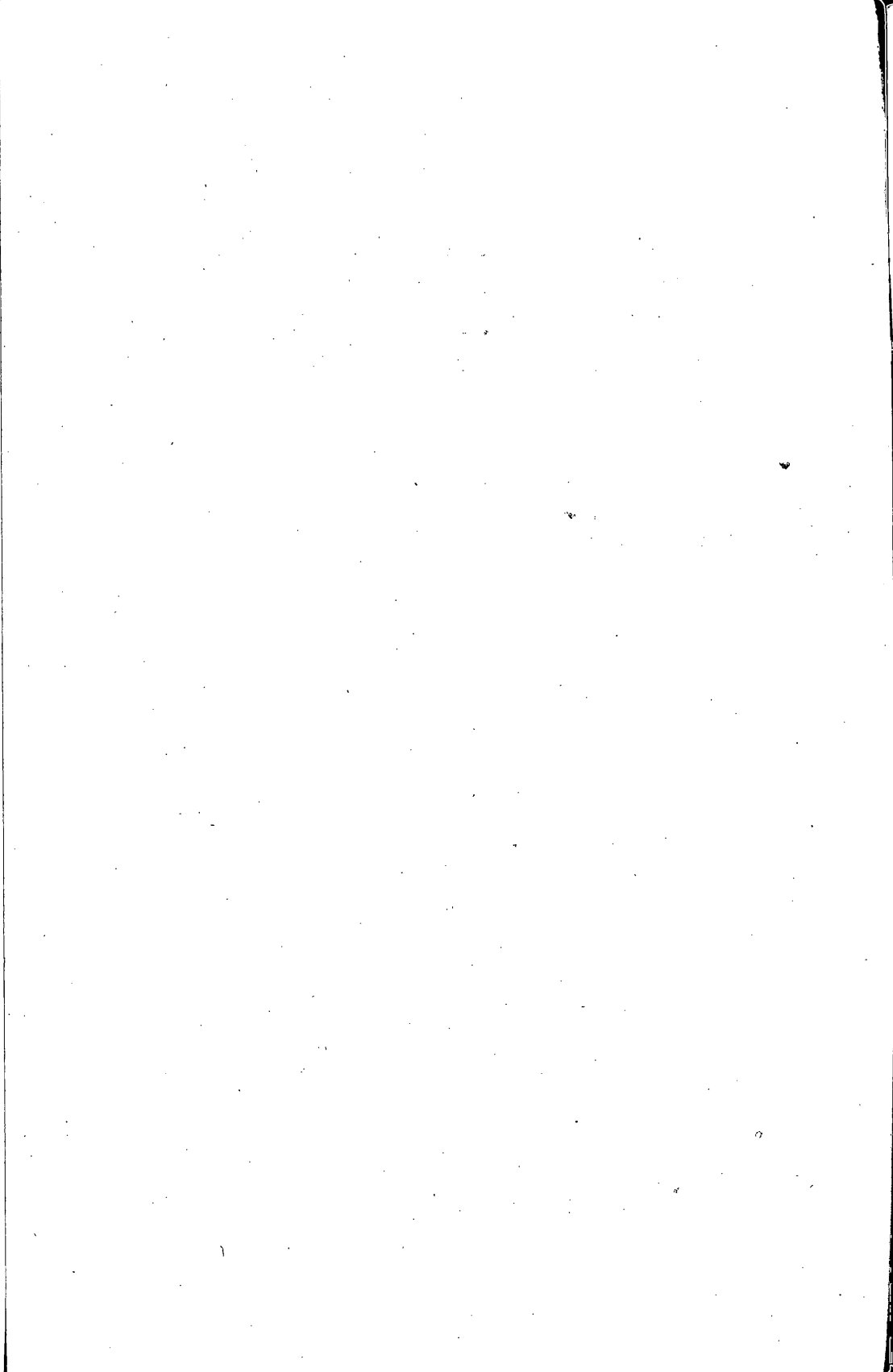
Central R. R. Co. of New Jersey,

SEPTEMBER 9, 1876.



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OFFICE OF THE CENTRAL RAILROAD COMPANY

OF NEW JERSEY, *Sept. 8th*, 1876.

To the Stockholders:

The persistent misrepresentations and sensational rumors which have been so busily circulated concerning the condition of this Company, attended by a rapid decline in the market price of its stock and securities, call for an official statement of its affairs in all their details, coupled with a definite plan, to enable its stockholders to relieve their property from all possible financial embarrassment.

The following statements have, therefore, been prepared.

The following is a statement of the assets of the Company, taken from the books, and given in round numbers.

Railroad, 283 miles, single track.	\$13,700,000
New York Stations (up town and down town).....	370,000
Jersey City Station.....	1,316,000
Port Johnston Coal Station.....	873,000
Elizabethport Station.....	450,000
Station-houses, Shops, &c.....	815,000
Ferry Interests and Boats.....	605,000
Engines.....	3,000,000
Passengers and Baggage Cars.....	1,015,000
Freight Cars.....	1,080,000
Coal Cars.	4,330,000
Land Accounts.....	670,000
Lehigh & Wilkesbarre Coal Company's Stock.....	5,790,000
Lehigh & Wilkesbarre Coal Company's Bonds.....	4,783,000
American Dock & Improvement Co. Stock.....	3,000,000
New York and Long Branch R.R. Co.....	1,700,000
High Bridge and Longwood Valley R.R. Cos.....	1,129,000
Machinery, Tools, Telegraph, &c.....	472,000
Rails, Chairs, Spikes, &c.....	490,000
Materials and Fuel....	303,000
Lehigh Coal & Navigation Co., Construction Account....	910,000
Central New Jersey Land Improvement Co.....	752,000
American Dock & Improvement Co.....	400,000
Sundry Assets.....	504,000
Cash.....	173,000
	<hr/>
	\$48,630,000

To represent these assets the ledger shows :

Capital Stock.....	\$20,600,000
Mortgage Bonds due 1890.....	5,000,000
Convertible Bonds	4,400,000
Consolidated Mortgage Bonds.....	14,150,000
Newark Branch Bonds	600,000
Lehigh Coal & Nav. Co. Loan, due 1897.....	2,310,000
Railroad Car Trust, of Philadelphia	263,000
Interest on Bonds accrued, not yet due	366,000
Accounts payable	941,000
	\$48,630,000

The bonds issued by The Central Railroad Company, it will be seen, amount to \$25,000,000; the bonds of other companies assumed by them amounting to \$2,573,000. They also pay the interest on the American Dock & Improvement Company bonds, \$3,000,000. They have also guaranteed the payment of the \$15,000,000 Consolidated Mortgage Loan of the Lehigh & Wilkesbarre Coal Co., \$5,000,000 of which bonds are owned by the Central Company.

The annual interest on bonds of

The Central Railroad Company is.....	\$1,750,000
Interest on bonds assumed.....	180,110
Interest on American Dock bonds	210,000

In the Annual Reports the amounts charged to interest account are reduced by the amounts received for interest, and only the balance, after such deductions, is shown.

The following is a statement of the receipts, expenses and net earnings of the Company for 1874, 1875, and 8 months of 1876; the last being partly estimated. It will be remembered that 1875 was the year of the great coal strike, which reduced the receipts very materially. The present year had been confidently expected to be a season of great activity, as was stated in the last Annual Report; instead of which it has been, until recently, one of unprecedented depression in every part of the community.

	<i>Year 1874.</i>	<i>Year 1875.</i>	<i>8 Mos. 1876.</i>
Passenger Receipts	\$1,513,983 30	1,498,118 70	1,104,000 00
Merchandise "	1,594,500 33	1,287,119 68	802,000 00
Coal	5,363,677 57	4,446,131 76	2,345,000 00
Miscellaneous "	117,469 62	180,266 59	105,000 00
	<u>8,589,630 82</u>	<u>7,411,636 73</u>	<u>4,356,000 00</u>
Operating Expenses.....	4,140,601 18	4,128,727 10	2,564,000 00
Net Earnings.....	\$4,449,029 64	\$3,282,909 63	\$1,792,000 00

As compared with the first eight months of 1875, the receipts show an increase of \$452,000, the expenses a decrease of \$32,000, and the net earnings an increase of \$484,000.

The passenger business is the largest the Company has ever had. The merchandise freight has felt the general depression, but has been equal to expectation. The coal business has been very dull and depressed.

It is hoped that the business of the last four months of the year will be satisfactory, as the Company has retained its full share of the coal trade, and is now selling its coal as fast as it can bring it to tide, though at low prices. When general business resumes its normal condition, there is every reason to believe that the traffic of the Company will equal and exceed what it has heretofore been; with the advantage that the economies, forced and made feasible by hard times, will continue to operate in their favor after business has revived, the Company having also the full benefit of the expenditures which have been made to increase and facilitate the transaction of its business.

During the past twelve months the Long Branch Railroad has been opened to the public, and there has been a gradual and most gratifying increase in its business. It extends also 17 miles south of Long Branch to Sea Girt, through a fine country which is being rapidly developed. It is evident that this road will take care of itself. It is leased at seven per cent. by this Company, and the interest paid on the stock held by the public (4,800 shares) is \$33,600. There is no mortgage on the road.

The "new line" between Philadelphia and New York, of which this road between Bound Brook and New York is a part, is also in successful operation and growing in public favor.

The High Bridge and Longwood Valley Railroad has been recently built by this Company mainly as an ore road, extending from High Bridge through German Valley. All the stock is held by this Company. This road also is without mortgage.

Many inquiries have been made about the terms of the lease of the Lehigh and Susquehanna Railroad and branches. The contract has been eminently satisfactory to both companies, and is very valuable to this Company. The owners of the road receive one-third of the gross receipts, while the Central receives the remaining two-thirds for maintaining the road (other than construction) and for furnishing the equipment. The rent therefore varies with the amount of business done. The \$2,310,000 Bonds assumed are for cars and engines bought of that Company.

The Lehigh Canal and Delaware Division Canal are operated at a fixed rate amounting to \$382,168 per annum, and are so operated in order to prevent the complications which before arose. This year, so far, there has been a loss of \$117,000. This is not likely to occur in the future.

The South Branch Railroad is a valuable spur running from Somerville to Flemington, leased at six per cent. Annual rental \$26,298.

The Newark and New York Railroad is a portion of the Central, and included in its cost. Its business is included in the general return.

The Newark and Elizabeth Branch is also a portion of the Central, and is included as above. The road between Elizabeth and Perth Amboy terminating at the Raritan River Bridge, is also included as above.

The equipment of the road and branches is large and complete, and in excellent condition. It has always been the policy of the Company to keep the equipment in advance of the requirements of business. In the busy season of last year the extra coal cars that had been provided fully paid for themselves, by enabling the Company to bring rapidly to tide the large amount of coal moved in a few months, and which would have been otherwise lost to the Company.

Under the Charter of The American Dock and Improvement Company, the stock of which is entirely owned by the Central, the lands and lands under water south of Jersey City are held. They comprise the lands surrounding the North Basin, between Jersey City and the Station Grounds of the Company, and also the lands and lands under water lying south of the Station Grounds and extending to Cavan Point. The total area belonging to the Dock Company is 1,000 acres, and the water-front belonging to the two Companies is about two miles and a-half in extent. The Company has issued bonds to the amount of \$3,000,000, guaranteed by the Central, and entitled to the security of any mortgage given on the property. The Capital Stock is now \$3,000,000, as \$1,500,000 of advances for improvements have been recently capitalized. There is a balance of \$400,000 due the Central on open account. There is no other indebtedness. The amount expended by the Central upon this property, including wharves, bulkheads, filling, &c., will probably amount to \$6,000,000. It is difficult to estimate the value of the property, but it is very great; and it is the only unoccupied water front near Jersey City. Though much of the property may remain unimproved for some time, its value in the future is assured.

All the coal interests of the Central Railroad Company are united in the Lehigh and Wilkesbarre Coal Company, of which they hold a controlling interest. The coal properties of the Lehigh Coal and Navigation Company also passed entirely, by purchase or perpetual lease, into the possession of the Wilkesbarre Company, which became thereby one of the largest coal owners and producers in the anthracite region.

The lands united as above in the hands of the Lehigh and Wilkesbarre Coal Company, form perhaps the finest body of coal lands under one control in the anthracite region. They have been carefully selected with a view to compactness, and lie together in solid bodies, requiring the least amount of lateral roads and the minimum of transportation to a market. Care has been taken to select first class properties for purchase in preference to lower priced lands with a smaller body of coal to the

acre, or of inferior grades. In variety of qualities they are also unrivalled, varying from the free burning anthracite of the Wyoming Valley, to the dense coal of the Summit mines of the Lehigh Company, which has no rival in its advantages for blast furnaces, &c., where intense heat is required.

The properties are well opened and equipped. At the Summit mines of the Lehigh Company there was a necessity for additional openings and breakers to supply the increasing demand for that coal, which improvements have been completed.

The following is a statement of the coal properties of this Company:

	<i>Coal lands.</i>	<i>Total area.</i>
Wilkesbarre lands, owned.....	3,875 acres	6,427 acres.
Newport and Hanover lands, owned.....	6,260 "	7,433 "
Plymouth lands, owned.....	1,210 "	1,410 "
Wilkesbarre lands, leased... ..	1,545 "	1,945 "
Plymouth lands, leased.....	1,030 "	1,030 "
Honey Brook lands, owned.....	3,925 "	12,000 "
Lehigh and Greenwood lands, leased.....	6,925 "	9,000 "
Timber lands, owned.....	8,000 "
Total.....	24,770 acres.	45,975 acres.

There are on these properties 37 slopes and 13 shafts, making 50 openings in all which supply 29 breakers. The present capacity of production is 4,000,000 tons, which can be augmented largely whenever the market demands.

The Lehigh and Wilkesbarre Coal Company is the main source from which this Company derives its supplies of coal, and consequently it is an indispensable auxiliary. Much coal is derived from other sources in ordinary times, but this will always continue the main supply, as it is illustrated by the fact that for the last six months of the last year the railroad company received for freight from the Wilkesbarre Company \$3,600,000.

The Central own two-thirds of the stock of this Company, besides \$5,000,000 of its bonds, and controls its operations, but it is worked as an entirely independent company, with a separate organization, and the Central is only responsible for such liabilities as it assumes

The property of the Company, as stated above, is represented by a cost of		\$22,437,028 27
Personal property, boats, barges, live stock, railroad equipment, &c.	1,759,503 90	
Materials.....	169,449 79	
Bonds and stocks	171,225 00	
Coal on hand.....	1,019,448 03	
Bills and accounts receivable	1,686,814 10	
Royalties on coal paid in advance	1,180,060 44	
Maintaining Mines during strike, extinguishing fire in Mine, and other losses.....	1,253,971 58	
Cash.....	92,618 30	
		<u>\$29,770,119 41</u>

This is represented by :

Capital Stock issued.....	\$8,700,000 00
Sterling Loan.....	1,680,000 00
Consolidated Mortgage Loan.....	9,906,000 00
Bonds and Mortgages.....	1,034,109 66
Lehigh Coal & Nav. Co. Gold Loan (assumed).....	500,000 00
Lehigh Coal & Nav. Co. Conv. Gold Loan (assumed)...	781,000 00
Bonds of old Companies.....	564,000 00
Bills and Accounts payable.....	6,605,009 75
	<u>\$29,770,119 41</u>

The item of \$1,253,970.58 being the losses in business of the L. & W. Coal Co., during the last three years, has in a great degree been occasioned by the necessity the Company was under of keeping the miners ready to resume work at the termination of the strike that continued for six months, and also the expenditure of \$400,000 in the extinguishment of a fire in the mines.

The Wilkesbarre Company have wharves, coal pockets, and dumping grounds, at several important places in the East, and from these places their coal is distributed through the Eastern markets. Some of these are owned in fee, while others are leased. The cost, when owned, is included in the exhibit already made.

The indebtedness of the Wilkesbarre Company, it will be observed, amounts to \$6,615,009.75. Deducting from this the bills and accounts receivable, \$1,686,814.10, leaves \$4,928,195.65.

The Central is liable as indorser for about \$2,000,000 of this amount, and has also loaned large amounts of its Lehigh and Wilkesbarre bonds, to be used as collateral for other portions of it.

In order to afford relief from this indebtedness the Central Railroad Company have made a mortgage for \$5,000,000, covering their entire property, subject to the lien of the existing mortgages, amounting to \$25,000,000, and further to secure the said \$5,000,000 have hypothecated \$1,500,000 of the stock of the Long Branch R.R. Co.; \$800,000 of the stock of the High Bridge R.R. Co.; \$200,000 of the stock of the Longwood Valley R.R. Co.; (on these roads there are no incumbrances, and stock has only been issued to represent the money actually paid in the construction of the roads;) and as further security have hypothecated \$3,000,000 of the stock of the American Dock and Improvement Company; which property, it is estimated, has cost the Central R.R. Co. \$6,000,000, and is subject to a lien of \$3,000,000; also \$6,600,000 of the stock of the Lehigh & Wilkesbarre Coal Co., subject to the liens hereinbefore stated; as security that the value of the said stock will not be impaired by the creation of indebtedness or by liens being placed on the property, the stock will be delivered to the trustees named in the mortgage, simultaneously with the mortgage; and as a still further security for the said loan the mortgage covers seven ferry-boats, subject to the lien of the first mortgage, which boats are estimated worth in the aggregate \$500,000. The bonds representing this loan of \$5,000,000 the Company propose to use in relief of its present and future requirements.

The Company own an exceedingly valuable property, fully equipped, and the Stockholders will remember that the career of the Company has been an eminently prosperous one; that there have been few years in which regular dividends have not been earned and made, generally at the rate of 10 per cent. per annum. A suspension of dividends now must be accepted as one of the contingencies of business,

The Stockholders will form their own judgment, before they sacrifice their property, as to the rapidity with which a company will recuperate which suspends ten per cent. dividends, adopts a system of rigid economy, omits expenditures for improvements, which it can omit by reason of its admirable condition, and which has a route upon which the business more than doubles every decade.

By order,

JOHN TAYLOR JOHNSTON,

President.