

TESTIMONY

TAKEN BY

THE UNITED STATES PACIFIC RAILWAY COMMISSION,

APPOINTED

UNDER THE ACT OF CONGRESS APPROVED MARCH 3, 1887,
ENTITLED "AN ACT AUTHORIZING AN INVESTIGATION
OF THE BOOKS, ACCOUNTS, AND METHODS OF
RAILROADS WHICH HAVE RECEIVED AID
FROM THE UNITED STATES, AND
FOR OTHER PURPOSES."

ROBERT E. PATTISON, OF PENNSYLVANIA, *Chairman*,
E. ELLERY ANDERSON, OF NEW YORK,
DAVID T. LITTLER, OF ILLINOIS,
Commissioners.

VOLUME V.

REPORTED BY

CHARLES P. YOUNG, of New York,
SECRETARY AND COUNSELOR TO THE COMMISSION.

NOTE TO THE READER

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TESTIMONY

TAKEN BY

THE UNITED STATES PACIFIC RAILWAY COMMISSION.

AS TO

*THE WORKING AND FINANCIAL MANAGEMENT OF THE RAILROADS
THAT HAVE RECEIVED AID FROM THE GOVERNMENT IN BONDS.*

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, Cal., Monday, July 25, 1887.

The Commission reconvened upon the call of the chair, all the Commissioners being present.

EDWARD H. MILLER, JR., being duly sworn and examined, testified as follows:

By Commissioner ANDERSON:

Question. Where do you reside?—Answer. In Alameda, Alameda County.

Q. Do you do business in San Francisco?—A. Yes, sir.

Q. How long have you been in business in San Francisco?—A. Since 1873.

THE CENTRAL PACIFIC OF CALIFORNIA.

Q. What has been your connection, if any, with the Central Pacific Railway?—A. I have been secretary and am a director of the company.

Q. When was your first connection with the company?—A. In 1863.

Q. When was your original connection?—A. My original connection was as book-keeper, for about one year.

Q. And that was for the Central Pacific of California, as it was then known?—A. Yes, sir.

Q. Where were their headquarters?—A. At Sacramento.

Q. Had they any office in San Francisco at that time?—A. No regular office. But President Stanford was in San Francisco a great deal of the time. He had an office here.

Q. But the headquarters of the company were at Sacramento?—A. At Sacramento.

Q. Please state what your connection has been with the company since 1863 to date?—A. For one year, about, I was book-keeper for the company. Since then I have been secretary continuously.

Q. How many years have you been a director?—A. I think the whole time that I was secretary. I think I was elected director at the same time I was elected secretary.

Q. Please state for what companies you have been secretary, indicating at the same time the changes in the corporate title of the railway.

A. It has been the Central Pacific Railroad Company of California, and then a change of title occurred.

Q. That was from 1863 until 1870, was it not?—A. Yes, sir.

THE CONSOLIDATION.

Q. What happened in 1870?—A. In 1870 a consolidation with two or three other companies took place.

Q. Will you name them, please?—A. There were several consolidations, and I cannot name them without reference to books.

Q. Will you name what you can?—A. There was the Western Pacific Railroad Company.

Q. Running between what points?—A. Between San José and Sacramento. The San Francisco, Oakland and Alameda Railroad Company, from Alameda, or including the line between San Francisco and Niles. No, I am mistaken; it was between San Francisco and Oakland and Alameda. It was a branch. It had two lines, one to Alameda and one to Oakland. I will explain them. There was a ferry from San Francisco, both to the Alameda wharf and to the Oakland wharf, and then local trains ran out from Oakland and also from Alameda, which were two different points on the opposite side of the bay.

By the CHAIRMAN:

Q. Have you a map on which you can point those roads out?—A. Yes, sir; I can furnish you one.

THE CENTRAL PACIFIC INCLUDED.

By Commissioner ANDERSON:

Q. What other company was included in this consolidation in 1870?—A. I do not remember.

Q. Was the Central Pacific itself included?—A. The Central Pacific itself. I am not sure whether the California and Oregon was consolidated at that time or at a previous consolidation. There were three different times when the consolidations were made, and we are getting it in consecutive form.

Q. I understand you remained secretary to the new company, as you had been to the old?—A. Yes, sir.

PREVIOUS CONSOLIDATIONS.

Q. How many consolidations were there?—A. The consolidations as they appear were several before these roads were consolidated with the Central Pacific of California. Several of them had had previous consolidations with other roads. I cannot give it to you in consecutive form without getting a statement I need for that purpose.

Commissioner ANDERSON. As I understand the method pursued, the several roads, consisting themselves of minor parts, had a species of integration among themselves, and then the whole was integrated into the Central Pacific Railway, about 1870.

The WITNESS. Yes, sir.

Q. And you do not remember how many of these consolidations took place?—A. Yes, sir; I can remember how many, but I cannot give you the dates. I can name all the companies that were consolidated.

ARTICLES OF CONSOLIDATION.

Q. Was the process of consolidation always by entering into articles of consolidation?—A. I think so; but as to some of the roads that had been consolidated previous to their coming into the consolidation with the Central Pacific, I do not know how they were consolidated with one another.

Q. Of the records of these consolidations, what have you on hand?—

A. I have the minutes of the Central Pacific Railroad Company (and possibly of some of the other companies that were consolidated), which show the dates and facts of the consolidation.

Q. Have you the articles of consolidation?—A. Yes, sir.

Q. Of the Central Pacific alone, or of some of these others also?—A. I think I have of some of the others, but I certainly have those of the consolidation of the Central Pacific.

Q. Will you please produce for our information all the articles of consolidation?—A. Yes, sir.

OFFICERS OF THE CENTRAL PACIFIC.

Q. As to the present organization of the Central Pacific, who is the president?—A. Leland Stanford.

Q. He resides here in San Francisco?—A. San Francisco.

Q. Please state the other officers by name, or at least the principal officers?—A. Leland Stanford is the president, and C. P. Huntington is first vice-president.

Q. Mr. Huntington residing in New York?—A. Residing in New York. Charles Crocker is second vice-president.

Q. Mr. Crocker also residing in New York?—A. Residing in New York.

Q. And he is now in Europe?—A. Yes, sir.

Q. Do you know when he will return?—A. I do not.

Q. Can you ascertain for us?—A. I do not know how I can.

Q. Can you tell us where we can have his deposition taken abroad, if desired?—A. I do not know where he is in Europe. I can ascertain, probably.

Q. Mr. Charles F. Crocker is his son, is he not?—A. Yes, sir. I can ascertain from him, probably.

Q. What other officers are there?—A. Charles F. Crocker, third vice-president.

Q. Is that Colonel Crocker?—A. Yes, sir.

Q. Is he residing here?—A. Residing in San Francisco.

Q. Who else?—A. E. H. Miller, jr., is secretary. Timothy Hopkins is treasurer.

By the CHAIRMAN:

Q. Where does he reside?—A. In San Francisco.

By Commissioner ANDERSON:

Q. Who is your land agent?—A. William H. Mills.

Q. He is also residing here?—A. Yes, sir; also residing in San Francisco.

RAILROAD COUNSEL.

Q. Who are your present counsel?—A. Col. Creed Haymond and Judge Harvey S. Brown.

Q. Does Mr. Haymond reside here in San Francisco?—A. Yes; in San Francisco.

Q. Where does Judge Brown reside?—A. He resides in Oakland. Judge L. D. McKisick is another.

Q. Residing where?—A. In San Francisco. John Foulds, residing in San Francisco.

Q. What counsel have you in New York?—A. Charles H. Tweed.

Q. Have you any other counsel elsewhere?—A. No other counsel regularly employed.

ITS WASHINGTON COUNSEL.

Q. Have you permanent counsel in Washington now?—A. I do not think there is any one in Washington exclusively employed by the company. When I say permanently employed I mean employed exclusively in the business of the company, to give their exclusive attention to the business of the company.

Commissioner ANDERSON. You may give us the name of your Washington occasional counsel, if there be one.

The WITNESS. Henry Beard, I think it is.

Q. Has he succeeded Mr. Sherrill and Judge Franchot?—A. No, sir.

Q. In what respect does his employment differ from that of others?—A. His employment has been to look after the accounts of the company a great deal and to attend to general business.

Q. That is, the adjustments between this company and the Commissioner of Railroads?—A. The Government; yes, sir.

THE BOARD OF DIRECTORS.

Q. Of how many members does your board consist?—A. Seven.

Q. Will you please give us their names as the board is constituted to-day?—A. Leland Stanford, C. P. Huntington, Chas. Crocker, Chas. F. Crocker, W. V. Huntington, Timothy Hopkins, and E. H. Miller, jr.

Q. W. V. Huntington is what relation to C. P. Huntington?—A. Nephew.

Q. Where does he reside?—A. San Francisco.

Q. Has your board always consisted of seven?—A. I am not sure. I have an impression that at one time it was five, but it was a long time ago. I do not recollect. The report of 1872, I think, will show that it consisted of seven.

Q. It has ever since 1872 consisted of seven? Do you remember whether there was any change prior to that?—A. I do not remember distinctly, but I am now inclined to think that there was never any change; that it was always seven.

COURSE OF CONSTRUCTION.

Q. Will you please state the course of construction of this road in point of time?

The WITNESS. From the aided line?

Commissioner ANDERSON. In point of time; yes, sir.—A. I cannot do that without referring to some papers—documents.

Q. Will you state which portion was first constructed?—A. The line from Sacramento to Ogden was completed May 9, 1869.

Q. But was that from Sacramento to San José constructed before the railroad east of Sacramento?—A. No, sir.

Q. How far had the railroad east of Sacramento progressed when the line between Sacramento and San José was completed?—A. To Ogden. The line from Sacramento to Ogden was completed first.

Q. Before the road from Sacramento to San José?—A. Yes, sir.

Q. Was any part of that road which lies southwest of Sacramento completed before the railroad east of Sacramento was completed?—A. Yes, sir.

Q. Between what points?—A. Between San José and Niles.

Q. Was it after the act of 1862 had been passed?—A. Yes, sir.

Q. How many miles is it from Sacramento to Niles?

The WITNESS. Allow me to refer to papers.

The CHAIRMAN. Certainly. Refer to anything that will give you the information.

Commissioner ANDERSON. You will find it on page 5 of the report of 1872.

The WITNESS. This gives only the total from San Francisco.

By Commissioner ANDERSON:

Q. I will put this map in evidence. Please examine the map now shown you, and state whether the names of the roads and their lengths are correctly given?

The CHAIRMAN. You will find here, on this map, the consolidations, with the distances of the different roads given.

The WITNESS. Yes, sir; it is correct at the time of its date, May, 1878, but there may have been some little changes in the lengths of the lines since, although I do not see how there could be. The Southern Pacific Railway Company has extended its line since the date of this map.

Q. Your answer merely shows that it is correct at the time?—A. Yes, sir.

THE WESTERN PACIFIC.

Q. What is the corporate name of this railway constructed from Sacramento to Niles?

The WITNESS. What is it now?

Commissioner ANDERSON. What was it at the time?

The WITNESS. The Western Pacific Railroad Company.

Q. Which was built first—that portion of the Western Railroad Company from Niles to San José or the portion from Niles to San Francisco?—

A. The portion from Niles to San José, is my recollection. It was built before the portion between Niles and Oakland.

Q. Was the portion between Niles and Oakland constructed before the consolidation of 1870?—A. Yes, sir.

Q. So that when the consolidation of 1870 took place the Western Pacific Railway Company was substantially completed from Sacramento to San José and to Oakland, was it not?—A. Yes, sir.

THE SAN FRANCISCO BAY RAILROAD.

Q. What was the name of the company from Oakland to Niles?—A. The San Francisco Bay Railroad Company.

Q. That was consolidated into the Western Pacific then, was it not?—A. No, sir; that was consolidated into the Central Pacific.

Q. Was that in 1870? Was there more than one consolidation to which the Central Pacific was a party?—A. Yes, sir.

COMMENCEMENT OF CONSTRUCTION OF CENTRAL PACIFIC FROM SACRAMENTO.

Q. When was the construction of the Central Pacific from Sacramento commenced? I do not refer to the day of the month, but with reference to the acts of Congress.

The WITNESS. Do you mean what year?

Commissioner ANDERSON. The first act of Congress was passed in 1862. How soon after that was it that construction was commenced on the Central Pacific east of Sacramento?

The WITNESS. The first actual work done on the construction was January 1, 1863, I think.

Q. That was east of Sacramento?—A. At Sacramento.

Q. And going east?—A. Starting east; yes, sir.

METHOD OF CONSTRUCTION.

Q. Under whose direction were the first contracts?—A. The board of directors.

Q. How was it done, I mean. Was it a large contract for the whole railroad, or was it let out in small sections under specific contractors at first?—A. The first contracts I think were in small sections, considering 18 miles to be a small section, and then in subsections or other sections of from 2 to 4 or 5 miles.

CONTRACT OF CHARLES CROCKER & COMPANY.

Q. Who took the first large contract for any portion of the work?—A. Charles Crocker & Co.

Q. Is that the same Charles Crocker who is now second vice-president?—A. Yes, sir.

Q. Was he at the time a director in the company?—A. Not at the time he took the contract.

Q. Who were the directors at the time he took the contract?—A. I will have to look.

Q. Will your book of minutes show?—A. Yes, sir.

Q. Does your company keep a book of contracts?—A. No, sir.

Q. What disposition do you make of contracts?—A. We file them in the office.

Q. Between what parties was this contract, the Central Pacific and Charles Crocker & Co?—A. Yes, sir.

Q. Who were the members of the company besides Mr. Crocker?—A. I do not know.

ITS TERMS.

Q. Do you remember for how many miles this contract extended?—A. I think it covered the first 18 miles from Sacramento.

Q. Do you remember the rate per mile?—A. I do not.

Q. Do you remember how frequently that contract was modified?—A. I do not remember that it was ever modified; it possibly was, but I do not remember it.

Q. You remember nothing about the terms of that contract, or what do you remember about the terms?—A. I do not think the contract was specific per mile; my recollection is that the contract was not specific, so much per mile, but that it was so much in the aggregate for the 18 miles, or else there were specifications which had prices fixed for grading and other work, masonry, bridges, &c. I cannot remember distinctly which it was.

CUSTODY OF THE CONTRACT.

Q. In whose custody was that contract?—A. In mine.

Q. Has it always remained in your custody?—A. No, sir.

Q. In whose custody did it pass?—A. I do not know.

Commissioner ANDERSON. If it were in your custody you must have delivered it to some one.

The WITNESS. I did not.

Q. Where did you keep it?—A. In a vault, or in the safe, at Sacramento.

Q. When did you last see it?—A. That I cannot tell you; a great many years ago.

Q. More than ten years ago?—A. I cannot specifically say whether it was more than that, but it was more than seven.

Q. How many copies were there?—A. But one that I remember.

Q. Did not the contractors have one?—A. Yes, sir; doubtless they did, but I do not remember.

Q. Were there two copies?—A. I do not remember.

Q. Do you remember in whose handwriting it was?—A. No, sir.

Q. Do you remember how many pages it covered?—A. No, sir.

Q. You do not remember how many pages it covered?—A. No, sir.

NOT ENTERED IN FULL ON MINUTES.

By Commissioner LITTLER:

Q. Was the contract entered on the minutes of the company?—A. Not in full, I think.

By Commissioner ANDERSON:

Q. Can you give us no further information as to its terms than you have heretofore given?—A. Not until I make an examination of the minutes; there may be something in the minutes.

Commissioner ANDERSON. We will ask you to do so.

CONTRACT MISSING.

By the CHAIRMAN:

Q. Where is the contract now?—A. I do not know.

Q. You do not know because you have not examined the safe for a number of years?—A. No; I do not know because I have examined the safe and I cannot find it.

Q. When did you make the last examination?—A. Within a few days.

Q. When did you make an examination prior to that time?—A. I had made no special examination for the contract prior to that time.

Q. Within a few days did you make a thorough examination?—A. Yes, sir; it was called for by the general accountant of the Commission.

NO MEANS OF ASCERTAINING ITS WHEREABOUTS

By Commissioner ANDERSON:

Q. Has not this contract been called for in four or five litigations within the last four or five years?—A. I do not remember that it has, but I have no doubt that it has.

Q. Was it not called for in the Colton suit?—A. I do not remember that it was.

Q. Was it called for in the Stewart suit?—A. I do not remember.

Q. Was it not called for in the Hopkins's accounting?—A. I do not remember.

Q. Do you not remember, as a matter of fact, making several searches for it?—A. I do not remember, as a matter of fact, although I doubtless did.

Q Do you not remember talking with different persons as to this contract and its whereabouts?—A. No, sir.

Q Have you not talked with Governor Stanford as to its whereabouts?—A. No, sir.

Q Have you not talked with Mr. Huntington as to its whereabouts?—A. No, sir.

Q Have you not talked with Mr. Charles Crocker as to its whereabouts?—A. No, sir.

Q Had you not, before Mr. Hopkins's death, talked to him as to its whereabouts?—A. No, sir.

Q And you declare positively and in good faith that you have no means of ascertaining anything as to the disposition made of this paper?—A. I do.

Q Have you any suspicion as to what has been done with it?—A. No, sir.

Q Have you any idea as to what has been done with it?—A. I have not.

By Commissioner LITTLE:

Q Was anybody interested in its destruction?—A. I do not know that there was.

PAPERS MISSING OWING TO FREQUENT USE IN SUITS.

By the CHAIRMAN:

Q Were you in the habit of missing papers from your vault?—A. Yes, sir.

Q Did you miss other papers?—A. Yes, sir.

Q How many other papers?—A. A great many.

Q What kind of papers?—A. Papers that were taken in any lawsuit and given to the lawyers—given to our lawyers or to the other lawyers. It became of very frequent occurrence that they never came back.

By Commissioner ANDERSON:

Q Did you give up such papers as these without taking a receipt for them?—A. Yes, sir, I did; but we do not do it any more.

Q Who gave up the papers without taking a receipt for them?—A. I do not say anybody gave any specific papers up, but I mean those papers that went to court in lawsuits. We became very much annoyed in one case, the Winchester case. The same question was asked me—if papers had been missing frequently, and I said "yes." The result of the examination brought out just what I am now saying, that probably they were in court or had been taken to court. A gentleman who was present went to court, and among its files found the very document they were asking for.

Commissioner ANDERSON. Somebody, on behalf of your company, must be in the habit of parting with these papers.

The WITNESS. I myself do that.

Q You do not mean to say anybody could go in and get them, do you?—A. I was myself in the habit of giving them to our lawyers without taking receipts.

Q Who was the lawyer you gave such papers to?—A. Any one of our lawyers.

PERSONS HAVING ACCESS TO VAULTS CONTAINING PAPERS.

Q Who had access to your vault and safe?—A. No one but clerks in our office and myself.

Q. Had the clerks unlimited access, except under your supervision?—
A. They had unlimited access, to go in and out when they chose.

Q. Had they any interest in taking these papers and losing them, or delivering them to any one without your knowledge or without conferring with you?

The WITNESS. Do you mean these contracts?

Commissioner ANDERSON. Yes.

The WITNESS. No, sir; not that I knew of.

Q. Had Governor Stanford access to your vaults?—A. I do not think he was ever in them.

Q. Could he go there if he wanted to?—A. Certainly; if he undertook to go there I should never attempt to prevent him.

Q. And the safe was open all day long?—A. Yes, sir.

Q. Who were these attorneys to whom you parted with these papers?—A. They were the various attorneys of the company for all the time.

COUNSEL EMPLOYED AT TIMES PAPERS WERE MISSED.

Q. Give the names of those who were attorneys at the time you missed the papers?—A. Robert Robinson. I cannot specify any particular time.

Q. Give the names of all the attorneys, and their residence?—A. E. B. Crocker.

Q. He is dead, is he not?—A. Yes, sir. Robert Robinson, S. W. Sanderson.

Q. Is he dead?—A. Yes, sir. Judge Ramage. His first name I do not remember.

By the CHAIRMAN:

Q. State if he is living, and where?—A. I do not know. He was a resident of Sacramento. I think he is dead, but I do not know. I cannot think of all of them.

Commissioner ANDERSON. To limit this set of names, I think you stated you had seen this contract within seven years?

The WITNESS. No, sir.

WHEN CONTRACT WAS LAST SEEN.

Q. When did you last see it?—A. I do not remember.

Commissioner ANDERSON. You know you saw it twenty-five years ago?

The WITNESS. Yes, sir.

Q. Can you come down from that date and say when you last saw it?—A. It is very difficult to do that. I do not know that I have seen it within fifteen years.

Q. Do you know that you did see it as far back as 1879, before the consolidation?—A. I saw it when it was made.

Q. That was in what year?—A. That was in 1863 or 1864.

Q. Did you not see it frequently after it was made?—A. I probably did, during the time of the construction of the 18 miles.

Q. How long did that last?—A. A little over a year, I think.

Q. After it was completed do you not know that you frequently saw that contract, with other contracts, in your safe?—A. I cannot remember that I did. I will say, doubtless I did but I do not remember having seen it.

Q. Do you remember the fact that the first time you were asked to look for it you found it had disappeared?—A. I do not remember that fact.

Q. Do you not remember looking for that contract in the Colton case?—A. No, sir.

Q. Do you not remember being examined as to this contract and other papers in the Colton case?—A. I do not remember that I was examined as to this contract. I was examined, of course, as to papers.

Q. Do you not remember the fact that you were examined at great length in the Colton case?—A. Yes, sir.

Q. Who else was examined on behalf of your company in regard to the custody of these papers?—A. I do not know that anybody was.

OTHER CONTRACTS.

Q. What was the next contract made after the 18 miles that you have referred to?—A. There were contracts made with Cyrus Collins & Bros.; C. D. Bates & Co., I think; S. T. Smith; and, I think, there was another, but I do not remember the name.

Q. These were all small contracts, were they not?—A. All small contracts; yes, sir.

Q. Were these contracts in your custody?—A. They were; yes, sir.

Q. What has become of them?—A. There is one of them I found the other day. [Producing it.]

Q. Where did you find it?—A. I found it in the vault.

Q. Just alone by itself, without companions?—A. Without any companions of that nature.

CONTENTS OF THE BOX OF CONTRACTS.

Q. Was it by itself or was it mingled with other papers that it did not pertain to?—A. No; it was in the box of contracts, or that which I call a box.

Q. In a box of contracts?—A. In a file of contracts.

Q. What other contracts did you find with the Cyrus Collins?—A. I do not remember which one I found.

Q. What other contracts did you find with the contract you did find?—A. I cannot specify, because I was not looking for any but the contracts for building, but there was quite a package.

Q. Were they construction contracts?—A. No, sir.

Q. Were they contracts that belonged to the Central Pacific Company?—A. Yes, sir.

Q. Were they of the same date as the one you have found, or were they more recent contracts?—A. No; they were of all dates.

Q. Were some of them as old as the one you discovered?—A. I think not. Yes; about the same date. Contracts for iron, &c.

Q. When did you make this discovery?—A. Within the last week, or within the last two weeks.

Q. Did you go over any of those papers yourself personally?—A. Yes, sir.

Q. All the papers in that box?—A. Yes, sir; all the papers in that box.

Q. Did you find any other contracts relating to the construction of this road?—A. I did not.

Q. You say you do not remember the name of the contractor as to the contract you found?—A. No, sir; I do not remember which one it was.

Q. It was one of these small contracts?—A. Yes, sir.

Q. As to all the others you have no information to give us?—A. I have not.

TIME NEEDED TO THOROUGHLY EXAMINE THE VAULT.

By the CHAIRMAN:

Q. Have you made such examination of the vault as to swear now that the missing contracts are not in the vault?—A. I could not positively swear that, because the vault contains so many papers; but I can swear to the best of my knowledge and belief it is not there.

Q. Will you make such an examination as to be able to swear positively to this Commission that the missing contracts are not in the vault?—A. I will if you will give me a year. It will take at least a year to do that.

By Commissioner ANDERSON:

Q. Why?—A. The vault contains an immense number of papers, and we would have to go through every box and every paper to be able to swear it was not there.

The CHAIRMAN. We will give you all the assistance needed by detailing men to aid in going over the contracts, if you will give us access to the vault and to the old contracts.

The WITNESS. I have no objections to that.

Commissioner ANDERSON. I suppose you refer us to the president in answer to that; but we want to be perfectly satisfied that those papers are thoroughly examined.

The WITNESS. You ask me to swear to something that I cannot swear to. If you ask me to swear that it was not in this room, I could not swear to it.

POSITIVE CROCKER CONTRACT IS NOT IN THE VAULT.

The CHAIRMAN. We want to know that when you swear that the missing contracts are not in the vault you swear with positive information to that effect, having made such an examination as to enable you to do so.

The WITNESS. I have made such an examination that I am willing to state positively that it is not in that vault.

Commissioner ANDERSON. That conclusion may be reached in two ways: one, by having searched the vault, and the other by having information as to where the contracts may be.

The WITNESS. I tell you I have no information.

By Commissioner ANDERSON:

Q. Have you no direct or indirect information?—A. No direct or indirect information.

THE NEXT LARGE CONTRACT WITH CROCKER.

Q. What was the next large contract made after these small contracts you have referred to?—A. The next contract, I think, was made with Charles Crocker & Co. (calling the sections about a mile each, although they were not exactly a mile), for sections from section 31 east. I do not remember how many miles.

Q. Was it to Camp 24 that it went?—A. I am not sure of that. Camp 24 was named, I think, but it is indistinct in my mind.

Q. How many miles was it?—A. I cannot remember specifically how many miles, but my impression is to about section 58. That would be about 25 miles. I am not positive about that, however.

Q. When was that contract made?—A. I do not remember.

Q. Was the second Crocker contract made after the completion of these small pieces?—A. I think the second contract was made before they were entirely completed. They went on with the work beyond section 31.

Q. Was this firm of Charles Crocker & Co. the same firm that had taken the prior contract?—A. So far as Charles Crocker was concerned it was. As to the company, I do not know.

Q. You do not know anything about that?—A. No, sir.

Q. Was there any company?—A. Not that I know of. I do not know.

Q. Charles Crocker was the only person you dealt with?—A. The only person I know.

WHO COMPOSED THE BOARD OF DIRECTORS.

Q. Who negotiated that contract?—A. The board of directors made it. Whether the negotiation was referred previously to any committee or not I do not remember. In some cases it was.

Q. Who composed the board of directors at the time the Crocker contract No. 2 was made?—A. I will have to look to ascertain that.

Q. Perhaps you had better look. You can ascertain that in a moment, can you not?—A. I can, by going into the office. I can bring the list of directors from the commencement.

Commissioner ANDERSON. We would like to have that. Also bring the contract you found in the vault—The Last Rose of Summer.

The WITNESS (after returning). I can state now that the directors were nine instead of five for a certain time, if you care for that.

Q. Will you give their names in 1864, 1865, and 1866?—A. In 1864, Leland Stanford, O. P. Huntington, Mark Hopkins, A. P. Stanford, E. H. Miller, jr., Chas. Marsh, and E. B. Crocker. Those were elected October 8, 1864. If you want those in office during 1864 I will have to go back.

Commissioner ANDERSON. Give us those in office during 1864.

The WITNESS. Elected July 14, 1863: Leland Stanford, O. P. Huntington, Mark Hopkins, A. P. Stanford, James Bailey, T. D. Judah, Chas. Marsh, D. W. Strong, L. A. Booth, and John F. Morse.

E. B. CROCKER.

Q. What relation is E. B. Crocker, who appears in the year 1864, to Chas. Crocker?—A. Brother.

Q. What were their business relations?—A. They had no business relations together. One was a lawyer and one had been a merchant.

Q. Was E. B. Crocker the lawyer?—A. Yes, sir.

Q. Did not Mr. Chas. Crocker become his assignee subsequently?—A. Yes, sir; some time subsequently, though.

Q. Did you not know enough of their relations to say whether they had business relations together or not?—A. I never knew that they had.

Q. You say this second contract was made before the completion of the first contract?—A. I did not say that positively, but I think so.

SECOND CROCKER CONTRACT ALSO MISSING.

Q. Have you looked for that contract No. 2?—A. Yes, sir.

Q. When did you look for that contract?—A. The same time I looked for the other one, two weeks ago.

Q. Have you not also looked for that contract on other occasions?—A. I presume I have; I do not remember.

Q. When I asked you a few moments ago whether you had any suspicions as to who had removed these contracts you hesitated. Please tell me, did the name of any person occur to your mind at that time?—A. No, sir; I hesitated simply—

Q. (Interposing.) Wait a moment. Did anybody's name present itself to you at that time?—A. No, sir.

Q. You thought of no one?—A. I did not. I will explain that now. Commissioner ANDERSON. You may do so now.

The WITNESS. I hesitated for the reason that I thought it was a proper question for me to decline to answer. That was the only cause for hesitation.

By the CHAIRMAN:

Q. Did you ever talk to anybody about the missing contract?—A. A. No, sir; except to Mr. Richard F. Stevens, your general accountant.

Q. Prior to that time did it occur to you that it was an unbusiness like method to have contracts on so important a matter as the construction of the road missing?—A. No, sir; I do not think it was.

Q. Did it make any impression on you at all?—A. You are getting by inference a statement that I have not made.

STATEMENT AS TO MISSING CONTRACTS.

Q. What is the statement that you have made?—A. The statement I have made is that I found the contracts missing within the last two weeks, and that I do not remember ever having searched for them before.

Q. When you discovered within the last two weeks that the contracts were missing did you discuss the question with anybody then?—A. No, sir.

Q. Did you not think it important to report it to your superior officers at that time?—A. I did not.

Q. Do I understand you to swear that that was the first indication, two weeks ago, that you had that those contracts were missing?—A. I do not swear to anything of the sort. I do swear that I do not remember ever having looked for them before, or ever having known that they were missing.

Q. Why do you hesitate to swear that you had not information prior to two weeks ago that the contracts were missing?—A. Because I do not remember that I had.

Q. Do you swear that the contracts were not called for in the Colton case?—A. I do not. I swear that I do not remember that they were.

DOES NOT BELIEVE THE PAPERS ARE IN THE VAULT.

Q. Then I understand, as you stated before, that you are not prepared to swear now that the contracts are missing?—A. I am prepared to swear that I have made an examination and a search for these contracts in the place where they ought to be, or the place where I supposed—where they formerly had been, and that I do not find them, and I do not believe that they are in the vault; that is, the vault in my office.

Q. Are you prepared to swear that the contracts are not in your vault?—A. I believe I have answered that before.

Q. I do not think you have, yes or no. I would ask you to answer that question yes or no.—A. You know very well, Mr. Chairman, that

I cannot possibly answer that question yes or no, after the explanation I have previously made to the same question.

The CHAIRMAN. I will repeat my question, and call for an answer. Mr. Stenographer, you will read it to Mr. Miller.

The STENOGRAPHER (reading): "Then I understand, as you stated before, that you are not prepared to swear now that the contracts are missing?—A. I am prepared to swear that I have made an examination and a search for these contracts in the place where they ought to be, or the place where I supposed—where they formerly had been, and that I did not find them, and I do not believe they are in my vault; that is, the vault in my office."

The WITNESS. Will you repeat the question?

By Commissioner ANDERSON:

Q. Are you prepared to swear that the contracts are not in your vault? Answer yes or no.—A. If I understand that question there is nothing to it except whether I am prepared to swear whether the contracts are in my vault or not. Is that the way it reads?

Q. Are you prepared to swear that the contracts are not in your vault? Answer yes or no?—A. No. I suppose I have a right to explain?

The CHAIRMAN. Certainly.

The WITNESS. I am not prepared to swear, because there is such a large mass of papers in my vault that I had not recently gone through all those papers. It would take a long time to do so. But I am prepared to swear that to the best of my knowledge and belief, after having examined thoroughly the place where those contracts should be, if they were in the vault, that—I think that I said to the best of my knowledge and belief—the contract is not in my vault.

TERMS OF SECOND CONTRACT.

Q. What do you recollect as to the terms of that second contract?—A. The best of my recollection is that that contract was made under certain specifications which required payment to the contractor at a specific price for grading per cubic yard, of all natures, rock work, &c., and for masonry and for iron, &c., furnished, to complete the road. I do not mean the rails, but iron work necessary for bridges, &c., at specified prices.

Q. Not including the rails?—A. Not including the rails, I think, but it may have included the rails.

HOW PAYABLE.

Q. Do you remember whether the amounts payable under that contract were payable in dollars or in bonds or in stocks?—A. My recollection is that it was payable, a portion in cash, a portion in bonds, and another portion in stock.

Q. Can you give the percentages?—A. I think it was five-eighths cash and three-eighths in bonds and stock. Of that, however, I am not positive. I do not recollect.

Q. Do you remember whether the percentages were altered from time to time?—A. My recollection is that the percentages were not altered.

Q. Will your minutes show?—A. I do not know whether the minutes will show or not, but the books of the company will show. The accounts will show.

Q. That is to say, the entries in the books of account of the company will show?—A. The entries in the books of account of the company will show.

METHOD OF KEEPING THE BOOKS.

Q. What distinction did you make in the entry of an issue of bonds on these contracts, or a payment of cash?—A. I do not quite comprehend.

Q. Did you debit in one case "cash" and in the other case "bonds," or what is the distinction made in your books?—A. We opened an account with the contractors, crediting them with the work done and charging them with the bonds and cash and stock when paid.

Q. In what account will the counter-charges be made, showing from whence the bonds came and from whence the cash came and from whence the stock came?—A. The contractor being charged with cash, the cash would take credit; and if with bonds, the bonds would be credited; and if with stock the stock would be credited.

CHANGES MADE IN CONTRACT.

Q. So that by following the contract down from the inception of that contract to the end, if there were any changes in its terms they will appear in your books?—A. Yes, sir; but I think I can explain it.

Commissioner ANDERSON. We will take any explanation you can give.

The WITNESS. This is the contract as I remember it. The stock was to be issued at 50 cents on the dollar, and there was a change made in the percentage to 30 cents.

Q. In the percentage of cash or the percentage of stock?—A. No, sir; the percentage of cash remained the same. The percentage of bonds, as I recollect it, remained the same. But as to the percentage of stock, the stock was not paid at par. First it was paid at 50 cents on the dollar and afterwards at 30 cents on the dollar.

Q. Do you remember the aggregate amount of stock, bonds, and cash which this contract called for?—A. No, sir.

Q. Can that be ascertained from your books?—A. Yes, sir.

THE CONTRACT AND FINANCE COMPANY.

Q. What was the next construction contract which this company entered into?—A. As I remember it, the next contract was with a corporation called the Contract and Finance Company.

Q. When was that company organized?—A. My recollection of dates, especially of those so long ago, is so poor that I cannot give it. I will explain that I do not remember my own age, without counting back to the year I was born.

Q. Was it organized shortly before taking this contract?—A. Yes, sir.

SPECIAL OBJECT OF ITS ORGANIZATION.

Commissioner ANDERSON. It was organized especially for the taking of these contracts. I am quoting from Mr. Huntington.

The WITNESS. That was its business. Undoubtedly it was.

Q. Who were its officers?—A. That I cannot say. I knew at the time, but now I do not recollect.

Q. Who were the principal stockholders?—A. I do not know.

Q. Who kept the books of the Contract and Finance Company?—A. William E. Brown.

Q. Where is he?—A. He is here.

Q. Is he president of the Southern Pacific Company?—A. No, sir.

Q. What is his office?—A. He is one of the directors of the Southern Pacific Company at present.

Q. Does he reside in San Francisco?—A. His office is here in the building.

Q. Is he present now?—A. I presume he is.

Q. Can you obtain from him a list of the officers and stockholders of this company at the time it took the contract I refer to?—A. I think I can.

Commissioner ANDERSON. We will excuse you for that. We would like to have that list now.

The WITNESS (after returning). Mr. Brown does not recollect. He was secretary himself. He recollects that, and can give the names of two other directors, but whether there were more than three he cannot say. He will ascertain, however.

ITS MEMBERS.

Q. Who were the directors he named?—A. Wm. E. Brown, T. J. Millikin, and B. R. Crocker.

Q. As a matter of fact, were not Mark Hopkins, Leland Stanford, C. P. Huntington, and Chas. Crocker the holders of substantially all the stock of this Contract and Finance Company?—A. Not to my knowledge.

Q. Have you not heard them say so in litigations?—A. No; I do not think I have. I presume that to be the fact. But that is my presumption.

Q. Have you not heard them say so?—A. No, sir; I never did.

Q. Have you not heard them say that Mr. Millikin, Mr. B. F. Crocker, and Mr. William E. Brown were holders of small portions of the stock for the purpose of qualifying them to act as directors?—A. I never heard them say that.

Q. You never heard any one say that?—A. I never heard any of them say that.

Q. Have you ever heard anybody say that?—A. I could only say for myself. That is my presumption. Nobody knew.

Q. I will read for you from Mr. Huntington's testimony, taken before us, referring to this Finance Company: "The stock of that company was nearly all held by Governor Stanford, Mr. Hopkins, Mr. Crocker, and myself; there were some few stockholders, but I could not say who." Are you satisfied that that statement is correct?—A. Yes, sir.

BOOKS OF THE CONTRACT AND FINANCE COMPANY.

Q. Have you ever seen any of the books kept by the Contract and Finance Company?—A. Yes; I saw them.

Q. What books did you ever see?—A. I saw the day-book and ledger, or journal, I suppose; cash-book, day-book, and ledger, probably.

Q. When did you see these books?—A. They had an office in the same building with me in Sacramento, and I saw them when I went into their office.

Q. At Sacramento?—A. Yes, sir; I saw them in use by their book-keeper.

Q. That was while this contract was under way?—A. Yes, sir.

Q. Have you never seen them since?—A. No, sir.

THAT CONTRACT ALSO MISSING.

Q. Where is that contract between the Central Pacific Company and the Contract and Finance Company?—A. That is missing.

Q. How many miles did that embrace?—A. It embraced a large portion of the road east of the contracts that have been mentioned previously.

Q. When did you last see that contract?—A. I do not recollect.

Commissioner ANDERSON. That contract embraces, as you say, a large portion of the construction of the Central Pacific?

The WITNESS. Yes, sir.

Commissioner ANDERSON. It is a contract of great magnitude and importance.

The WITNESS. Yes, sir.

Q. You say you never observed that it was missing until within the last few weeks?—A. I do not remember that I ever did.

THE COLTON CASE.

Q. Do you not remember being examined particularly with reference to all the papers of the Contract and Finance Company in the Colton case?—A. I do not remember.

Q. Do you not remember being asked if those books were in London?—A. I do not remember that.

Q. Or if they had been purposely destroyed?—A. I could not possibly know that.

Q. I asked you if you remembered being asked that question?—A. No; I do not remember being asked that.

Q. By Mr. Hayes?—A. No, sir.

Q. You know Mr. Hayes?—A. Yes, sir.

Q. You know he asked you a great many questions in the Colton suit three or four years ago?—A. Yes, sir.

Q. Do you not know that it was a question of public talk as to the disappearance of the books of this company, at that time?—A. I say I do not remember. I do not remember anything about it.

Q. You do not remember that the subject was discussed in San Francisco at all at the time of the trial of the Colton case?—A. No, sir.

Q. Will you swear that you and Governor Stanford did not talk this matter over, of the disappearance of these books, during the trial of the Colton case?—A. I will swear that I do not remember ever having spoken to him about it, or his having spoken to me about it.

GOVERNOR STANFORD'S DEPOSITION.

Q. Do you not remember Governor Stanford's deposition was taken at great length?—A. Yes, sir.

Q. Where was he when his deposition was taken?—A. In New York, I think.

Q. When he came back here, did you have no conversation with reference to that subject?—A. Not that I remember. Not only that I do not remember, but I do not think I ever did. I do not believe I ever did.

Q. Was no surprise expressed by any of the officers of the company as to the disappearance of such important papers as this contract?—A. Not that I remember.

Q. Was the subject never brought up in the board of directors when you were present?—A. No, sir.

Q. Has no fault ever been found with you for having permitted these papers to disappear?—A. No, sir.

TERMS OF CONTRACT AND FINANCE COMPANY CONTRACT.

Q. What do you remember about the terms of the contract made with the Contract and Finance Company?—A. I do not remember the details of it at all.

Commissioner ANDERSON. From Camp 24 to Ogden? That is, substantially, from the boundary of the State to Ogden, through Nevada and Utah.

The WITNESS. Does that say "Camp 24, the boundary of the State"? Commissioner ANDERSON. It was substantially.

The WITNESS. Then I misstated the miles.

Q. I read to you from Mr. Huntington's testimony. He was asked:

Q. What was the subject of their contract? I want to know between what points?—A. It was Camp 24, if I remember right. I am not certain that I ever saw the contract.

Q. It was the road substantially after leaving the State of California?—A. Yes, sir. Camp 24 I think is on the State line. It was a contractor's camp, you know, and it was from that point to the point of junction.

In other words, the whole of this road in the State of Nevada and Territory of Utah. You can tell us nothing as to the terms of that contract?—A. No, sir; only what appears upon the books of the company now.

Q. Do you know whether it was an agreement at so much per mile?—A. I believe it was.

Q. Do you know whether the rate per mile was the same throughout the entire length of the road from Camp 24 to Ogden, or to Promontory Point?—A. I do not recollect that.

Q. Do you know whether the rate per mile was payable in money or in bonds, or whether it was mixed?—A. I think it was mixed.

Q. Do you know whether the payment included the Government bonds?—A. It did not.

Q. Do you know, as a matter of fact, that none of the Government bonds went to the Contract and Finance Company?—A. Yes, sir.

Q. They did not?—A. They did not.

GOVERNMENT BONDS SOLD FOR ACCOUNT CENTRAL PACIFIC.

Q. How were the Government bonds disposed of?—A. They were sold in New York by Mr. Huntington, almost wholly; possibly a portion may have been paid out directly on contracts for locomotives, engines, iron, &c.

Q. Do you know whether they were sold for account of the Central Pacific Company or on account of the Contract and Finance Company?—A. They were sold for account of Central Pacific Railroad Company.

Q. Do you remember that the price per mile was about \$100,000 in the Contract and Finance Company's contract, payable in stocks and bonds?—A. I not remember that. I believe that was about the cost, as entered up on the books under that contract.

COST PER MILE, IN SECURITIES AT PAR, \$100,000.

Q. Do you mean, when you say "cost," the amount of stocks and bonds issued at par?—A. The stocks and bonds paid to them.

Q. Taken at par it would amount to \$100,000?—A. Yes, sir. The stocks, bonds, and cash, at par, amounted to about that amount.

Q. Do you remember that the amount of bonds issued per mile was \$64,000?

The WITNESS. I do not think I understand your question. The amount of what bonds?

Commissioner ANDERSON. The amount of bonds issued to the Contract and Finance Company.

The WITNESS. I do not remember that.

CHARACTER OF SECURITIES ISSUED TO CONTRACT COMPANY.

Q. What bonds were issued to the Contract and Finance Company? What character of bonds?—A. The company's first-mortgage bonds, if any.

Q. Are you positive that any bonds were given to them?—A. No, I am not positive.

Q. Will your books show?—A. Yes, sir.

Q. And you have never examined them for the purpose of ascertaining whether they received any bonds or not?—A. I know, but I do not remember. I know perfectly well if I can look at the books.

Q. Do you not know perfectly well that the Contract and Finance Company did get bonds?—A. No, sir; I do not. You are asking positive questions.

Commissioner ANDERSON. No, I do not ask positive questions.

The WITNESS. Possibly I am technical in my answer, but I do not remember it. The books would show very plainly what they did get.

Q. How much of this contract with the Contract and Finance Company is entered in your books of minutes?—A. I do not know that any of it is.

THE WESTERN DEVELOPMENT COMPANY.

Q. What other large construction contracts has the Central Pacific made?—A. They made a contract for constructing the—

Q. (Interposing.) Well, I will follow my own order. Did it make a contract with the Western Development Company?—A. I do not think it did.

Q. Was the Western Development Company subsequent in time to the Contract and Finance Company?—A. Yes, sir.

WHAT BECAME OF CONTRACT AND FINANCE COMPANY.

Q. What became of the Contract and Finance Company?—A. It was discontinued, I think.

Q. Was it wound up by judicial proceedings?—A. Not that I know of.

Q. Where was it last located?—A. At San Francisco, I think.

Q. In what building?—A. This building.

Q. In what room?—A. Room No. 1, on the first floor, at the side entrance.

Q. When did you last see that room occupied by the Contract and Finance Company?—A. By the book-keeper.

Q. When?—A. I think in 1874.

JOHN F. MILLER.

Q. Whom did you see there then?—A. John F. Miller.

Q. Is he a relation of yours?—A. No, sir.

Q. Where does he live?—A. He lives somewhere on the Sacramento River, in Sacramento County, I think.

Q. Can you identify it a little better than that?—A. No, sir; I really do not know.

Q. Who knows him here in this office?—A. Almost everybody connected with the office.

Q. So that we can find him? Does Mr. Brown know where he can be found?—A. I presume he does.

Q. You refer us to him?—A. Yes, sir.

By the CHAIRMAN:

Q. What is his business now?—A. Farmer.

BOOKS AND PAPERS OF THE CONTRACT AND FINANCE COMPANY.

By Commissioner ANDERSON:

Q. Were the books and papers of the Contract and Finance Company in that room when you saw it in 1874?—A. I never saw the books there.

Q. You only saw Mr. Miller there?—A. Yes, sir; I saw him.

Q. He had some books, I presume?—A. Well, he was connected with some other company—Western Development Company—I think; and whether he had any books of the Contract and Finance Company there, I do not know. I never saw them.

THE WESTERN DEVELOPMENT COMPANY.

By the CHAIRMAN:

Q. Who composed the Western Development Company?—A. I do not know.

By Commissioner ANDERSON:

Q. Who was its president?—A. That I do not know.

Q. Do you know the names of any of its officers?—A. F. S. Douty was one of its officers. He was either president or secretary; I do not know which.

Q. Where is Mr. Douty?—A. His office is in this building.

Q. What position does he now hold?—A. He is president, I think, of the Pacific Improvement Company, or secretary of it.

CONTRACT FOR ROAD FROM SACRAMENTO TO NILES.

Q. What was the contract with the Western Development Company?—A. I do not remember whether the contract for building the Western Pacific Railroad from Sacramento to Niles was with the Pacific Improvement Company or the Western Development Company.

Q. It was with one or the other?—A. I think so.

Q. When was that contract made? Was it before the Contract and Finance Company or after?—A. I think it was made very soon after the completion of the Central Pacific road to Ogden.

Q. That is, soon after May, 1869?—A. Yes, sir.

THAT CONTRACT ALSO MISSING.

Q. Where is that contract?—A. It is missing.

Q. Have you looked for that recently?—A. I have looked for all of them.

Q. What can you tell us in regard to the terms of that contract?—A. My recollection of the terms is very indefinite.

Q. Can you refer us to any entries in your books, or the minutes, that will furnish us with the terms of that contract?—A. The entries on the

regular books of the company will show the terms of that contract, but not in detail. I do not think there is anything in the minutes of the company in detail.

Q. How long did the Western Development Company continue to work this contract?

The WITNESS. In building that road?

Commissioner ANDERSON. Yes; from 1869 until when?

The WITNESS. They finished it in about a year.

Q. What became of the company?—A. I do not know.

OFFICES OF WESTERN DEVELOPMENT COMPANY IN SACRAMENTO.

Q. Where was their office?—A. At that time—I do not remember the date of the organization of the Western Development Company, but if I am right, their office must have been in Sacramento.

Q. Why do you say "must have been?" Is it because they were all kept together?—A. Because there were no offices here.

Q. Is it not also because the whole business of the Central Pacific was at Sacramento at that time?—A. Because the Western Development Company, as I understand it, was successor to the Contract and Finance Company, and they held their offices in the same place until we moved from Sacramento to San Francisco, which was in 1873.

Q. Do you know who the stockholders of the Western Development Company were?—A. No, sir.

Q. Do you not know that they were substantially the same persons who were the stockholders of the Contract and Finance Company?—A. I do not know; but I presume they were. That is all I can say.

Q. You presume they were?—A. I think they were.

CONSTRUCTION OF CALIFORNIA AND OREGON BRANCH.

Q. What subsequent contract did the Central Pacific make with the Pacific Improvement Company?—A. They made a contract—I will not say it was the Pacific Improvement Company, because I am not sure; but they made a contract with one of the three companies for building the California and Oregon Branch road.

Q. It was the Pacific Improvement Company, was it not?—A. Practically the successor.

Q. That is, the north part of that road?—A. Yes, sir.

Q. From what point; from Redding to the State line?—A. No; Roseville was the beginning. I think they had a contract for building some portion of the road between Roseville and Redding.

Q. Did they not have the contract for building the northerly 200 miles of that road?—A. Yes, sir.

THE PACIFIC IMPROVEMENT COMPANY.

Q. Who was the president of the Pacific Improvement Company?—A. F. S. Dooty, I think.

Q. When was this contract made?

The WITNESS. The contract for building the northerly 200 miles, you are speaking of?

Commissioner ANDERSON. Yes.

The WITNESS. Last year.

Q. Was it not longer ago than that? When was that finished?—A. It was just finished.

Q. Last year?—A. No, sir.

Q. Finished this year?—A. Just finished within a month.

Q. Who are the directors of the Pacific Improvement Company?—

A. I do not know.

Q. Can you ascertain?—A. I presume that I can from Mr. Douty.

Q. Who are the stockholders?—A. I do not know that.

Q. Are they not substantially the same persons who were stockholders in the Contract and Finance and the Western Development Companies?—A. I think so.

Q. Who keeps their books?—A. F. S. Douty.

Commissioner ANDERSON. I think you said he was president.

The WITNESS. He keeps the books also. They are in his charge, in one office.

Q. Where is the office of that company?—A. That is in room No. 3, on the first floor of this building.

Q. What other persons are in that room besides Mr. Douty?—A. There is Judge Underhill.

Q. What position does he hold?—A. He is a lawyer.

Q. Is he the lawyer of the Pacific Improvement Company?—A. He does and has done considerable business for the Central Pacific Railroad Company, and now does for the Southern Pacific Company.

ITS CONTRACT PRODUCED.

Q. Where is this contract with the Pacific Improvement Company?—A. I think I have it. At any rate it is entered in full on the minutes. Recently I have adopted the plan of entering everything in full on the minutes.

Commissioner ANDERSON. Please see if you can produce the contract.

(The witness produced the contract between the Central Pacific Railroad Company and the Pacific Improvement Company, dated October 11, 1886. It is marked "Exhibit No. 2, July 25, 1887," and is as follows:)

CONTRACT BETWEEN THE CENTRAL PACIFIC RAILROAD COMPANY AND THE PACIFIC IMPROVEMENT COMPANY.

This agreement, made and entered into on the eleventh day of October, 1886, between the Central Pacific Railroad Company, party of the first part, the Pacific Improvement Company, party of the second part, and the Southern Pacific Company, party of the third part, witnesseth:

That whereas the Central Pacific Railroad Company is the successor in interest of the California and Oregon Railroad Company, mentioned in the act of Congress of July 25th, 1886, entitled "An act granting lands to aid in the construction of a railroad and telegraph line from the Central Pacific Railroad, in California, to Portland, in Oregon;" and

Whereas the said Central Pacific Railroad Company has constructed a portion of the line contemplated by said act of Congress, to wit, that portion between Roseville Junction, on the Central Pacific Railroad, and the town of Delta; and

Whereas about one hundred and four miles of the line between Roseville Junction and the southern boundary line of Oregon, as contemplated in said act of Congress, has not been constructed; and

Whereas the Oregon and California Railroad Company, charged by said act of Congress with the construction of that portion of the said line of railroad between Portland, in Oregon, and the northern boundary line of California, has been in an embarrassed condition and has been unable to complete its road to said boundary line; and

Whereas until the whole of said line is completed, making a through connection between Portland, in Oregon, and the city of San Francisco, in California, no part of said line can be advantageously or profitably operated, nor the act of Congress in relation thereto be carried into effect according to the spirit and intent thereof, to wit, the construction and maintenance of a continuous railroad between the said cities, which the Government of the United States may use for the transportation of its

property, troops, and munitions of war when necessary, and to aid in the construction of which it has granted quantities of the public lands; and

Whereas the completion by the said Central Pacific Railroad Company of its own road to the southern boundary line of Oregon without assurance of the completion of that portion of the road from Portland to said boundary line would be a waste of money, the road having to be constructed through a rugged and mountainous country at great expense and without sustaining local traffic; and

Whereas it is of the greatest importance to the Central Pacific Railroad Company that it should have an opening into Oregon, both for local traffic and the through business of the two cities, and also to furnish business for its entire line from Ogden:

Now, therefore, for the purpose of completing its said road, and of securing the completion of the road between the California State line and Portland, Oreg., thus making a through line between said cities of Portland and San Francisco and a connection with the Union Pacific Railroad at Ogden, and in order to secure the business of the northern portion of the State of California and as much as possible of the business of the State of Oregon, and to bring such business to its line from Ogden, and for the purpose and with the intent of carrying into effect the provisions of said act of Congress, the said Central Pacific Railroad Company hereby covenants and agrees with the said Pacific Improvement Company—

First. That the said Pacific Improvement Company shall, in a good workmanlike manner, construct, finish, furnish, and complete the railroad and telegraph line of the said Central Pacific Railroad Company, commencing at a point near the said town of Delta and running thence in a general northerly direction by the most practicable route to a point on the southern boundary line of Oregon, there to connect with the road of the said Oregon and California Company, a distance of 104 miles, as near as may be, together with the rolling-stock, buildings, instruments, and fixtures thereof; that is to say, to construct, finish, and complete all the clearing, grading, excavations, embankments, ditches, drains, masonry, culverts, bridges, trestling, and necessary fencing, and furnish all the ties, timber, rails, all the chairs, fish-plates, spikes, frogs, and switches, lay and complete all the main line of track and all the side-tracks, spur-tracks, and turnouts necessary, usual, and proper for a single-track railroad; also all necessary and proper buildings and erections for stations, freight and passenger depots, water-tanks, turn-tables, engine-houses, section-houses, work and repair shops, with all the tools, furniture, and implements necessary and proper therefor; also to furnish and place on said railroad all necessary and proper rolling stock, instruments, and equipments, including locomotives, passenger, box, freight, baggage, platform, dump, and hand cars for the proper and successful working and repairing of said railroad and telegraph line, said rolling-stock to be furnished and delivered as the same may be required by the said Central Pacific Railroad Company, not to exceed the following quantity and proportion, namely: One locomotive for every eight miles of road constructed under the contract; one passenger car for every five miles of road; three box and flat cars for every mile of road, the proportion of each to be determined by the said Central Pacific Railroad Company; one hand car for every six miles of road; such number of dump cars as may be required for maintaining the line; said railroad to be constructed and completed to a point at or near the Klamath River within twelve months from the date hereof, and to the southern boundary line of Oregon as soon as the said Oregon and California Railroad is completed to said line.

Second. That the said Pacific Improvement Company shall furnish and pay for all the engineer service necessary or requisite for the location and construction of said railroad and its appurtenances, such location and construction to be subject to the approval of the president or chief engineer of said Central Pacific Railroad Company, who may direct such changes to be made as they may deem proper, but the salary of the chief engineer shall be paid by said Central Pacific Railroad Company.

Third. That the said Pacific Improvement Company will pay all the costs, damages, and other expenses incurred in obtaining right of way for the construction of said road, and to that end the Central Pacific Railroad Company agrees that it may use the name of the said company in any legal steps found necessary to be taken in securing such right of way.

Fourth. That the said Pacific Improvement Company will, within a reasonable time and as soon as it can be done to the best advantage, purchase, obtain possession and control of the said Oregon and California Railroad, or that it will, within a reasonable time, purchase the whole of or a majority of the shares of the capital stock of said Oregon and California Railroad Company, and in either event will within a reasonable time complete or cause to be completed the said Oregon and California Railroad to a connection with the Central Pacific Railroad at a point on the boundary line between California and Oregon, and, as the case may be, will enter into, or will cause the said Oregon and California Railroad Company to enter into, a contract perpetual with the said Central Pacific Railroad Company, its successors or assigns, that the said Oregon and California Railroad shall be operated in harmony with the said

Central Pacific Railroad, prorating for services and covenanting therein never to give to any other railroad company any better terms for through traffic and for the interchange of business than it gives to the Central Pacific Railroad Company, its successors or assigns.

Fifth. That the said Pacific Improvement Company shall and will repay to the said Central Pacific Railroad Company, within one hundred and twenty days from the date hereof, all sums of money, with interest thereon at the rate of 6 per cent. per annum, heretofore by the said railroad company expended upon that portion of its aforesaid line of railroad and telegraph line lying north of Delta, and that if said railroad company has not fully paid all the costs and expenses incurred as aforesaid, the said improvement company will assume the whole thereof, and will, upon demand, pay off and discharge the same; or that if the said railroad company is compelled to pay the same or any part thereof, then the said improvement company will, within one hundred and twenty days after notice thereof, pay to the said railroad company the full amount of any such payments, with interest at the rate aforesaid.

And the said Southern Pacific Company, lessee of the said Central Pacific Railroad Company, hereby covenants and agrees with the other parties to this contract that, in consideration of the advantages to be derived by it from the bringing of business to the main lines of the Central Pacific Railroad, it will, when said through line is completed, finished, and ready for operation, enter into an agreement in writing with the said Central Pacific Railroad Company whereby it shall lease from said company that portion of said line between Roseville Junction and the State line not now included within its lease, and will increase the consideration of twelve hundred thousand dollars, guaranteed rental mentioned in the existing lease, as much in proportion as 80,000 shares of the capital stock of said Central Pacific road shall bear to the whole amount of capital stock of said company now issued, and will also increase the limit of the maximum rental of thirty-six hundred thousand dollars therein provided for in like proportion; and that it will transport and convey, free of charge, over the lines operated by it in California, north of San Francisco, all agents, laborers, and employes, and all provisions, tools, iron, and other materials, and all other property employed or used, or to be employed or used, in and about the construction of said railroad and telegraph line and their appurtenances by or for said Pacific Improvement Company.

And the said Central Pacific Railroad Company hereby covenants and agrees to and with the said Pacific Improvement Company that, in consideration of the premises and of the faithful performance of the covenants herein contained to be kept, observed, and performed by said Pacific Improvement Company, it will, upon the execution of this agreement, issue and deliver to said company eighty thousand shares of its capital stock, and in addition thereto it will pay to said Pacific Improvement Company four million five hundred thousand dollars in mortgage bonds, as follows: When one-half of the work on said road between Delta and the Oregon line is completed, it will pay and deliver to said Pacific Improvement Company all of its first-mortgage bonds now unissued, part of an issue by it heretofore provided for, to be used toward the construction of its railroad between Roseville Junction and said Oregon line, and that it will pay to said Pacific Improvement Company the balance of said four million five hundred thousand dollars of bonds, in its mortgage bonds, part of an issue by it provided for in an indenture of mortgage by it made to William E. Brown and Frank S. Douty, bearing date October 1, 1886, and that it will make said last-mentioned payment as the work on said road progresses, and as sections of not less than ten miles between Delta and the Oregon State line are completed, and in the proportion which the completed section shall bear to the whole length of the road between the points last aforesaid:

In testimony whereof the parties hereunto have caused these presents to be signed by their respective presidents and secretaries and their corporate seals to be hereunto affixed. Done in triplicate the day and year first herein written.

	LELAND STANFORD, <i>President of the Central Pacific Railroad Company.</i>
[SEAL.]	E. H. MILLER, JR., <i>Secretary of the Central Pacific Railroad Company.</i>
	LELAND STANFORD, <i>President of the Southern Pacific Company.</i>
[SEAL.]	E. H. MILLER, JR., <i>Secretary of the Southern Pacific Company.</i>
	J. H. STROBRIDGE, <i>President of the Pacific Improvement Company.</i>
[SEAL.]	F. S. DOUTY, <i>Secretary of the Pacific Improvement Company.</i>

(Indorsed on back:) Executed copy agreement between Central Pacific, Pacific Improvement Company, and Southern Pacific Company. Pacific Improvement Company to finish construction of California and Oregon Extension. October 11, 1886.

"Exhibit No. 2, July 25, 1887."

The WITNESS. I can furnish you with the printed copy of that, certified, if you wish it.

By Commissioner ANDERSON:

Q. We were so rejoiced to get hold of a copy of any paper that we thought we would have it copied. Have you enumerated all the construction contracts that you recall?—A. Yes, sir.

Q. They, then, represent substantially all the contracts under which the aided portion of the Central Pacific was constructed?—A. Yes, sir; more than that.

Commissioner ANDERSON. That is, the Crocker contract, the Contract and Finance Company contract, the Western Development Company contract, and the Pacific Improvement Company contract.

The WITNESS. Yes, sir.

Commissioner LITTLER. As I understand, the contract you found was a subcontract between Crocker and somebody else, who built a few miles of the road.

The WITNESS. No, sir; you are referring now to one of the original contracts?

Commissioner LITTLER. Yes.

The WITNESS. I found one of the original contracts for 2 miles.

By Commissioner LITTLER:

Q. Where is that?—A. I think Mr. Stevens has it. I will send for it.

REPORTS MADE BY STANFORD, HUNTINGTON, HOPKINS, AND CROCKER.

By Commissioner ANDERSON:

Q. Were Mr. Huntington, Governor Stanford, Mr. Crocker, and Mr. Hopkins in the habit of making reports to the company, from time to time, of the transactions effected by them in their respective departments?—A. I do not think Mr. Hopkins ever made a report. Yes, sir; he did, too, as treasurer; yes, sir; they all did.

Q. Where are those reports?—A. I have them, I think.

Q. How frequently were they made?—A. Mr. Huntington's were made in the form of a statement of accounts practically monthly.

Q. Have you all of these in your possession?—A. Yes, sir.

Q. Will you please produce them at the convenience of the Commission?—A. Yes, sir; I will do so. I beg to say that Mr. Stevens is using them right along, however.

Q. Mr. Stevens has access to them?—A. He has as he calls for them.

Q. Do you mean to say that Mr. Huntington has made monthly reports always?—A. Practically, monthly, yes, sir, except for the very first year or two.

Q. In the shape of statements of accounts?—A. Since 1865, as statement of accounts, monthly.

Q. What subject did Governor Stanford report on?—A. Governor Stanford did not make any report or statement of account. Governor Stanford's habit was, when he was in San Francisco, to draw his checks for anything and everything from his private account at the bank. When at Sacramento he handed me his check book, and from that I made up a statement of account, which I call his report.

Q. Explaining the application of these moneys?—A. Yes, sir.

Q. What was the subject of Mr. Crocker's reports?—A. I do not remember that Mr. Crocker ever made a report.

Q. What was the subject of Mr. Hopkins's reports?—A. The business of the treasurer.

PURCHASE OF SAN FRANCISCO AND SACRAMENTO STEAMERS.

Q. Do you recollect the fact that the Central Pacific made a purchase of the steamers plying between San Francisco and Sacramento, I think it was?—A. Yes, sir.

Q. Was that purchase made by a contract?—A. No, sir; I do not think it was.

Q. How was it effected?—A. I think the negotiation was carried on by Governor Stanford.

Q. And Mr. Huntington?—A. I do not think Mr. Huntington was here at the time, but I presume he knew all about it, and was a part of it, probably, but I do not think there was any written contract.

Q. Do you know how the price was negotiated?—A. No, sir; I do not.

Q. Do you know whether Mr. Stanford and Mr. Huntington were interested in those steamers before the Central Pacific acquired them?—A. I have never understood that they were.

OWNED BY THE CALIFORNIA PACIFIC.

Q. Do you know whether they were interested—I mean Mr. Huntington and Governor Stanford—in the stock of the corporation which owned these steamers? That was the California Pacific Railroad Company, I think.—A. Yes, sir; I believe so.

Q. The California Pacific, it was called?—A. Yes, sir.

Q. They were stockholders?—A. Yes, sir.

THE MINUTES WILL SHOW THE PRICE PAID.

Q. Do the minutes of this company show how the price to be paid for these steamers was determined?

The WITNESS. The minutes of the Central Pacific?

Commissioner ANDERSON. Yes.

The WITNESS. Is that Mr. Huntington's testimony.

Commissioner ANDERSON. Yes; Mr. Huntington's testimony.

The WITNESS. The minutes may show that. The minutes possibly show the price that was to be paid; but how that price was determined is more than I think is in the minutes.

Q. Could it be determined in any way except by a vote of the directors?

The WITNESS. I beg pardon; I had an idea that you meant how the actual amount to be paid was determined—the negotiations.

Commissioner ANDERSON. That is what I mean. Whether they were to pay \$1,000,000 or \$2,000,000 or \$100,000?—A. Yes, sir. I misapprehended the question.

Q. What is your answer?—A. Yes, sir. The minutes of the books will show it. The books of the company show the amount they paid.

Q. Do you know who was present and voted as to whether the price should be approved or not?—A. No, sir; I do not remember that.

Q. Do you know whether Mr. Huntington voted in favor of paying the price?—A. I do not remember.

Q. Or whether Governor Stanford did?—A. I do not remember. It is easily ascertained.

Q. The minutes will show?—A. Yes, sir. That is, if it appears, the minutes would show it.

Q. Do you know the price that was paid?—A. No, sir; I do not remember exactly.

PURCHASES OF OFFICERS SUBSEQUENTLY RATIFIED BY BOARD.

Q. Do you know whether the officers of the Central Pacific were in the habit of making such purchases without any vote of the board of directors, and of their own motion?—A. I think they frequently made purchases to that extent, which were ratified by the board of directors afterward, or assumed to be ratified.

Q. Of properties where they were stockholders in the selling company?—A. No.

Commissioner ANDERSON. That is this case.

The WITNESS. Yes, sir; that is this case; but I did not gather that from the form of your question. For instance, Mr. Huntington purchases and has purchased from time to time large amounts of iron without any action of the board of directors.

Q. And procured its ratification subsequently?—A. No, sir; never procured any ratification.

Q. Simply did the business of his own accord?—A. Yes, sir.

Q. To very large amounts?—A. Very large amounts.

HUNTINGDON HAD FULL POWERS OF ATTORNEY.

Q. Who would then fix the price at which the iron was to be sold or paid for?—A. Mr. Huntington. I will add to that, however, that Mr. Huntington had full power of attorney.

Q. From whom?—A. From the company.

Q. Approved by the board?—A. Yes, sir; adopted by the board.

By the CHAIRMAN:

Q. Did the company keep a copy of the power of attorney?—A. Yes, sir.

Q. Have you a copy of it?—A. It is entered in the minutes. I presume I have a copy. I have the original, I presume. I have no doubt I have.

Q. Will you produce the original?—A. Yes, sir.

BOOKS KEPT BY THE CENTRAL PACIFIC.

Commissioner ANDERSON. Please describe in general the set of books which are now kept by the Central Pacific Company.

The WITNESS. You only mean the general books, of course; not the operative detail books.

Commissioner ANDERSON. Yes.

The WITNESS. They are the cash book, in the treasurer's office; a journal and ledger, in the secretary's office; and the minute book of the company. The stock journal, the transfer book and ledger.

Q. Are they all kept under your supervision?—A. Yes, sir.

Q. How many clerks do you employ under you?—A. In that immediate department there are seven. They are not employed now by the Central Pacific. There is only one in employ of the Central Pacific.

Q. You have not named all the books, have you?—A. I have named the general books.

GENERAL AUDITOR'S BOOKS.

Commissioner ANDERSON. Now, in regard to the books relating to the operation of the road, the receipts for freight and passengers?

The WITNESS. They are kept in the general auditor's office.

Q. What is the general auditor's name?—A. E. C. Wright.

Q. Where are his books?—A. They are now in room No. 1 of this building.

Q. What books does he keep, describing them generally?—A. He keeps a day-book and ledger and distribution book. That is about all the regular books that are kept.

FREIGHT AUDITOR'S BOOKS.

Q. Does he keep all the operating accounts, both the receipts from freight and passengers, and of operating expenses?—A. No, sir.

Q. Who keeps those?—A. Those books are kept for the freight department by O. J. Wilder, the freight auditor, and for the passenger department they are kept by A. G. W. McCullough.

Q. Where are these gentlemen?—A. They are here in this building.

Q. Take the freight department first. Is O. J. Wilder your freight auditor?—A. Freight auditor.

Q. Does he keep all the accounts of the Central Pacific receipts for freight?—A. Yes, sir.

Q. The form of the business, as I now understand it, is that the Central Pacific is leased to the Southern Pacific for the rent of its road, for the actual receipts?—A. Yes, sir.

Q. That is the amount they pay?—A. Well, a guaranty.

Q. Therefore the auditor keeps an account of the business done on the Central Pacific, just as he did before the lease?—A. Yes, sir; they are kept in just the same way.

Q. Does Mr. Wright receive reports from all your freight agents at different stations along your road?—A. No, sir.

Q. How does he get his receipts?—A. Mr. Wilder receives reports from all the freight agents on the road.

REBATE AND REFUND BOOKS.

Q. Do you know whether Mr. Wilder keeps rebate books or refund books?—A. No, sir; they are not in his charge.

Q. In whose charge is that subject?—A. That is kept by the general freight agent.

Q. What is his name?—A. His name is Richard Gray.

Q. Is he also in this building?—A. Yes, sir.

Q. And has he a book of the description I have mentioned, of refunds or rebates?—A. I do not know whether he has such a book or not, because those rebates are paid and go into the general auditor's office, Mr. Wright's office. Mr. Wright may have that book instead of Mr. Gray.

Q. They are paid on regular vouchers or receipts?—A. Yes, sir.

Q. Who has the custody of those vouchers?—A. Mr. Wright, the general auditor.

Q. Has Mr. Wright the general control of the whole subject as to whether rebates shall be allowed, and how much?—A. He has no control whatever.

Q. Who has control of that subject?—A. Mr. Stubbs, the general traffic manager, and Mr. Gray, the freight agent.

THE DISTRIBUTION BOOK.

Q. Is Mr. Stubbs also in this building?—A. Yes, sir.

Q. Do you keep a register called the expense-voucher register?—A. No; no register called expense-voucher register, but there may be such

a book kept in the general freight office. It will appear on the distribution book in the general auditor's office, under the head of "expense account," which I can explain.

Commissioner ANDERSON. Explain it.

The WITNESS. We have a very large book which we call the "distribution book." Every item paid that goes into the account of the auditor is entered under name, with the total amount. Then, if it is an expense, a portion of it, it is entered in the column of expense. If the voucher contains two or three items they are distributed along through the book under the various headings to which they belong. Instead of keeping several books we keep one of that kind.

By Commissioner LITTLER:

Q. Were all those books prescribed by you as secretary of the company?—A. Yes, sir; practically.

Q. Are they all made up and approved by you, and under your direction?—A. The blank books are. The voucher comes to me as auditor of accounts and I allow it; then it goes to the general auditor to be entered on his books. When it is so entered it comes to the paymaster to be paid, and the paymaster returns it to the general auditor, so that he can get credit for that amount of money.

REBATES ON VOUCHERS SEPARATE AND DISTINCT.

By Commissioner ANDERSON:

Q. Is the refund or rebate made out on a voucher separately by itself and without any necessity for following it in the distribution book? Can we recognize rebates simply from the voucher, or is the account mixed up with other payments?—A. No, sir; the rebates will appear on a voucher separate and distinct from anything else.

Q. Is there a separate book also?—A. No, sir; I think not. There may be a separate book kept in the general freight office.

Commissioner ANDERSON. We have the names and we will find them. What we desire to see is a statement of the course pursued by this company in allowing rebates or refunds to any of the persons with whom the company has dealt, and we will ask you to produce the book which will most readily give us that information.

The WITNESS. The distribution book will; you can have it.

RECEIPTS AND PAYMENTS OF POOL CONTRACTS.

Q. In what books do the receipts of the Central Pacific Railway Company and the payment by it on pool contracts appear?—A. They all appear on the auditor's books.

Q. How many pool contracts had this company prior to the act of last April, or, rather, of how many pools was it a member?

The WITNESS. Just at that time, or altogether? There were various pools from time to time.

Commissioner ANDERSON. Tell us of the various pools.

The WITNESS. I cannot do that. I do not know. There were several, but I cannot give them all.

Q. Have you the pool contracts?—A. No, sir; I do not think I all of them. I think some of them are in the general freight office.

Commissioner ANDERSON. Tell me what pool contracts you have.

THE TRANSCONTINENTAL POOL.

The WITNESS. There is one that we call the Gould-Huntington contract.

Commissioner ANDERSON. The Gould-Huntington pool?

The WITNESS. Yes, sir. There was a contract with the Pacific—I do not know the name of it—the Pacific Coast Steamship Company, I think.

Commissioner ANDERSON. The transcontinental pool?

The WITNESS. Yes, sir; there is one called the transcontinental pool. But I am not familiar with those pools.

Q. Who is familiar with them?—A. The general freight agent and the general traffic manager.

Q. Mr. Wilder?—A. No; Mr. Stubbs and Mr. Gray.

Q. Are those pool contracts in your possession?—A. I think I have one, or perhaps all. I do not think I have, though.

LAND-ACCOUNT BOOKS.

Q. We will ask you to look for them. Who keeps your land accounts?—A. William H. Mills is the land agent.

By Commissioner LITTLE:

Q. Does he keep the books?—A. They are kept under his charge.

By Commissioner ANDERSON:

Q. Where is his office?—A. I forget the number of the room.

Q. It is in this building?—A. Yes, sir.

Q. Do you know anything of the number of books kept by him, and what books they are?—A. Yes, sir.

Q. What books does he keep?—A. I cannot give you the details of just what he does keep.

Q. You refer us to him for all the books relating to land?—A. Yes, sir.

LAND-GRANT MORTGAGES.

Q. Who is the trustee of your land-grant mortgage?

The WITNESS. At present?

Commissioner ANDERSON. Yes.

A. William E. Brown and J. O'B. Gunn.

Q. Where is Mr. Gunn?—A. He is in San Francisco.

Q. How many land-grant mortgages has your company made?—A. Two.

Q. Have you copies of those mortgages?—A. Yes, sir. We have printed copies, I think.

Q. Can you furnish us with a complete printed copy of all the mortgages made by this company?—A. Yes, sir. I can have them printed by type-writer. Possibly I may have them all.

Commissioner LITTLE. We supposed you had them already.

The WITNESS. I think I have, but if I have not I can furnish them.

By the CHAIRMAN:

Q. Have you named all the books kept by the company in the accounting department?—A. No, sir.

AUDITOR OF MOTIVE POWER AND MACHINERY.

By Commissioner ANDERSON:

Q. Please tell what you have omitted?—A. There is an auditor of motive power and machinery.

Q. What is his name?—A. His name is C. H. Foster.

Q. He keeps the statistics relating to motive power and machinery?—
A. Yes, sir.

By Commissioner LITTLE :

Q. Does that department include fuel?—A. Yes, sir.

THE TREASURER'S BOOKS.

By Commissioner ANDERSON :

Q. What other books are there, if any?—A. I mentioned the treasurer's office. Those books are a part of the general books. They keep simply a cash-book.

Commissioner ANDERSON. You mentioned that at the beginning.

The WITNESS. I think I mentioned that. I do not think of any others; that is, any other general books. Of course the agents at each shop have a set of books kept. They all come here for final collation.

LEASED LINES.

Q. Now in regard to leases: What companies have the Central Pacific Railroad Company operated under lease?—A. The Stockton and Copperopolis, the California Pacific, the Northern Railway, the San Pablo and Tulare, the Southern Pacific of California, Southern Pacific of Arizona, Southern Pacific of New Mexico, the Los Angeles and Independence, the Los Angeles and San Diego, and the Amador branch.

Q. Up to what period were those roads leased to the Central Pacific?—
A. The leases of all except the Stockton and Copperopolis were transferred to the Southern Pacific Company in October, 1886. I may be mistaken as to the month, but it was about that—no, they were not transferred, but those leases were canceled.

Q. When?—A. In October, 1886.

Q. Have you those leases?—A. Yes, sir.

Q. Will you please hunt them up and produce them to the Commission?—A. Yes, sir; that is, the leases of the roads that were leased to the Central Pacific.

LEASE OF CENTRAL BY SOUTHERN PACIFIC.

Q. Yes. When was the Central Pacific leased to the Southern Pacific?—A. The date of the lease was in February, 1885, to take effect April 1, 1885.

Q. Will you furnish a copy of that lease?—A. Yes, sir.

(The lease will be found in the testimony of E. H. Miller, jr., given on August 16, 1887.)

CIRCULAR LETTER OF COMMISSION.

Q. Have you a copy of the circular letter issued by this Commission to this company?—A. Yes, sir.

Q. Have you prepared answers to the questions contained in that letter?—A. Yes, sir; I have prepared some. You mean the letter addressed to Governor Stanford?

Commissioner ANDERSON. Yes.

The WITNESS. I have prepared answers to such as Governor Stanford referred to me, but the answers are not complete. They are now in the hands of the type-writers, to be printed.

Q. Have you received another circular letter calling for answers to various other matters?—A. I have not got it here, but what you call

the circular was a letter addressed by the Commission to President Stanford.

Commissioner LITTLER. I call that a letter directed to the company, and not a circular letter.

The WITNESS. Yes, sir; that is so.

Q. Was that the one you refer to?—A. Yes, sir.

Q. You received another letter?—A. Yes, sir.

Q. Have you prepared answers to that?—A. I have not, assuming that the letter to Governor Stanford would take the place of the circular. They covered the same ground, as far as I understand it. This is the one I referred to [producing the printed circular letter of the Commission for public circulation]. This is practically a copy of the letter sent to Governor Stanford. The previous one, I think, covered only ten or eleven questions.

CONSTRUCTIVE MILEAGE ACCOUNT.

By the CHAIRMAN:

Q. Have you a constructive mileage account?—A. Yes, sir; your accountants are making it out. We had a constructive mileage account only from 1880 to one or two months in 1883.

MINUTE-BOOKS OF BOARD OF DIRECTORS.

By Commissioner ANDERSON:

Q. Where are your books of minutes of the board of directors?—A. They are in my office.

Q. How many books are there?—A. I think there are four.

Q. Will you inquire of the president of the company whether there is any objection to our having them moved to the hotel for convenient examination there this afternoon?—A. I will.

NO MINUTES KEPT BY EXECUTIVE COMMITTEE.

Q. Are there minutes of the meetings of the executive committee?

By Commissioner LITTLER:

Q. Are they kept in a regular book of minutes?—A. No, sir.

Q. Have you a different book of minutes of the executive committee?—A. No, sir; the executive committee never kept any minutes.

By the CHAIRMAN:

Q. How did they report to the general board?—A. They did not report.

Q. How often did they meet?—A. Occasionally.

Q. How occasionally; once in three or six months?—A. I do not know.

PERSONNEL OF EXECUTIVE COMMITTEE.

By Commissioner ANDERSON:

Q. Who composed the executive committee?—A. Charles F. Crocker, Timothy Hopkins, and S. T. Gage.

Commissioner ANDERSON. I do not remember Mr. Gage as being a director.

The WITNESS. Yes, sir.

INFORMAL VERBAL REPORTS TO BOARD OF DIRECTORS.

By the CHAIRMAN:

Q. How do the board of directors get information as to the work of the executive committee?—A. I am sure I do not know that they got any information from the executive committee, except as the individuals of the executive committee at the meeting of the board stated.

Q. Who was chairman of the executive committee?—A. I do not think they ever organized.

Q. Were you present at the meeting of the board of directors when any individual of the executive committee reported?—A. Only as I state, when they reported verbally.

Q. Did you take down the report as secretary?—A. No, sir.

Q. Were you present when any action was ever taken on a report of the executive committee?—A. There never was a report made by the executive committee as an executive committee.

METHOD OF ACTING ON SUCH REPORTS.

Q. Were you present when any action was taken on a report of any individual member of the executive committee?—A. Yes, sir.

Q. How did the board act?—A. Sometimes they adopted the action proposed by the executive committee, or by the members of the executive committee, to be adopted.

Q. How would the secretary of the board enter it upon the minutes?—A. He would enter it as the action of the board of directors.

Q. Would any intimation be given as to the report of an individual member of the executive committee?—A. No, sir.

Q. Then if they approved of the course of an individual member of the executive committee, it would take the shape of a resolution of the board of directors, would it?—A. No, sir.

Q. How would it appear on the directors' minutes?—A. The executive committee would not appear at all. As a member of the board of directors one of them would perhaps offer a resolution that certain things should be done in the board, and it was either adopted or not.

Q. Then where the individual members of the executive committee appear in the meetings of the board of directors as offering a resolution, and the board approved of it, that is the result of the action of an individual member of the executive committee approved by the board?—A. No, sir; I do not understand that they appeared before the board as an executive committee at all, but they appeared before the board as individual members of the board. If they, as members of the board, offered a resolution, and if the board approved it, it is adopted. But as an executive committee they never made any proposition to the board of directors, or offered a resolution to be adopted.

Q. Did the board of directors ever act upon any action of the executive committee?—A. I think not; no, sir.

Q. Was there ever any action on the part of the executive committee?—A. Not to my knowledge.

OBJECT OF THE EXECUTIVE COMMITTEE.

Q. What was the use of the executive committee?—A. I do not know, really.

Q. Had it any purpose?—A. Yes, sir; I think it had this purpose, that those three were to talk matters up and consult together, and then, if they agreed upon a certain proposition, it would be presented to the

board, not by the committee as an executive committee, but it would be presented to the board for its action.

Q. Would not that be the result of the executive committee, if they agreed upon it?—A. No, sir. They took no action. It was submitted entirely and always to the board of directors for their action.

Q. Was it after consultation by the executive committee?—A. I do not know about that.

Q. I understood you to say that after consultation the executive committee, reaching a point of agreement, then had one of the individual members report, and then, if approved by the board of directors, it went upon the minutes. Is that true?—A. No, sir; I did not intend to be understood in that way.

Q. Will you explain?—A. You asked me what was the use of the executive committee, and I explained it as well as I could, that they would perhaps get together and consult among themselves on what action, if any, in certain matters ought to be adopted by the company. When they came before the board of directors they did not come at all as an executive committee. They came just as individual members of the board of directors would come, and offered such a resolution. It was done in open board. If it was adopted, all right. It was the action of the board of directors, the executive committee having taken no action whatever on it; only, as I take it, every resolution offered before the board of directors of any company is always considered by somebody before it is offered.

Q. What I want to know is, after having ascertained the views of a member of the executive committee, and there having appeared on the minutes a resolution with the approval of the board of directors, whether that was the course of the executive committee as approved by the board of directors?—A. No, sir; it was not, in any case.

E. H. MILLER, JR.

The Commission then adjourned to meet on Tuesday, July 26, 1887, at 10 a. m.

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, Cal., Tuesday, July 26, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

EDWARD H. MILLER, JR., being further examined, testified as follows:

The WITNESS. I did not give you yesterday, by oversight, the index to the minute books.

The CHAIRMAN. We would like to have that.

The WITNESS. It is a separate book, and I ought to have handed it to you, but I overlooked it.

FURNISHING INFORMATION PREVIOUSLY CALLED FOR.

By Commissioner ANDERSON:

Question. Will you inform us what you have that we called for yesterday?—Answer. All the articles of consolidation. I have not had time to arrange them, but they are in this pile.

Charles Crocker's whereabouts I do not know anything about.

I have the list of directors at the time of the Crocker contract. I now furnish a complete list of the directors from the organization to the present time, as you will see. As to the members of Crocker & Co., I answered that yesterday.

Commissioner ANDERSON. You said you did not know.

The WITNESS. I did not know. As to Crocker's contracts, 1 and 2, I answered yesterday that they were missing. As to the contract with Collins & Bro., I believe that is here, but I am not certain, I have been in such a hurry to get them up.

As to the contracts with the Contract and Finance Company and the Western Development Company, I answered yesterday that they were missing.

The copy of contract with the Pacific Improvement Company the Commission had yesterday.

Reports of Messrs. Stanford, Huntington, and Hopkins are not all here; but the reports of Mr. Stanford, so far as I have found them, and of Mr. Huntington up to 1878, are here. Your accountants are using the reports for 1879.

The reports of Mr. Hopkins, as treasurer, are all here, that I can find.

The powers of attorney to C. P. Huntington are here.

The refund book has not come in.

I have here the distribution book and books showing pool payments and receipts, which will appear also upon the distribution book.

All pool agreements and leases are here that I have ever had in my charge.

I believe copies of all mortgages are here.

Q. Including the one of February, 1886?—A. Including the mortgage of February, 1886.

Commissioner ANDERSON. The mortgage that was given to secure the last \$10,000,000 issue. I think that is the date.

The WITNESS. That is the mortgage October, 1886, I think. That is \$16,000,000. They are all here, I think.

The minutes the Commission have.

PRODUCTION OF PAPERS.

The witness produced the following papers: Articles of association, of amalgamation, and consolidation between the Western Pacific Railroad Company and the San Francisco Bay Railroad Company, dated October 28, 1869.

(It was marked "Exhibit No. 1, July 26, 1887.")

The resolution agreeing to consolidate between the California and Oregon Railroad Company and the Yuba Railroad Company, dated December 15, 1869.

(It was marked "Exhibit No. 2, July 26, 1887.")

Articles of consolidation between the Central Pacific Railroad Company and the Western Pacific Railroad Company, dated June 22, 1870.

(It was marked "Exhibit No. 3, July 26, 1887.")

Articles of consolidation between the San Francisco and Oakland Railroad Company and the San Francisco and Alameda Railroad Company, dated June 28, 1870.

(It was marked "Exhibit No. 4, July 26, 1887.")

Articles of consolidation between the Central Pacific Railroad Company, the California and Oregon Railroad Company, the San Francisco, Oakland and Alameda Railroad Company, and the Joaquin Valley Railroad Company, dated August 20, 1870.

(It was marked "Exhibit No. 5, July 26, 1887.")

ORGANIZATION OF CENTRAL PACIFIC.

Commissioner ANDERSON. It appears from the first article of Exhibit 5 of to-day that the four companies mentioned in the last-named articles of consolidation became known by the corporate title of the Central Pacific Railroad Company.

By Commissioner LITTLER :

Q. Was the first corporation, the Central Pacific Railroad Company, organized under the statute of the State of California?—A. Yes, sir.

Q. Under a special act?—A. I think not.

Q. Was it under the general law?—A. I think it was under the general law.

Q. Where is the certificate of incorporation of that company?—A. I think I have it.

By Commissioner ANDERSON :

Q. That is filed here in your county clerk's office, and you have a certified copy?—A. Yes, sir; filed in the office of the secretary of state, I think.

ARTICLES OF INCORPORATION RECORDED IN MINUTE-BOOK.

By Commissioner LITTLER :

Q. Have you not in your minutes the record of the proceedings by which you became a corporation?—A. I think the articles of incorporation are in there.

Q. In this first book of minutes?—A. I think so. I think they are copied in there, but I am not sure of that. But I have a copy of it if it is not here. [After examination.] No, sir; I am mistaken.

Commissioner LITTLER. I wish you would furnish the date of the certificate of organization of the Central Pacific Company?

The WITNESS. I can get it now.

MORTGAGE OF JULY 5, 1865.

(The witness also produced a mortgage dated July 5, 1865, of the Central Pacific Railroad Company, of California, to D. O. Mills and William E. Barron, trustees. It was marked "Exhibit No. 6, July 26, 1887.")

By Commissioner ANDERSON :

Q. What was the amount of that mortgage of 1865? What was the authorized issue?—A. Series A, 3,000 bonds; series B, 1,000 bonds.

By Commissioner LITTLER :

Q. What is the denomination?—A. \$1,000 each. Series C, 1,000 bonds. Series D to be of bonds for \$1,000 each, and to include the remainder of said bonds authorized to be issued on said portion of said railroad line.

Q. How long do these bonds run, respectively, and what are they payable in, and how much interest do they pay per annum?—A. They were 6 per cent. thirty-year bonds.

Q. Each and all of them?—A. Yes, sir.

Q. What are they payable in, principal as well as interest?—A. In lawful money of the United States.

AMOUNT OF BONDS OUTSTANDING.

By Commissioner ANDERSON:

Q. What is the amount now outstanding?—A. The report of 1885 will tell. The amount of bonds to be issued was not definitely fixed by the mortgage.

Q. But it was to be equal to the amount of Government bonds?—A. Yes, sir.

By Commissioner LITTLER:

Q. Were all the bonds issued that were authorized by that mortgage?—A. Yes, sir.

Q. Are they all outstanding?—A. No, sir. The amount outstanding of Series A is \$2,995,000; of Series B, \$1,000,000; of Series C, \$1,000,000; of Series D, \$1,383,000.

By Commissioner ANDERSON:

Q. Making a total of how much?—A. Six million three hundred and seventy-eight thousand dollars.

ANTICIPATED TERMS OF RENEWAL AT MATURITY.

Q. Those mature in 1895?—A. They mature at different dates; they were issued at different dates.

Q. Between what years do they mature?—A. Series A matures July 1, 1895; Series B, C, and D mature July 1, 1896.

Q. From your knowledge of the financial markets, at what rate of interest can that mortgage be renewed when it matures?—A. It depends entirely upon the security.

Q. It is absolutely the first lien on your road, is it not?—A. It is now.

Q. Assuming that it so remains, what is your answer?—A. I think $3\frac{1}{2}$; they would sell at par; possibly at 3 per cent.

HOW SECURED.

By Commissioner LITTLER:

Q. How many miles of road stand as security for that indebtedness?—A. About 125, I think.

Commissioner LITTLER. I wish you would give the number of miles.
The WITNESS. It is estimated here at 125 miles; I cannot give it to you exactly.

(The witness also produced a mortgage of the Central Pacific Railroad Company of California to D. O. Mills and William E. Barron, trustees, dated January 1, 1867. It was marked "Exhibit No. 7, July 26, 1887.")

MORTGAGE OF JANUARY 1, 1867.

By Commissioner ANDERSON:

Q. Please tell us the amount of that mortgage, and the rate of interest and other particulars?—A. There was, by the mortgage, no special number authorized; but they were to cover the railroad line lying eastwardly of the eastern boundary line of the State of California, and to the extent and distance that the company might construct the said railroad eastwardly of said eastern boundary line.

Q. Is the amount per mile specified?—A. I do not think it is in dollars and cents. It was to be to an amount equal to, but not exceeding,

the amount of United States bonds which might be issued to said company under and in pursuance of said several acts of Congress heretofore mentioned, and such acts of Congress as might thereafter be enacted.

BONDS ISSUED UNDER IT.

Q. That is sufficient. Please state from the report the amount of bonds issued under that mortgage and the amount outstanding.—A. Series E, amount authorized, \$4,000,000; amount outstanding, \$3,997,000; due January 1, 1897.

Series F, amount authorized, \$4,000,000; amount outstanding, \$3,999,000; due January 1, 1898.

Series G, \$4,000,000 authorized; \$3,999,000 outstanding; due January 1, 1898.

Series H, \$4,000,000 authorized; amount outstanding, \$3,999,000; due January 1, 1898.

Series I, amount authorized, \$3,525,000; amount outstanding, \$3,511,000; due January 1, 1898.

Commissioner ANDERSON. I notice you are giving these figures from the report of 1885?

The WITNESS. Yes, sir.

Q. Has the report of 1886 not yet been printed?—A. No, sir; it is in the hands of the printer.

Q. Can you have it very shortly?—A. I think we will have it within a few days.

Q. What is the total amount outstanding of these mortgages?—A. \$19,505,000.

ANTICIPATED TERMS OF RENEWAL AT MATURITY.

Q. Is this mortgage also an absolute first lien on that part of the road east of California and extending to Ogden?—A. That is as I understand it.

Q. At what rate could that loan be renewed in 1898, when it matures?—A. On the same terms with the other one. Of course the time of the bonds would make a difference.

Q. How do you mean?—A. The time for which the bonds were issued. If they were 30-year bonds they would not sell for as much as they would if they were 50-year bonds.

NO DEFAULT IN PAYMENT OF INTEREST.

By Commissioner LITTLER:

Q. Has there been any default in the payment of the interest on these series of bonds?—A. No, sir.

Q. Is the interest all paid to date?—A. All that has been presented. There are a few coupons always that do not come in at the time.

By Commissioner ANDERSON:

Q. They sell for about \$113, do they not?—A. I do not know.

(The witness also produced a trust mortgage, dated January 1, 1863, of the California and Oregon Railroad Company of California, to David S. Dodge and Eugene Kelley, trustees. It was marked "Exhibit No. 8, July 26, 1887.")

MORTGAGE OF JANUARY 1, 1863.

Q. Please look at this mortgage and state the amount of bonds authorized, the amount issued, the nature of the security, the period when

due, and the rate of interest?—A. This is a mortgage made by the California and Oregon Railroad Company. The amount authorized under it is \$6,000,000. The amount outstanding is \$6,000,000. The maturity of the bonds is January 1, 1888. The rate of interest is 6 per cent. It is secured by a first mortgage executed by the California and Oregon Railroad Company upon the whole of its railroad from the Central Pacific Railroad in the Sacramento Valley in the State of California to the southern boundary line of the State of Oregon.

Q. That matures next January?—A. Yes, sir.

Q. Has any provision been made for the renewal of that \$6,000,000?

—A. No, sir; not that I know of.

ANTICIPATED TERMS OF RENEWAL AT MATURITY.

Q. At what rate, in your judgment, can that loan be renewed, or the amount borrowed on the same security?—A. I could not give an opinion on that.

Q. It is the first mortgage on the road, is it not?—A. Yes, sir; there are subsequent mortgages, though.

Q. Assuming that the mortgages can be extended, is it your judgment that they can be extended at 4 per cent., the security remaining undisturbed and the term being as long as 30 years?—A. If they could be; yes, sir.

LAND-GRANT MORTGAGE OF OCTOBER 1, 1870.

(The witness also produced a copy of the mortgage, dated October 1, 1870, by the Central Pacific Railroad Company to Charles Crocker and Silas W. Sanderson, trustees. It was marked "Exhibit No. 9, July 26, 1887.")

Q. Please look at this mortgage and state the amount of bonds authorized, the amount outstanding, the nature of the security, the rate of interest, and the period when due.—A. The amount authorized was \$10,000,000; the amount outstanding, \$4,630,000, as of December 31, 1885, and the date of maturity, October 1, 1890; the rate of interest, 6 per cent. The security is upon the lands granted to the Central Pacific Railroad Company, and also on the lands granted to the California and Oregon Railroad Company by the United States Government.

Q. As to the first land-grant mortgage, on which you state there is still remaining due \$4,630,000, as of December 31, 1885, do I understand that the proceeds of all lands sold are applicable to the payment of these bonds?—A. Yes, sir.

Q. Is it your judgment that the amounts due on contracts for lands sold, and the amounts to be collected for lands sold, will provide for the amount of bonds outstanding between now and 1890, and the time of their maturity?—A. Not in the form you put the question, I think—the lands already sold and the amounts coming from contracts.

Q. I mean will all the resources of the trustees pay those bonds by the time of their maturity?

THE WITNESS. The future sales of land, as well as those already sold?

Commissioner ANDERSON. Yes.

A. I will have to make an estimate of that. It depends altogether upon the future sales. There is not enough now in the hands of the trustees, and amounts due on unpaid contracts, to take up the bonds at maturity.

By Commissioner LITTLE :

Q. Where do these trustees reside?—A. Here in San Francisco. The trustees have been changed by death. One of them, Mr. Sanderson, is dead. Charles Crocker has resigned.

By Commissioner ANDERSON :

Q. Who are the present trustees?—A. William E. Brown and J. O'B. Gunn.

MORTGAGE OF JANUARY 1, 1872.

(The witness also produced a mortgage, dated January 1, 1872, made by the Central Pacific Railroad Company to Eugene Kelley and Philo C. Calhoun. It was marked "Exhibit No. 10, July 26, 1887.")

Q. Please look at this instrument and state the amount of bonds authorized, the amount outstanding, the rate of interest, the date of maturity, and the security.—A. The amount of bonds authorized is \$7,200,000; the amount outstanding December 31, 1885, was \$3,680,000; it matures January 1, 1892; they bear interest at 6 per cent. These bonds are secured or covered by the same security as the bonds of January 1, 1868.

CONFIRMATION BY CENTRAL PACIFIC OF MORTGAGE MADE BY CALIFORNIA AND OREGON.

By Commissioner LITTLE :

Q. It is a second mortgage on the same property?—A. No, sir; it is not exactly a second mortgage. The first mortgage provides, I think, for a larger issue. This of January 1, 1872, is not exactly a mortgage. It is confirmatory by the Central Pacific Railroad Company of the mortgage made by the California and Oregon Railroad Company January 1, 1868. Between the dates of January 1, 1868, and January 1, 1872, the California and Oregon Railroad Company was consolidated with the Central Pacific Railroad Company. The California and Oregon Railroad having issued \$6,000,000 under the mortgage of January 1, 1868, the Central Pacific confirmed that mortgage by an indorsement dated January 1, 1872, and issued under that mortgage of January 1, 1868, so confirmed, the bonds last spoken of as having been issued under the mortgage of January 1, 1872.

BUT ONE ISSUE UNDER MORTGAGE OF 1868.

By Commissioner ANDERSON :

Q. There is but one issue, then, under the mortgage of 1868?—A. Yes, sir. The whole issue was under the mortgage of January 1, 1868. The amount heretofore given by me as having been authorized under the mortgage of 1868, said amount having been stated at \$6,000,000, was not strictly accurate. By the provisions of the mortgage an issue at \$40,000 per mile was authorized. After the consolidation, the Central Pacific having ratified the mortgage of 1868, and the event showing, by the length of the line constructed, that the amount authorized, at the rate of \$40,000 per mile, would be about \$13,000,000, the total authorized issue under the mortgage of 1868, as ratified in 1872, was \$13,200,000, and the amount outstanding under that mortgage, bonds Series A and B, was December 31, 1885, \$9,680,000.

ANTICIPATED TERMS OF RENEWAL AT MATURITY.

Q. The security is the California and Oregon Railroad?—A. Yes, sir.

Q. Do you make the same answer as before in regard to the rate of interest at which that loan could be renewed?—A. Yes, sir.

Q. That you are unable to make an estimate?—A. No.

Q. Why?—A. I did make an answer, after putting it hypothetically, that there is another mortgage, a greater mortgage, covering that same line; and consequently, if this was taken up a new mortgage could not be given as a first mortgage.

Q. It could be extended, with the consent of the junior incumbrance, could it not?—A. If it could become a first mortgage—

Commissioner ANDERSON. It is a first mortgage.

The WITNESS. Yes, sir; but if the extension should be a first mortgage, having a prior lien to every other claim, it probably could be marketed at about 4 per cent.

BONDS PAID TO PACIFIC IMPROVEMENT COMPANY.

Q. Has the amount varied since 1885, materially?—A. Yes, sir.

Q. How so?—A. By an additional issue of bonds, Series B.

Q. Amounting to how much?—A. I cannot tell without examining.

Q. So much as to exhaust the amount authorized?—A. No, sir; not quite.

Q. Are those the bonds that have been paid to the Pacific Improvement Company under their contract?—A. Yes, sir.

Q. Were there about \$3,000,000?—A. No, sir; I think not so much. But it may be. I cannot carry those figures in my mind.

MORTGAGE OF OCTOBER 5, 1885.

(The witness also produced a mortgage, dated the 5th day of October, 1885, made by the Central Pacific Railroad Company to R. C. Woolworth and S. M. Wilson. It was marked Exhibit No. 11, July 26, 1887.)

Q. Please examine this instrument and state the number of bonds authorized, the amount outstanding, the rate of interest, the period of maturity, and the security.—A. This is the second land-grant mortgage, dated October 1, 1885. The amount of bonds authorized under it is \$10,000,000; the amount of bonds outstanding, as of December 31, 1883, is \$5,000,000; it matures October 1, 1915; the rate of interest is 6 per cent. The security is of a second mortgage on the land grant, subject to the first mortgage of October 1, 1870. There are no bonds on this mortgage outstanding at the present time.

CANCELED OF RECORD.

Q. The \$5,000,000 have been retired?—A. They have been retired. There are some other things. If you desire it, I can make a statement.

By Commissioner LITTLER:

Q. Has this mortgage been canceled of record?—A. Yes, sir; but whether the cancellation has been recorded in all the counties in which the mortgage has been recorded, I doubt.

Q. Has it been recorded in any county?—A. Yes, sir. The satisfaction is out now, to be recorded in every county where the mortgage had been recorded.

By Commissioner ANDERSON:

Q. The object is to cancel that mortgage, so that it will no longer form a part of the obligations of this company, is it not?—A. Yes, sir; it has been done.

MORTGAGE OF OCTOBER 1, 1880.

(The witness also produced a mortgage made by the Central Pacific Railroad Company to William E. Brown and Frank S. Dooty, trustees, dated October 1, 1880. It was marked Exhibit No. 12, July 26, 1887.)

Q. Please look at this mortgage and state the amount of bonds authorized, the amount outstanding, the rate of interest, the date of maturity, and the security?—A. The amount authorized in the mortgage is \$16,000,000; the rate of interest is 6 per cent.; the amount at present outstanding, I will have to look at the books to ascertain.

Commissioner ANDERSON. We would like to know that.

The WITNESS. The amount outstanding is \$7,063,000. The mortgage runs fifty years.

Q. What is the security?—A. I can hardly give this without reading it in full.

SECOND MORTGAGE ON LAND GRANTS.

Q. Will you state generally?—A. It is a second mortgage on the lands granted to the company.

Q. These are the branches west of Sacramento City, and the southern branches. Is it a second mortgage on these?—A. A second mortgage on the Central Pacific Railroad between Lathrop and Goshen, on the California and Oregon Railroad line.

Q. A second mortgage on the California and Oregon Railroad line?—A. Yes, sir; and on the telegraph line of the company.

By Commissioner LITTLE:

Q. Is it a first mortgage on the telegraph line of the company?—A. No, sir; I think not. That is an individual opinion, however, that I am giving. I suppose the first mortgage covers the telegraph line. This covers the telegraph line between Oakland Point and the town of Niles, and between the towns of Lathrop and Goshen, and on the line of the California and Oregon Railroad Branch; also all the rolling stock.

STEAMERS EMBRACED IN MORTGAGE.

By Commissioner ANDERSON:

Q. A second mortgage?—A. Yes, sir; and the river steamers.

Q. Is it a second mortgage on the steamers, or do you not remember?—A. I do not know whether any other mortgage covers the steamers or not. It is upon certain tracts of lands in the county of Alameda, about 500 acres, also.

By Commissioner LITTLE:

Q. How many steamers are embraced in that mortgage?—A. There are four ferry steamers and two river steamers.

By Commissioner ANDERSON:

Q. Does that include the big ferry boat?—A. There are more than four ferry boats. There are two freight ferry boats that I did not include. There are six ferry boats and the transfer boat.

Q. It includes the big transfer boat?—A. Yes, sir; the mortgage also contains a list of miscellaneous land and property, the details of which can be obtained from the mortgage.

PURPOSE TO WHICH BONDS WERE APPLIED.

Q. To what purpose were these \$7,000,000 bonds applied, generally?—A. \$5,000,000 were for taking up \$5,000,000 of the previous second-

mortgage bonds. Some of them were paid to the Pacific Improvement Company on its contract. Some further amounts were for retiring some bonds of previous issue.

Q. Is the balance of \$8,000,000 or \$9,000,000, which is authorized to be issued by this mortgage, covered by the requirements of outstanding contracts, or is it available for the general purposes of the company?—A. I think there are no contracts that cover it all.

Q. Have you given a complete list of the mortgages?—A. I have given all the mortgages of the Central Pacific.

Q. And its branches?

The WITNESS. Is there a mortgage of the San Joaquin Valley?

Commissioner ANDERSON. There is no mortgage of any railroad except the Central Pacific and the California and Oregon.

The WITNESS. It is now the Central Pacific, between Lathrop and Goshen.

Commissioner ANDERSON. We want a complete list of the mortgages.

MORTGAGE OF OCTOBER 1, 1870.

(The witness also produced a mortgage made by the Central Pacific Railroad Company to D. O. Mills and W. C. Ralston, trustees, dated October 1, 1870. The paper is marked "Exhibit No. 13, July 26, 1887.")

Q. Please look at this instrument and state the number of bonds authorized, the number outstanding, the rate of interest, the date of maturity, and the security?—A. The amount authorized is \$6,080,000; the amount outstanding \$6,080,000; due October 1, 1900; interest, 6 per cent. The security is the railroad line called the "San Joaquin Valley Branch."

Q. Is it a first mortgage on that property?—A. Yes, sir.

MORTGAGE OF OCTOBER 26, 1864.

(The witness also produced a mortgage by the Central Pacific Railroad Company to Edgar Mills and James A. Donahue, trustees, dated the 26th day of October, 1864. It was marked "Exhibit No. 14, July 26, 1887.")

Q. Please look at this instrument and state the number of bonds authorized, the number outstanding, the rate of interest, the date of maturity and the security.—A. The number of bonds authorized was \$1,500,000; the amount outstanding December 31 was \$284,000. They matured July 1, 1884. The rate of interest was 7 per cent. It was secured on the railroad line of the company from Sacramento to the eastern boundary line of the State, the fixtures, rolling stock, &c.

EXTENSION OF BONDS BY MR. HUNTINGTON.

Q. Can you explain why those bonds are outstanding at 7 per cent. after maturity?—A. Yes, sir. They were extended by Mr. Huntington, some three or four hundred thousand dollars of them, with the consent of the holders, for three years, I think.

Q. Do you know who the holders are, or the principal portion of them?—A. No, sir; I do not know the holders of a single one.

Q. Were they extended with the consent of the Central Pacific Railroad Company?—A. No, sir; not by any acts of the board of directors, except Mr. Huntington's act as agent and attorney.

Q. Who would know the holders of those bonds?—A. Mr. Huntington, probably.

Q. Who pays the coupons?—A. Mr. Huntington arranges for them to be paid by some bank in New York.

Q. Do you know whether he himself is the holder of bonds?—A. I do not know positively, but I do not believe he is the owner of a single one. I do not understand that he is.

MORTGAGE OF OCTOBER 23, 1865.

(The witness also produced a mortgage of the Western Pacific Railroad Company to George T. M. Davis, dated October 23, 1865. It was marked "Exhibit No. 15, July 26, 1887.")

Q. Please look at this instrument and state the amount of bonds authorized, the amount outstanding, the rate of interest, the time of maturity, and the security.—A. There are \$111,000 outstanding; there are \$111,000 Western Pacific bonds, Series A, reserved by the company to take up or exchange for these \$111,000 bonds issued December 1, 1865.

MEANS PROVIDED TO TAKE UP THE \$111,000 OUTSTANDING BONDS.

Q. Under the mortgage of what date?—A. Under the mortgage of December 1, 1865. It was an old issue, we call it. When the new bonds were issued under another mortgage, they were all taken up from time to time, except this \$111,000. They become due December 1, 1895, and are drawing 6 percent interest. The bonds to be exchanged are also drawing 6 per cent. interest, and will be due July 1, 1899.

Q. Do I understand that the bonds to be exchanged under the mortgage of December 1, 1865, are included in the bonds which you have described as outstanding under the mortgage of that date?—A. No, sir; under the mortgage of December 1, 1865, the only outstanding bonds are \$111,000. Under the mortgage of July 1, 1869, there are \$111,000 retained by the company, to be exchanged at any time that the holders of these \$111,000 will exchange at par.

Q. My question is whether this amount of \$111,000 is included among the bonds issued under the mortgage of October 28, 1869, which you have described as outstanding under that subsequent mortgage?—A. No.

Q. As to the bonds which are retained for the purpose of being taken up in exchange on the surrender of the \$111,000 issued under the mortgage of 1865 I ask you whether you describe those subsequent bonds as a part of the outstanding issue of the subsequent mortgage or not.—A. No, sir.

Q. Those \$111,000 are secured, then, by a mortgage of the Western Pacific company?—A. Yes, sir.

MORTGAGE OF OCTOBER 28, 1869.

(The witness also produced a mortgage made by the Western Pacific Railroad Company to D. O. Mills and William E. Barron, dated October 28, 1869. It was marked "Exhibit No. 16, July 26, 1887.")

Q. Please look at this instrument and state the amount of bonds authorized, the amount outstanding, the rate of interest, the date of maturity and the security?—A. The amount authorized under that mortgage was \$2,735,000; the amount outstanding is in two series; the amount outstanding is \$2,624,000; it matures July 1, 1899; the mortgage covers the line of the Western Pacific Railroad.

Q. What is the rate of interest?—A. The rate of interest is 6 per cent.

THE SAN FRANCISCO, OAKLAND AND ALAMEDA MORTGAGE.

Q. Have you now completed the list of mortgages?—A. These are all the mortgages of the Central Pacific that I can find. There is one mortgage of the San Francisco, Oakland and Alameda line which I do not find.

Q. Can you give the particulars of that mortgage?—A. Yes, sir. The amount authorized was \$1,500,000; the amount issued was \$587,000. It matures July 1, 1890. The interest is at the rate of 8 per cent.

UNPAID TAXES.

Q. Are there any other liens of a nature different from mortgage on the property of the company, such as judgments, mechanics' liens, or special contracts?—A. There are no judgments, no mechanics' liens. There is a question about some unpaid taxes.

Q. Is there a suit pending about them?—A. I do not know the status of it.

Q. How much is involved?—A. I do not know that.

Q. Does the company deny its liability for the taxes?—A. Yes, sir.

By the CHAIRMAN:

Q. What taxes are they?—The taxes of the State and counties.

Q. For how many years?—A. There is a law now that I cannot explain—that I do not comprehend.

By Commissioner ANDERSON:

Q. Who can give us the explanation?—A. The law department.

Q. What attorney shall we call on? You have five or six attorneys.—A. Only one has had anything to do with it.

Q. Who is that?—A. Colonel Haymond.

Q. Is he now in the city?—A. Yes, sir. He is sick. I think Mr. E. B. Ryan, who has an office in this building, can give that information.

STOCK ISSUED AND UNISSUED.

Q. What is the total authorized issue of stock?—A. \$100,000,000.

Q. What is the total stock outstanding to date?—A. \$68,000,000.

Q. Where is the balance, \$32,000,000? Is it unissued?—A. Unissued.

Q. Is the entire \$68,000,000 outstanding?—A. No, sir; there is about \$764,000 of it held in trust for the company, not actually sold or issued. I do not like to state it from memory.

Commissioner ANDERSON. The amount, as appears from your report of 1885, if I remember right, is \$54,000,000?

The WITNESS. No, sir; it was \$59,275,500.

Q. In the report of 1884, then, it was \$54,000,000. To what purpose was that issue of \$5,000,000 applied?—A. That is something that I cannot answer.

By the CHAIRMAN:

Q. Who can answer it?—A. No living man.

Commissioner ANDERSON. Oh, I can answer it by and by.

The WITNESS. It is impossible. You may find out, to satisfy yourself.

Q. Who was the last dead man that could have answered it?—A. There never has been a man living that could answer it; not for this company or for any other. In 1884 the amount was \$59,000,000.

Commissioner ANDERSON. There were \$4,000,000 or \$5,000,000 in the treasury.

The WITNESS. I think you are mistaken.

THE LAST ISSUE—TO WHAT APPLIED.

Q. What was the last issue of your stock?—A. The last issue was \$8,000,000.

Q. What was the date of the issue?—A. The latter part of 1886, or the first of 1887.

By Commissioner ANDERSON:

Q. Do you not know to what purpose that was applied?—A. Yes, sir.

Q. To what purpose was it applied?—A. That was applied in payment of or on account of the contract of the Pacific Improvement Company.

Q. Was it 80,000 shares of stock?—A. Yes, sir.

By the CHAIRMAN:

Q. What was the date of the prior issue?—A. I cannot tell you that without getting the information.

Q. Did you ever make application to Congress for authority to issue stock?—A. No, sir; not that I am aware of.

GUARANTEE OF BONDS OF BRANCH ROADS.

By Commissioner ANDERSON:

Q. Has the Central Pacific guaranteed the payment of any bonds other than its own bonds? I mean any bonds issued on any of its branches?—A. Yes, sir. Oh, on any of its branches?

Q. What bonds has it guaranteed the interest of, or the principal?—A. I think there is a statement in that report, or some report.

Q. Will you find it, please?—A. I doubt if it is in the annual reports. It appears in the report made to the railroad commissioner, I think, or the railroad auditor.

Q. In what year?—A. In every year. I can ascertain that.

Q. Please make a memorandum, and ascertain the guarantees given by the Central Pacific of the interest or principal of mortgages other than those executed by itself?—A. I will have to take time to ascertain that.

The CHAIRMAN. You can give it at any time.

AMOUNT DUE SOUTHERN PACIFIC.

Q. Among other liabilities of this company, apart from the capital stock and the funded debt and the Government bonds, I find, in your balance-sheet of 1885, an amount due the Southern Pacific Company of \$3,556,574.76. Where can we find the account from which that balance was derived?—A. From the books of the company.

Q. I mean, what account? The account between the Central Pacific and the Southern Pacific?—A. The account headed the "Southern Pacific Company." The ledger account.

Q. Can you state generally from what subject that indebtedness arises?—A. No, sir; not without stating the account in full.

Q. It is an account of the transactions and the traffic between those two companies?—A. The transactions between those two companies.

OUTSTANDING OBLIGATIONS.

By the CHAIRMAN:

Q. What obligations in the shape of notes has the company outstanding for borrowed money?—A. I think they have a note of \$2,500 outstanding; a note to one of its former employes.

Q. Are there any other obligations of that kind—due bills and notes for borrowed money?—A. Except for the Southern Pacific Company, I do not think there is anything else. There are two or three small items, which do not amount in the aggregate to \$250,000 now. This is December 31, 1885, I understand the chairman to ask now.

Q. I ask of this date.—A. December 31, 1885, in the account of the old company, the operations of the old company had not been settled up. They are in process of settlement, month by month, until now of bills payable I think the only note out is \$2,500. There may be another one, possibly.

Commissioner ANDERSON. If you will furnish us a more recent balance-sheet than this we will be guided by it.

The WITNESS. I hoped to have the report of 1886 to-day.

Commissioner ANDERSON. Please proceed with the identification of your papers.

LIST OF OFFICERS AND DIRECTORS—HUNTINGTON POWERS OF ATTORNEY, ETC.

The WITNESS. The next that I find that was asked for is a list of the officers and directors.

(The witness produced a list of the officers and directors, commencing with those elected April 30, 1861, and ending with those elected April 14, 1887. It was marked "Exhibit No. 17, July 26, 1887.")

Q. What is the next?—A. The powers of attorney granted to Mr. Huntington. I think there are some more scattered among these papers.

(The witness produced nineteen powers of attorney from the Central Pacific Railroad Company to C. P. Huntington. They were marked, respectively, Exhibits 18 to 36, both inclusive, July 26, 1887.)

The witness produced the original certificates of incorporation or articles of association of the Central Pacific Railway Company, dated June 28, 1861. It was marked "Exhibit No. 37, July 26, 1887.")

The WITNESS. I have here three overcharge and rebate books and one distribution book, as samples.

CONSTRUCTION CONTRACT WITH CYRUS COLLINS & BROTHER.

(The witness also produced the construction contract for sections 19 and 20, between the Central Pacific Railroad Company and Cyrus Collins & Brothers. It was marked "Exhibit No. 38, July 26, 1887.")

By Commissioner ANDERSON:

Q. Is this the general form of contract that was adopted with reference to the different small contracts made at the same time?—A. Yes, sir.

Q. What is the date of that?—A. It is dated September 26, 1863, at Sacramento.

Q. Do you know whether the first contract with Crocker & Co. was of that same form?—A. Yes, sir.

Q. Do you know whether the second contract with Crocker & Company was of that general form?—A. It was in this general form; that is, with that kind of specification attached; but whether it was written out in detail, as this one is, I do not remember. I think it was.

MODE OF PAYMENT OF CONTRACTS.

Q. Do you know whether the mode of payment, as to whether it was to be money or in bonds or stock, was the same in the Crocker contract?—A. This was a part for stock, I think.

Q. What is your answer?—A. I do not know, but I can easily ascertain from the payments made, as they appear on the books.

Q. Do you know whether that general form of contract was also used in the dealings between the Central Pacific and the Contract and Finance Company?—A. I do not remember whether it was or not.

Q. Did you ever read that Contract and Finance Company contract?—A. I suppose I did. I do not remember to have ever read it. I must have read it, so I can say I did.

OTHER LEASES OF CENTRAL PACIFIC.

(The witness also produced twenty-two leases between various rail, road companies and the Central Pacific Company. They were marked, respectively, Exhibits 39 to 60, both inclusive, July 26, 1887.)

The WITNESS. All of these leases are now canceled, except one, possibly, the Stockton and Copperopolis. I do not remember whether that was canceled or not.

POOL AGREEMENTS.

(The witness also produced a pooling agreement with the Atlantic and Pacific Company, to take effect October 1, 1884, and to terminate on ninety days' notice, indorsed, "Copy of notice, to terminate February 17, 1886." It was marked "Exhibit No. 61, July 26, 1887.")

(The witness also produced a pooling agreement between the Central Pacific, Southern Pacific, and South Pacific Companies, dated December 31, 1879. It was marked "Exhibit No. 62, July 26, 1887.")

By the CHAIRMAN:

Q. They are not all the pools; there are others that you cannot find?—A. No, sir; they are not all. There are other pooling agreements, but not in my possession. I produce these as the only ones I found in my vault.

Commissioner ANDERSON. The Huntington pool is the one that I have referred to, at page 527 of volume 1.

The WITNESS. Yes, sir; it is put in the minutes.

By Commissioner ANDERSON:

Q. Do you know whether the other pools that you have not found are also entered at length on the minutes?—A. No, sir; I do not think they are. I did not remember that this one was.

By the CHAIRMAN:

Q. Who made your pool contracts?—A. I think Mr. Stubbs, the general traffic agent, usually does.

Q. Would he have a memorandum or knowledge of all the pools entered into by the company?—A. Yes, sir.

E. H. MILLER, JR.

The Commission then adjourned to Wednesday, July 27, 1887, at 10 o'clock a. m.

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, Cal., Wednesday, July 27, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

ALFRED A. COHEN, being duly sworn and examined, testified as follows:

By Commissioner ANDERSON:

Question. What is your occupation?—Answer. I have practiced law for a great many years.

Q. In San Francisco?—A. In San Francisco; yes, sir.

Q. Since when?—A. From 1857, I think, until I was prevented by sickness from continuing my practice.

Q. Where do you now reside?—A. I now reside in the city of New York.

PROFESSIONAL EMPLOYMENT BY RAILROAD.

Q. Have you ever held office under the Central Pacific Railroad Company, or any of its branches?—A. I have not held any office that I remember; but I have been retained by them in my profession from time to time.

Q. Are you at present employed as counsel or attorney for the Central Pacific Railroad Company?—A. Not for the Central Pacific Railroad Company, but I have had some business for the Southern Pacific Company.

Q. Are you the general counsel for the Southern Pacific Company?—A. No, sir; though my past relations with them are such as to prevent my accepting any retainer against them.

LITIGATION AGAINST THE CENTRAL PACIFIC.

Q. With what litigation against the Central Pacific Railroad Company have you been connected in the past?—A. I brought one or more suits against the Central Pacific Railroad Company some years ago on behalf of some of the original stockholders, for an accounting.

Q. Will you please give the names of the stockholders?

The WITNESS. Do you wish me to give the names of the plaintiffs?

Commissioner ANDERSON. Yes, sir.

The WITNESS. One was named John R. Robinson.

Q. Of San Francisco? Does he live here?—A. Yes, sir. Another was Anthony Coolot, of Sacramento. Then there was another man in Sacramento whose name I have forgotten.

Q. Were there others?—A. There were others, but I cannot remember their names.

Q. Were there any suits brought by some of the counties of this State?—A. Yes, sir; there were several. I was attorney for the county of San Joaquin in a suit which it brought against the Central Pacific Railroad Company.

Q. Had you any connection with the suit of Stewart vs. Huntington?—A. Yes, sir. On behalf of Evarts, Southmayd & Choate I took the depositions that were taken in California.

THE ROBINSON SUIT.

Q. How far did this Robinson litigation go? Was it tried?—A. It did not come to a final trial. It resulted in a compromise.

Q. Was any evidence taken before a master or a referee?—A. Yes; evidence was taken under the provisions of the civil code of this State, which provides for the examination of witnesses previous to trial.

Q. What was the name of that referee?—A. I think that it was a notary public named E. V. Joice.

Q. Is that evidence on file with the records of the court, or is it in your possession?—A. That I could not tell you.

SAN JOAQUIN COUNTY SUIT.

Q. As to these other suits, how far did they progress?

The WITNESS. Do you have reference to the suit of the county of San Joaquin?

Commissioner ANDERSON. Yes, sir.

The WITNESS. That resulted in a compromise also.

Q. Was any evidence taken in that suit?—A. My impression is that there was not. I did not bring that suit myself. It was brought by other counsel. A demurrer had been filed to the complaint, and the demurrer had been overruled. The defendants had answered. When I was employed, the first thing that I did was to examine the complaint, and upon looking over it I concluded that it was not safe to go to trial upon it. It would be a long and expensive trial; and I found that there were not the necessary parties to the suit, and I got leave to add the necessary parties. Then the attorneys for the defendants demurred on the part of the new parties, and I in substance confessed the demurrer, wishing to get a chance to amend the complaint. I filed an amended complaint, bringing in all such parties as I thought were necessary parties defendant. I think that a new demurrer was filed, setting up the statute of limitations and other defenses. The lower court sustained the demurrer. I declined to amend, and judgment was rendered against the county. Then we argued it in the supreme court of this State, and there appearing to be some difference of opinion there, a reargument was ordered. Before the reargument took place, I made a settlement of the case with the defendants.

OBJECT OF SUIT.

Q. What was the general object of the suit brought by the county of San Joaquin against the Central Pacific Railroad Company?—A. The county of San Joaquin, under an act of the legislature passed, I think, in 1863, had subscribed for the stock of the Western Pacific Railroad Company, and had issued its bonds in payment of that stock. The act authorizing the subscription provided that the stock should not be sold unless the sale was ratified by the vote of the people, and it provided further that three fourths of the voters should consent to it. The board of supervisors of San Joaquin County, without any submission to the people, sold the stock to one Charles McLaughlin. Mr. McLaughlin sold it to the Western Pacific Railroad Company, I think, or to some of the parties connected with the Western Pacific Company. No payment, if I remember rightly, had been received by the county. Some of its bonds, I think, had been deposited in escrow with a banker of Stockton.

WITNESS'S MEMORY IMPAIRED BY PARALYSIS.

Q. Do you mean that no payment had been made by McLaughlin to the county?—A. I think not. Right here I wish to say, in justice to myself, that I am giving you the benefit of my memory as to things which

are matters of record, and the record certainly would be the best evidence; and, in addition to that, I am unfortunately laboring under the disability which has resulted from an attack of paralysis, which has somewhat impaired my memory and recollection as to details. After that the Western Pacific was consolidated with the Central Pacific. Then, again, the new corporation, known as the Central Pacific Railroad Company, was consolidated with the California and Oregon Railroad Company, the San Joaquin Valley Railroad Company, and the San Francisco, Oakland and Alameda Railroad Company. The county of San Joaquin, after a change of government, concluded that it was entitled to have its stock, or stock in the consolidated company, and brought a suit to establish its right to this stock, and for an accounting for past earnings; that was the suit that I took hold of, and which I settled by a compromise.

Q. Between what years did the litigation continue?—A. I think that the county of San Joaquin brought its suit in 1877 or 1878. I think that I was employed about 1880. I think that it ran for about two years or more.

RECORD OF SAN JOAQUIN CITY SUIT.

Q. Is the record at the Supreme Court on appeal in print?—A. Yes, sir; the Supreme Court did not decide the case, and the record, so to speak, was withdrawn.

Q. The record contains the pleadings?—A. Yes, sir.

Commissioner ANDERSON. The Commission would like a copy of it, if you have one at your command.

The WITNESS. I do not know that I have it. If I have I will give it to you. I have not paid much attention to these matters during the past few years.

PLEADINGS IN THE ROBINSON CASE.

Q. Was the Robinson case the suit of a stockholder asking for an accounting of the earnings of the company substantially?—A. Yes, sir.

Q. Can you tell us where we can see the pleadings in that case?—A. No, sir; I cannot.

Q. The pleadings are substantially a copy of the same pleadings that were filed in the Brannan case, are they not?—A. Perhaps the same with a few little changes. I perhaps may have varied the complaint somewhat, as no two men ever did draw complaints alike.

Q. Can you tell us who the notary was who took this evidence in the Robinson case?—A. I think that it was Mr. Joice.

Q. Residing here?—A. Residing in San Francisco.

Q. And you yourself do not know where that evidence now is?—A. I could not say positively. It may have been filed or I may have it at my office. I cannot tell which. It was settled a long time ago.

Q. Will not your register show where the evidence is?—A. I may, and I think perhaps it will. Inasmuch as the case did not come to trial, however, I doubt whether the evidence was ever placed on file in the court; such evidence as was taken was simply in the form of depositions to be used if the parties were not present at the trial.

Q. Was evidence taken in any of these other litigation cases for an accounting?—A. I cannot remember whether or not there was evidence in the San Joaquin case or not; I should very much doubt whether I did, the litigation being confined to a demand for an accounting might have done so.

Commissioner ANDERSON. You have mentioned that the case was brought by stockholders whose names you do not recall.

The WITNESS. No, sir; they were all in one suit.

Q. All in one suit?—A. Yes, sir.

Q. Were all of them included in what is known as the "Robinson suit"?—A. They were all brought in as stockholders; the suit was brought by Robinson and others on behalf of themselves, and all others who might choose to come in.

Q. During what years did that litigation continue?—A. It did not last very long.

Q. Was it prior to the San Joaquin County suit?—A. Oh, yes; it was some years before that; I was going to say that it is my impression that the suit was commenced in 1876; I do not think that it lasted very long; I think that it was settled in 1877.

CONTRACT WITH CONTRACT AND FINANCE COMPANY A SUBJECT OF INQUIRY.

Q. Had you any connection at all with the Colton suit?—A. Yes, sir.

Q. On whose behalf did you act in the Colton suit?—A. For the defendants.

Q. In the course of any of these litigations was the contract known as the contract of the Central Pacific Railroad Company with the Contract and Finance Company a subject of examination?—A. Yes, sir.

Q. Frequently?—A. Yes, sir.

Q. Did you ever see that contract itself?—A. I am pretty sure that I did not.

Q. Did you ever see a copy of it?—A. I think that I never did see it. I never saw the contract or the books.

Q. Were the terms of that contract substantially disclosed, according to your recollection?—A. My impression is that at some time or other I had an idea what the terms were, but if I did it was shown on the record. I could not remember now. I think that I tried to find out what they were, but never could find anybody who could tell me. The only man that I perhaps might have got it from is now dead. I do not remember that I ever examined him or that I could ever get him just at the time that I wanted him. This was Mark Hopkins. I always expected to get it from him at some time or other, but I do not remember that I ever got him on the witness stand.

ITS TERMS NOT KNOWN.

Q. Do you know who drew that contract?—A. I do not know anything about it.

Q. The conclusion you reached as to its terms, from such evidence as you took, would hardly appear in the record, though it might in the briefs. Can you refer us to any paper which would have or contain such conclusions?—A. I will say this from my recollection that I never did know what the terms were. I have hunted for that contract, and have endeavored to gain some information as to its terms as I have for many matters of history. I think that the terms of that construction contract with the Contract and Finance Company, like the name of the man with the iron mask, are fated to go down to posterity without discovery. I tried for years to learn something about that contract, and never could succeed. I had something more than a professional interest in it. I wanted to get it, but never did.

NEVER COULD PRODUCE ANYBODY WHO HAD SEEN IT.

Q. What officers of the company did you examine with reference to, or with whom did you converse regarding it?—A. I think that I ex-

amined Leland Stanford, C. P. Huntington, Charles Crocker, and E. H. Miller, jr. I sat here yesterday and listened to your examination of Mr. Miller, and it carried me back almost to my boyish days. I have been examining him myself on those subjects ever since I was a young man.

Q. Was substantially the statement made then, that the paper was missing or mislaid or could not be found, the same statement that you have heard so many times?—A. I never could produce anybody who ever had seen it. I would say that my impression was that I came to the conclusion before I got through that there never was any such paper; but that it was a verbal contract. I think that that was the conclusion which I came to at that time.

MR. HUNTINGDON'S STATEMENT IN REGARD TO IT.

Commissioner ANDERSON. Mr. Huntington's statement on examination in New York was that the terms of the contract called for substantially \$64,000 in bonds and about \$36,000 in stock per mile.

The WITNESS. Was that in reply to the examination which I took?

Q. It was in reply to the examination which we took in New York. Does that substantially agree with the approximation which you reached, according to your recollection?—A. I cannot tell you now. Will you please read those figures again?

Q. Sixty-four thousand dollars in bonds and \$36,000 in stock per mile?—A. I could not tell you about that.

CONTRACT WITH WESTERN DEVELOPMENT COMPANY A SUBJECT OF INQUIRY.

Q. Did you have occasion, in the course of your litigations, to make any examination with reference to the contract of the Western Development Company?—A. I think that the Western Development Company was formed after my examination in the Robinson case; and I think that at the time I examined them in that case the Western Development Company could not have done much, if any, business, and yet I might have asked them about it. It would have been better if you had called my attention to the questions which you proposed to put to me, and I would have prepared myself.

Q. The Western Development Company was formed in 1876, was it not?—A. This Robinson suit was brought in 1876.

Q. Then your examination did not come down to the time of the Pacific Improvement Company—that was subsequent to the Western Development Company?—A. I know nothing about the Pacific Improvement Company except such information as I got in the Colton case as counsel for the defendants.

SUBJECTS OF INVESTIGATION IN THE ROBINSON SUIT.

Q. Did the subject of the first construction of the California and Oregon road between Roseville and Redding enter into any of these suits—was that a matter of investigation in the Robinson suit?—A. It is impossible for me to say. It might, or it might not; I think not, though.

Q. What other subjects which are disclosed in the complaint—referring to the Brannan complaint as the basis of the Robinson complaint—were the subjects of investigation in the Robinson suit as far as your evidence went?—A. I started in to try and increase the value of the stock of the plaintiffs in that case. I tried to prove what the road had cost and what it should have cost, expecting to show the profit that had been made in construction. The examination tended to that end.

Q. Was the subject of the ownership of stock in the Contract and Finance Company a matter of investigation in your suit?—A. I think that it was; I am pretty sure that it was.

STOCKHOLDERS OF CENTRAL PACIFIC AND CONTRACT COMPANIES.

Q. And also the votes by which the transactions between the Central Pacific Railroad Company and the Contract and Finance Company were determined? Those votes must have been the subject of consideration, must they not?

The WITNESS. What votes?

Commissioner ANDERSON. The votes of the board of directors in order to determine whether the persons who voted the contracts were the same persons who were members of the Contract and Finance Company, and received all the benefit of them.

The WITNESS. It seemed to be admitted, I think, that the principal stockholders of the Central Pacific were the principal stockholders of the Contract and Finance Company. I never heard any dispute on that point.

THE AGREEMENT BETWEEN THE COMPANIES.

Q. Did you ascertain by whom the agreement with the Contract and Finance Company was signed on behalf of the Central Pacific Railroad Company?

The WITNESS. You mean for the construction of the road?

Commissioner ANDERSON. Yes.

The WITNESS. No; I never did. My impression is that there was no such paper.

Q. You do not think that it was in writing at all?—A. My impression is that it was a matter of agreement shown on the minutes, or in some similar manner; but I know that I came to the conclusion from the examination which I made from time to time and from what I personally knew of the way in which the business was done that it was a matter of agreement. I say that is just the impression which it leaves on my mind at this moment. As I have said before, I would not recall a matter in which I was not greatly interested on my memory. There was a time, three years ago, when I had no memory and no speech. My memory was all gone and my speech was all gone. That interfered a great deal with me in my recollection of things that have taken place in a great many years.

Commissioner ANDERSON. You appear to have greatly recovered.

OFFICERS OF CONTRACT AND FINANCE COMPANY.

The WITNESS. I am a great deal better than I ever expected to be.

Q. Did you ever examine any of the officers of the Contract and Finance Company with reference to their accounts?—A. I examined William E. Brown.

Q. He was the president of that company, was he not?—A. He was the secretary, I think, and I examined him.

Q. What other gentlemen were connected with their books? Mr. Douty?—A. No. Mr. Douty was not connected with the Contract and Finance Company, I think.

Q. Was he connected with the Western Development Company?—A. I think that he was with the Western Development Company.

Q. Was Mr. Gunn connected with these matters?—A. Mr. Gunn, at that time, I think, not connected with the Contract and Finance Company.

Company. I think that he was cashier or secretary or something of that kind with the California Pacific Railroad Company.

Q. Are there any other persons connected with the affairs of the Central Pacific Railroad Company or of the Contract and Finance Company besides those whom you have named who, in your judgment, would have any knowledge relating to this paper—the contract between the two companies—or to the affairs of the Contract and Finance Company in connection with the Central Pacific Railroad Company?—A. My recollection is that Mr. Brown had a staff of clerks, two or three of them, and that they constituted pretty much the Contract and Finance Company. I never was brought in contact with anybody else. Mr. Brown appeared to be the manager of the concern—the head and the board of directors.

PAPERS, CONTRACTS, AND BOOKS.

Q. Were any of the papers or contracts or books of that company produced on this trial?—A. No; I think not. I do not think that I ever saw a paper connected with the Contract and Finance Company.

Q. What answer was made in regard to the whereabouts of those books and papers?—A. I cannot say. Mr. Brown was the active custodian of those papers, and sometime, I think in 1873 or 1874, Mr. Brown went to Europe and he turned over, I think, all the papers and books to his successor, and it is my information and belief that he never had anything to do with that company after that time. I never was able to get his successor on the stand in order to examine him. I tried to subpoena him in various ways, but I never could find him when I wanted him.

Q. What was that gentleman's name?—A. John Miller.

Q. Do you know where he resides now?—A. I do not.

NEVER COULD BE HAD.

Q. Have you any other information relating to these missing papers of the Contract and Finance Company, and also to its contract with the Central Pacific Railroad Company that you can give us for the purpose of enabling us to attempt to discover the whereabouts of these papers?—A. It would be impossible for anybody to have got that information. I had interests to spur me on to get all this information for myself, if anybody could have got it. I never was able to get it, and never could get it. If these books and papers were in existence, I never could get at them.

COUNSEL IN COLTON CASE.

Q. What other counsel in San Francisco have been interested in similar suits, or in any suits that required the production of these papers?—A. A great many have been interested on the side of the defendants, on the side of the railroad company, but I do not know of anybody particularly who has been interested on the other side.

Q. How about Mr. Hayes?—A. He was interested in the Colton case. In the Colton case there were Judge Stanley, Mr. Hayes, and Judge Stoney, and also the late Chief Justice Wallace, a very active man.

Q. Is there anyone who was with him in his office who could give us any information?—A. I am sure that I do not know. I was on the other side of the Colton case.

Q. Those are the only other counsel you think of, then?—A. There were a great many counsel in that case. Mr. Delmas was one.

Q. All were gentlemen who would be more or less active in the pursuit of papers?—A. Yes, sir. I think that Mr. Hayes was the principal one. I remember that they applied to us for leave to examine all these records, and they were thrown open to them. They had experts down here for months, examining everything pertaining to the company; nothing was kept back from them.

SUIT BY CHARLES MAIN AND OTHERS.

Q. Since the Colton case, has there been any litigation against the Central Pacific Railroad Company involving any of these questions?—A. There was a suit brought by Charles Main and others, with respect to the transactions that took place in the acquiring of the stock of the California Pacific Railroad Company. I believe that I brought that suit. There was a demurrer interposed to the complaint and I argued the demurrer. I then removed from here to New York and gave it up.

Q. Who took charge of the suit after you left?—A. Mr. E. J. Pringle, and there was a very eminent counsel who came from New York to argue it—a Mr. L. E. Chittenden.

Q. Have you now stated all the counsel who, in your judgment, would have any knowledge as to these papers?—A. I do not know what knowledge they have as to the papers.

Q. Or who have made any effort to find the papers?—A. I think that I have. There may be others.

Q. Are there any other persons who may not have been lawyers in these suits who would have any interest in getting at these facts, and who made efforts to find these papers?—A. No, sir; as I say, we had experts from time to time. Those gentlemen all had experts; and they had just the same chance to go through the records and see what there was.

NO ACCOUNTING REACHED SHOWING PROFITS OF CONSTRUCTION.

Q. In none of these suits, if I understand you correctly, was any accounting gone through with from which a result could be reached showing whether the large stockholders in the Contract and Finance Company had or had not made large sums of money out of the Central Pacific Railroad Company?—A. No; I do not think that they ever got to that point. In the Robinson case, as far as I was concerned, the plaintiffs were offered a price which they were willing to take, and they took it. In the San Joaquin case, I made up my mind that it was better for the county to get what it could. There were so many dubious points of law involved there that I did not like to refuse a good offer. The people up there wanted a new court house, and they thought that they could get money enough out of this suit to build it, and were very glad to make a settlement.

THE LAMBARD AND BRANNAN SUITS.

Commissioner ANDERSON. The Brannan case and the Lambard case were also settled, I believe.

The WITNESS. I had nothing to do with those cases. I believe that I was defendant in both of them; but I do not think that any papers were ever served upon me.

Q. By reason of your connection with what?—A. With the San Francisco, Oakland and Alameda Railroad Company.

Q. But was not the fact of the adjustment and settlement made in the Lambard and Brannan suits entirely developed and proved in the

Stewart case, with which you were connected afterwards?—A. I was not connected with the Stewart case, except to take the depositions to which I have heretofore referred. When I went to New York, Messrs. Choate and Evarts and Southmayd wished to employ me, but I declined. Mr. Huntington then offered to employ me on the side of the defendants, but I declined to do anything in the matter, as my health was such that I could not take up any new business at that time.

SETTLEMENT IN ROBINSON CASE.

Q. What was the nature of the settlement in the Robinson case?—A. They sold the stock and the suit was dismissed.

Q. I mean what were the terms of settlement—unless you have some reason for not stating them?—A. I have no reason at all. It would be difficult to say what was paid for the stock and what was paid to counsel. There were three counsel in the case on the side of plaintiffs.

Commissioner ANDERSON. I refer more especially to what defendants paid, without any question as to the distribution.

The WITNESS. If I knew how many shares of stock there were I might be able to tell.

Commissioner ANDERSON. I think that there were ten shares.

The WITNESS. There were more than that.

Commissioner ANDERSON. There were thirty-two added afterwards.

The WITNESS. I was about to say that there were two very eminent counsel engaged with me in that case. One had been governor of the State, Mr. Haight, and the other was Delos Lake, a prominent judge here for a number of years. They were associated with me in the case, and in the settlement of that case I thought that the idea was to satisfy them so that they would not take up any litigation against the Central Pacific Railroad Company afterwards. I recollect exactly what I got out of it.

Q. Do you remember what the defendant paid?—A. I do not. I did not get anything out of it. I gave the fee to the other counsel in the case. I allowed them to take the fees.

RATE OF SETTLEMENT.

Q. Do you not remember, as matter of fact, that the rate of settlement exceeded \$500 per share for the stock?—A. I should think so; yes, sir. My impression is that that question was asked of me in the trial before Judge Barrett in New York, and I made a memorandum and gave it. Whatever it is you will find it there.

Q. That is in the Stewart case?—A. Yes, sir.

Commissioner ANDERSON. The records or books of the defendant will probably show the amount paid?

The WITNESS. I do not know.

DATE AND TERMS OF COMPROMISE.

Q. Can you give us approximately the date of the compromise?—A. It was in 1877.

Q. In regard to the settlement of the San Joaquin County suit: How many shares of stock were involved in that suit; is San Joaquin the name of a county or the name of a place?—A. It is a county. The county issued \$250,000 in bonds in payment for 2,500 shares of stock.

Q. What were the terms of that compromise?—A. The county got \$300,000 for the 2,500 shares of stock, and a portion of the bonds returned, I think. That is my impression.

Commissioner ANDERSON. Please explain a little more definitely. It was alleged that this stock had passed from the county to McLaughlin and had not been paid for.

The WITNESS. Had you not better have the complaint?

Commissioner ANDERSON. I would rather have it; but as you are going away I want to ask you this much. You might suggest something which would be of value to us. I would prefer the record, of course.

The WITNESS. It is stated in the complaint more artificially and will give you all the facts if you can get a copy of it. I would rather depend upon the contents of that document than upon my memory at this time.

BASIS OF PAYMENT.

Q. Will you please state whether the amount paid as stated by you—\$300,000 and a portion of the bonds returned—was upon the basis that no consideration had been received by the county, or was it upon the basis that a consideration had been received?—A. It was upon the basis that no consideration had been received by the county, no consideration having been received up to that time by the county. The county of San Joaquin got \$300,000, excepting that portion which the counsel dextrously appropriated to themselves, and the return of some of the bonds. Mr. Miller knows everything, perhaps, and he can tell you.

Q. Does Mr. Miller know everything?—A. Yes, sir; he is the general encyclopedia of California, and I do not want to give any general statement unless indorsed by Miller.

Q. Is Mr. Haight living?—A. No, sir; he is dead.

Q. Who was the other counsel that you mentioned?—A. Judge Lake.

Q. Is he living?—A. No, sir; he is dead. I am the only one remaining, and I shall probably be gone before this inquiry is finished.

Q. We will all be gone probably before the Government debt is paid. Can you furnish us with any copies of briefs or papers which you can conveniently find which will give us more accurate information as to these points?—A. I shall be delighted to furnish you anything that I have.

Q. Can I call at your office?—A. I have no office here. I moved my office to New York. My son has an office here, and may have some of those papers.

Q. Can you give me a note to him so that I can call on him?—A. I will tell him about it.

SATISFACTORY TERMS MADE WITH COUNSEL.

Q. You mentioned a moment ago that the compromises in one or two of these cases were made on such terms as to counsel that they would be satisfied and probably would not undertake similar litigations thereafter. Was that made part of the understanding?—A. My impression is that Judge Lake told me that that was the understanding with him in that settlement, that he would take no cases of a similar nature, that he would not take any similar or any cases whatever—I do not know how that was. I remember that in that settlement he did not feel himself at liberty to take any litigation against the officers of the Central Pacific Railroad Company after that time.

COUNSEL IN THE BRANNAN SUIT.

Q. Do you remember who was counsel in the Brannan suit? Was John B. Felton?—A. John B. Felton started it. Oh, yes; I remember that. General Butler was also counsel.

Q. Did John B. Felton subsequently enter the service of the company as counsel?—A. Yes, sir.

Q. And did he remain in the service of the company until he died?—A. Yes, sir.

Q. How is it as to Governor Haight?—A. I believe that he accepted a retainer; not as a general retainer, but I think he was employed by the company afterwards. Of this, however, I am not sure.

Q. As to yourself, did you feel at liberty to take any cases after the settlement of the Robinson case?—A. Yes, sir; I received no fee in that case.

Q. Have you personally been connected with any such litigations since the San Joaquin case?—A. No.

Q. Did I understand you to say that before you left practice you were engaged in litigations for, and were retained as counsel by the Southern Pacific Company?—A. I had one or two cases for the Southern Pacific Company. No; I think I had only one case for the Southern Pacific, and that is still pending.

CONSOLIDATION OF SAN FRANCISCO AND OAKLAND WITH SAN FRANCISCO AND ALAMEDA.

Q. Do you recall the facts relating to the consolidation of the San Francisco and Oakland Railroad Company with the San Francisco and Alameda Railroad Company?—A. Yes; I remember that, I think I signed that as president of one or the other of the roads. Yes; I owned the majority of the stock in the San Francisco and Oakland road.

Q. What circumstances brought that consolidation about?—A. They were roads built to connect with the ferries crossing the bay, and I think that I had sold the stock of both railroad companies; I owned a majority I think in both, if I remember rightly—at any rate I owned the majority in the Oakland Company and a large portion in the Alameda Company; I sold my stock in the Oakland Company to E. B. Crocker and Leland Stanford, and I sold my stock in the Alameda Company to Leland Stanford and Mark Hopkins; I think I made the trade with them; they wanted them consolidated into one corporation, and we did it.

Q. Was your sale to these gentlemen made before the consolidation?—A. Yes, sir; necessarily so.

Q. The certificates for the stock appear to have remained in your name; how was that?—A. My impression is that I sold the Oakland road on a long credit, and I think that I kept the stock as security until the money was paid.

SIGNING OF CONSOLIDATION PAPERS BY WITNESS.

Q. Were these consolidation papers signed by you at their request, you remaining the equitable owner of the stock?—A. I remained the legal owner; they had the equitable interest; I think I had the stock, but I do not remember positively whether I had it as collateral to their notes or not; I had their individual paper for the stock, and kept it for a long time.

Q. I call your attention to the fact that the consent to the amalgamation signed by you as stockholder of the San Francisco and Oakland Railroad Company shows that you were a stockholder to the extent of 5,500 shares, while the consent on behalf of the Alameda Company was signed by Leland Stanford on behalf of such amalgamation for 14,950 shares. Do I understand that you had actually sold both of these amounts at that time?—A. I spoke of selling the Oakland road on credit. The Alameda road was sold for cash, and undoubtedly the stock had been transferred.

Q. Can you explain to us the relative merits of these two corporations, so far as their financial standing was concerned, so as to inform us as to whether the terms of the consolidation were just as between the parties?—A. I do not remember what they were.

TERMS OF CONSOLIDATION.

Commissioner ANDERSON. The terms of consolidation were dollar for dollar, and the aggregate capital was made equal to the capital of the two companies, so that each shareholder of the old company held an equivalent amount of stock in the new one.

The WITNESS. The Oakland Railroad had, I think, about two or three miles of track running from Oakland Point to San Antonio, as it was then called—the portion that is now run as the local ferry track of the Central Pacific. The Alameda Railroad had about sixteen or eighteen miles of track, and both had long piers extending out into the bay, and both had ferry-boats of great value. The stock of the Alameda Company appears to be about fifteen thousand shares and the stock of the Oakland Company about six thousand shares. I should think that they had material property to cover about that value at that time, as well as their franchises, which were valuable. I suppose that must have been a fair division at that time.

NO BONDED DEBT AT TIME OF CONSOLIDATION.

Q. Do you remember what their bonded debt was at that time?—A. The Alameda Company had no bonded debt, and the Oakland Company had none. If I remember rightly I do not think that either of them had a bonded debt. After the consolidation a bonded debt was put upon the Oakland Company for the purpose of making improvements and other things. I do not exactly remember the purpose for which it was put on, but I remember that after the consolidation into the San Francisco, Oakland and Alameda Railroad Company was formed they issued a bonded debt, and I think that I signed the bonds and that I signed the mortgage as president of the new corporation.

DIVIDENDS.

Q. Had either of these corporations paid dividends before the consolidation?—A. Oh, yes. The Oakland Railroad Company paid dividends for some time. The Alameda Railroad Company would have paid dividends very shortly. She did not pay dividends as such. The road was built on borrowed money, and she paid interest on her debt, and her earnings were put into construction, extensions of the road, &c. We never paid any dividends as such on the Alameda portion of the road, but a great many dividends were paid on the Oakland portion.

Q. Do you know where the books of that particular branch are to be found? Are they with the Central Pacific Company?—A. I suppose so.

Q. Were they passed over at the time of the consolidation?—A. They should have been.

STATEMENT OF CONSOLIDATIONS.

Q. This consolidated railroad was itself consolidated at a later date with the Central Pacific, was it not?—A. Yes, sir. I will give you that statement of consolidation if it is of any service to you. There were several corporations that now enter into the present Central Pacific. In the first place the Central Pacific of California was the first corporation. Then there was the Western Pacific. Then there was a corporation called the Bay Railroad Company. Then there was the San Francisco and Oakland Railroad Company, the San Francisco and Alameda Railroad Company, the California and Oregon Railroad Company, and the San Joaquin Valley Railroad Company.

Q. The first consolidation that took place was with the Yuba Railroad Company, was it not?—A. I don't think that went in.

Q. Did it not go in with the California and Oregon?—A. Oh, yes; it did. The first consolidation that took place was between the San Francisco Bay Railroad Company and the Western Pacific Railroad Company, and the consolidated company was called the Western Pacific Railroad Company. Then, in June, 1870, there was a consolidation between the Western Pacific Railroad and the Central Pacific Railroad Company of California, and that was called the Central Pacific Railroad Company. Then there was a consolidation in August of the same year between the California and Oregon Railroad Company and this Yuba Railroad Company.

THE CONSOLIDATION THAT FORMED THE CENTRAL PACIFIC.

Then, in the latter part of August, 1870, there was a consolidation between the Central Pacific Railroad Company, the California and Oregon Railroad Company, the San Joaquin Valley Railroad Company, and the San Francisco, Oakland and Alameda Railroad Company, as then consolidated, and that formed the Central Pacific Railroad Company, and that is the present corporation.

Q. How did it happen that these two latter consolidations occurred so closely together—the one being in June and the other in August? Was there a substantial addition to the road, or were there any extensions of the property as it existed in June?—A. I do not remember, but I think that it was a question for some time as to whether any consolidation had been legally made. I remember the subject being discussed as a question of law between Judge Sanderson, other counsel, and myself—probably Mr. Wilson or Mr. McAllister, or probably both of them—as to the powers of the consolidation under our statute at that time. They were a little crude and indefinite and the matter was kept in abeyance some time, and, finally, I remember that it was resolved to make the latter consolidation of August, 1870. I remember that I was starting for New York at the time, and that I staid over to sign the papers. The question came up, and I staid over until the papers were ready for my signature.

Q. Were you interested solely as a stockholder at the time of the latter consolidation?—A. I was interested simply as a stockholder in the San Francisco, Oakland and Alameda Railroad Company. I never have been a stockholder in any of the other companies, except the California Pacific, and I am a stockholder of that company now.

FINANCIAL CONDITION OF CONSOLIDATED ROADS.

Q. As such stockholder, did you yourself make any examination of the financial condition of the various roads which were being thus thrown together, in order to determine whether the terms proposed were fair and just to all the parties?

The WITNESS. In the latter consolidation?

Commissioner ANDERSON. Yes.

The WITNESS. I only thought at that time of the ability of the people who bought my stock to pay for it. I was looking only at their financial ability. I think I had the stock as security. I have no doubt that I had some opinion on the subject at the time, but what it was I could not now tell you. I was not personally interested.

THE LIENS.

Q. So you did not examine the status of the company, the amount of liens and the financial condition generally, for that purpose?—A. The liens were matters of record. Everybody in California knew all about them of course.

ONLY SAN FRANCISCO AND OAKLAND STOCK VALUABLE AT CONSOLIDATION.

Q. Was there a market price for these various stocks at the time of the consolidation?—A. I do not think that there was a market price for any of the stocks, except that of the San Francisco and Oakland Railroad Company. It had a market price and the stock was bought and sold here, but there never was a market price for the others. They never were worth anything until the road was fully developed. I would not have been willing at the time the Central Pacific road was finished to take a block of the stock as a gift and be liable for the debts as they then existed. It turned out better afterwards.

By Commissioner LITTLER:

Q. Do you mean that none of these stocks were listed on the exchange?—A. I mean at the time of the consolidation. At the time these roads were consolidated there was no one who would touch a share of the Central Pacific Railroad stock if he had to pay anything for it.

NO MARKET VALUE TO CENTRAL PACIFIC STOCK TILL RESUMPTION OF SPECIE PAYMENT.

By Commissioner ANDERSON:

Q. Still, you made no objection to the substitution of stock in the new Central Pacific Railroad Company for the stock which you had sold?—A. No. My impression was that at the time the stock was surrendered things were different. I sold my stock two years before that time. I think that I surrendered the stock about that time. I never took any new stock and never had any of it issued to me.

Q. Do you include the other stocks, except the Oakland stock, in what you say about the stocks having no market value at that time?—A. There never was any market value to the Central Pacific stock, or to any of the other stocks, until after the resumption of specie payments, until after the boom of 1880 and 1881.

Q. How about the Western Pacific Railroad stock?—A. That never has had any market value as Western Pacific stock. Of course, when it got to be Central Pacific it was included in that.

Q. How about the California and Oregon?—A. That is Central Pacific also.

Q. Had it any value before the consolidation?—A. Oh, no; it had no market value.

Q. Had the San Joaquin Valley stock any value?—A. No, sir.

THE YUBA ROAD.

Q. What was this Yuba Railroad?—A. My impression is that it was a road built by some intelligent gentleman up country to sell to the Central Pacific. It has been a source of amusement for some parties for some years to get up railroad companies and build little roads in order to force the Central Pacific or the Southern Pacific to buy them.

Q. How many miles long is it?—A. I do not know. It is a small road, if there is any of it built at all.

Q. Do you know whether the books of these various corporations, showing their financial operations and standing, have all been passed to the Central Pacific Railroad as each consolidation was made?—A. They should have been, but I do not know it as a fact, however. The Central Pacific is entitled to all the records of these various companies.

SAN FRANCISCO BAY COMPANY.

Q. What was this San Francisco Bay Company which was amalgamated with the Western Pacific?—A. The purpose of forming that was this: Under the act of Congress the Central Pacific Railroad terminated at Sacramento. The Western Pacific road ran from San Francisco to San José. Then there was a road from San José to San Francisco, and it was supposed that the Central Pacific Railroad would come into San Francisco in that way. It was found necessary to incorporate some company to build a road from Niles to Oakland. It was found impracticable to approach San Francisco by way of San José, and this road was chartered for the purpose of affording a franchise or means of getting right of way, or condemning right of way from Niles to Oakland.

ITS STOCK HAD NO MARKET VALUE.

Q. Was this San Francisco Bay stock commonly bought and sold?—A. I do not believe that they ever issued any stock. If they did, I never heard of it. I do not believe that they ever built any road. I think that they merely incorporated. However, I am not certain that they did not build any road, perhaps they did. The stock had no market value. I have forgotten now, but it may be that they built a piece of road between Niles and Oakland. I think it probable that the Bay Railroad Company may have built a portion, and that it was finished by the Western Pacific, or it may have been the other way; I am not sure which.

CENTRAL PACIFIC STOCK WORTH MORE AFTER CONSOLIDATION.

Q. Comparing the stock of the Central Pacific Railroad Company as it existed before these consolidations in 1869 and 1870, and the stock of the Central Pacific Railroad Company as it existed in August, 1870, the consolidations being entirely completed, in your judgment was the absorption of these roads a benefit to the Central Pacific, or the reverse? Of course we know your answer will be only an estimate.—A. I have always felt that the stock of the Central Pacific Railroad Company, after

the consolidation of August, 1870, was worth a great deal more than it was before.

THE REASON.

Q. By reason of the completion of the through route and terminal facilities?—A. Not only that, but because of the absorption of these great highways through the State, and their franchises, thus fastening to the Central Pacific so many valuable feeders. And then, again; remember that the Central Pacific Railroad started with a capital of \$8,500,000. As the road progressed, it got more property, and increased its capital stock to \$20,000,000. Then when they got into Nevada, before the consolidation with the Western Pacific, they increased the capital stock to \$100,000,000. They have taken in all these properties—the Bay Railroad, the Western Pacific, the California and Oregon, San Joaquin Valley, the San Francisco, Oakland and Alameda, and all their various rights and franchises, which were of great value, and the stock of the Central Pacific has remained just the same as it was before those properties went in.

AMOUNT OF STOCK ISSUED.

Q. They have issued enough of the \$100,000,000 to equal the aggregate of the stock of all the absorbed roads, in addition to their own, have they not?—A. The nominal stock of the company has remained the same through all these consolidations.

Commissioner ANDERSON. As I understand it, less than half of it was originally issued.

The WITNESS. It was issued, I believe, only as they wanted it.

Q. The other half, if subscribed for at par, would have increased the assets of the company to the amount of the issued stock. In other words, the real stock of the Central Pacific was but \$50,000,000 before the consolidation, though the nominal stock was \$100,000,000.

EFFECT OF THE THURMAN ACT.

The WITNESS. The stock of the Central Pacific Railroad Company of course would have had a very much greater value to-day if it had been allowed to manage its business as any other corporation has been allowed to manage its affairs. Instead of taking its earnings and improving the value of the road, as it should have done, they have been taken from it under the terms of the Thurman act and by other legislation.

Q. Has not the Central Pacific Company substantially managed its affairs as it thought best for the last fifteen or twenty years?—A. No; I do not think so. Then, in addition to that the Government subsidized other roads that have all the time been setting up opposition to the Central Pacific. The Government has all the time been tying the hands of its debtor and giving aid and comfort to the people fighting it.

By Commissioner LITTLER:

Q. What roads do you now refer to?—A. I refer to the Northern Pacific, to the Atlantic and Pacific and its various branches, and to the advantages which are being given to the Canadian Pacific in order to enable it to compete for the business of this coast. It looks very much like the old system of imprisonment for a debt. If a man owes you money and does not pay it, you put him in jail where he cannot possibly pay it.

OPPOSITION LINES AIDED BY GOVERNMENT.

By Commissioner ANDERSON:

Q. You mentioned something about the subsidizing of other roads; what roads do you refer to?—A. The Northern Pacific and the Atlantic and Pacific.

Commissioner ANDERSON. But you spoke about the Canadian Pacific.

The WITNESS. I spoke of the facilities given now to the Canadian Pacific to do business and of privileges given to it to bond goods through our territory, and setting them up in opposition to the road that owes the Government so much money. It seems to me that no business man would treat his debtor in that way if he wanted his debts paid.

Q. What are the facilities that you refer to as being given by the Government to the Canadian Pacific?—A. The right to run cars in bond to compete with our ports here, the port of San Francisco, for the business which naturally belongs to the Central Pacific Railroad. Heretofore large quantities of tea and silk have been brought to this country by steamers connected with the Central Pacific and Union Pacific companies, and this traffic has formed a very large portion of the business of those companies. Under the new order of things, the Canadian Pacific comes in with its steamers and its line of road and seriously cuts into this business which has heretofore belonged to our own lines, and the Government, by permitting that company to carry its goods in bond through our territory and to points within our territory, assists it in its endeavor to filch this business from the lines which are so largely in debt to the Government of the United States. That is what I mean when I say that the Government gives aid and comfort to the Canadian Pacific.

Q. Are there any other subsidized roads which compete with the Central Pacific than those which you have mentioned?—A. No; I do not remember that there are.

GOVERNMENT TRAFFIC ON OTHER ROADS.

Q. Do you know anything of the amount of the traffic given by the United States Government to other roads in the matter of transporting troops and mails?—A. I do not. I know this, however: From my reading and studies on this subject I am very well satisfied that the United States paid for carrying mails and for the movement of troops between 1850 and 1860 a great deal more than it ever allowed the Central Pacific and the Union Pacific from 1869 to the present time.

TRANSPORTATION CHEAPER SINCE COMPLETION OF RAILROADS.

Q. Is it not true that it costs all the citizens of this country a great deal less to move about from place to place at the present time than it did before the railroads were completed?—A. Of course; that is one of the advantages that the Government and people derived from the building of these two roads. Prior to 1869 we had to go to New York by way of the Pacific Mail, which charged us \$300 for the passage, and pretty much everything was charged extra. The time consumed in the journey was from twenty-four to twenty-eight days, and the passengers had to take the risk of contracting the Panama fever and the malaria of the tropics, and the numberless ills to which people are subject in crossing such a place as the Isthmus of Panama. We are benefited, of course, by the railroad in this respect; the travel is not only more comfortable in

every way, but it is cheaper. The rail rate is now less than \$100, and the time consumed less than seven days.

Q. Has that circumstance, in your judgment, anything whatever to do with the payment of a debt for which a consideration was given and for which the obligation remains?—A. I think that it has a great deal to do with it.

Commissioner ANDERSON. We would be very glad to hear from you in what respect it affects the question.

CONDITION OF COUNTRY PRIOR TO CONSTRUCTION OF ROAD.

The WITNESS. Before going into that question, of course it becomes necessary to consider the language of the law authorizing the building of these roads, and the condition of the country before and during their construction. Before these roads were built, the country was engaged in a great war for its existence. The credit of the Government was at a low ebb; materials and supplies of all kinds could be procured only at abnormally high prices. Wages were high and laborers scarce. It cost as much money to build a mile of road then as 3 miles could have been built for five years before or five years afterwards. The credit of the Government was very poor; very little was realized from the sale of the bonds which the Government loaned to these roads. They had to be sold at a big discount to provide money to build the road. In addition to this, the Government was all the time pushing these people to greater exertion and greater diligence, and I think that all of these things should be considered in any inquiry of this sort. When you estimate the present rate of interest, the amounts realized by these people from the sale of their securities and the cost of materials, you will find that the rate of interest upon this loan by the Government will amount to more than 12 per cent. per annum on the money realized. It seems to me that all these things should be taken into consideration in any report which is made to Congress by you.

GOLD VALUE OF BONDS.

By Commissioner LITTLER:

Q. Can you state what these bonds netted the railroad company in gold?—A. I will say this: In gold they did not net on an average for all the bonds given more than 60 per cent. This is according to my recollection and information. I do not believe that the company got 60 per cent. in gold for these bonds. I remember that when they were very hard pushed trying to get money to get over these mountains, I tried to borrow money for them here in San Francisco, putting two bonds in for one, but our capitalists would not lend the money.

Q. Were the contracts for construction payable in gold?—A. That I do not know; some of those made in the East were undoubtedly payable in currency; but all those made on this coast were payable in gold of the latest standard and fineness.

THE ROAD NOT WORTH ITS BONDED DEBT.

By Commissioner ANDERSON:

Q. Do not you know that many of these payments were made in bonds and stock?—A. If so, they were at a corresponding value.

Q. Made to meet the real value of the articles sold to the company?—A. It was just this way, Mr. Anderson. When this Central Pacific Railroad was finished it was not worth its bonded debt. It is not worth its

bonded debt to-day. You cannot sell it for its bonded debt. Nobody in the world would take this road mortgaged to the Government and make the money out of it due to the bondholders and the Government.

Q. You mean the two first mortgages?—A. I mean the road responsible for the bonds issued under the acts of 1862 and 1864; and the way that the Government is treating this company renders the property of less value every day.

DIVIDENDS.

By the CHAIRMAN:

Q. What did the road do with the eighteen millions declared in the shape of dividends to stockholders between 1877 and 1884?—A. I do not suppose that the road did anything. I suppose that the directors who owned the stock did something.

Q. What effect would it have had on the Central Pacific Railroad property if, instead of dividing this \$18,000,000 among its stockholders, it had applied it to bettering the condition of its road and extending its earning capacity? Do you not think that if this had been done the road would have been in better shape to repay its debt to the Government than it is now?—A. A great deal of money went into this road besides that which the Government lent. Money was procured from all available sources. The bonds of the company were issued and sold for such sums as were possible. In many markets of the world at that time you could not sell a bond. All this is now changed. The bonds of the Central Pacific Railroad Company are now away above par. You gentlemen are men of the world, of great financial as well as legal experience, and you know perfectly well that you could not organize a railroad and go to any market in the world and sell a bond unless you had some security for the money which you asked. In addition to your bonds, you would have to give a portion of your title deeds or your stock as a bonus; and this was what the Central Pacific Railroad had to do.

RESULT IF MONEY HAD BEEN APPLIED TO IMPROVEMENT OF ROAD.

Q. If this money declared in dividends to the stockholders had been applied to the improvement of the railroad property, would not the security of the Government have been better to-day than it is?—A. Undoubtedly, if all the earnings of the road had been used to redeem its liabilities instead of giving anything to its stockholders, and if this could have been done without any bad effects I might answer your question in the affirmative; but you must remember that a great many people hold shares of this stock, people whose money went in to discharge the obligations of the company incurred for the construction of its road. At the time this road was finished—I do not know but what perhaps I may be telling you gentlemen something you do not wish to hear, but I presume that you are acting in a judicial capacity, and that you would like to hear both sides of the question.

Commissioner ANDERSON. Oh, yes; we want to know everything.

FINANCIAL CONDITION OF DIRECTORS ON COMPLETION OF ROAD.

The WITNESS. When this road was finished every one of these directors was mortgaged up to all that his credit would carry. Their notes were out everywhere. They were scattered all over this and in New York, Boston, and Philadelphia, many of them from 12 to 15 per cent. per annum interest. They had to sell to redeem their personal obligations incurred for the benefit of the stock which they had taken in payment for the building of

the time this contract with the Contract and Finance Company was made, there was not a capitalist on the face of the earth that was willing to take hold of it. I have seen Mr. Huntington trudging about in New York trying to get people to lend him money and take an interest in the construction of the road upon the same terms that it was let to the Contract and Finance Company. For months, almost for a year, if not for more, he was traveling at night between Washington and Boston trying to raise money to send to California. They were put to terrible straits to get money to get over these mountains. I have sat here in bank parlors in San Francisco and heard the bankers and capitalists say, "Don't you have anything to do with those men, Stanford, Huntington, and Hopkins; don't you put any money into their schemes. They are bound to come to grief. Nobody in the world can get that road through." There are two sides to this story, of course. You, Mr. Anderson, with your great legal experience, know that it is very easy to frame an indictment, but I know and you know that there never was a case to which there was not some defense.

ABILITY OF COMPANY TO PAY ITS GOVERNMENT INDEBTEDNESS.

By Commissioner LITTLE :

Q. Have you considered the subject as to the ability of this company to pay its indebtedness to the Government ?

The WITNESS. I have no doubt that this company is composed of men who will pay whatever they will undertake to pay, and do whatever they undertake to do, no matter where it comes from. They are good for anything they undertake. There is no question about that.

Commissioner LITTLE. I am speaking of the corporation, independent of the personal responsibility of these men.

The WITNESS. I will say this, you cannot sell the mortgaged property to-day for the lien that is on it.

PLAN OF SETTLEMENT.

Q. What suggestions have you to give to this Commission, if any, as to the terms upon which the settlement of the indebtedness between this company and the Government can be made?—A. The suggestion that I would make to this Commission is the same that I would give to any business firm or corporation who would consult me as to what it should do with a debtor under similar circumstances. I would look at the property in its present condition. I would look at the condition of the property when it came into existence. I would have regard for the physical condition of the country through which it was built, which made necessary its great cost. I would look at the condition of the nation at the time the road was constructed, at the manner in which the people were urging this company to complete the road. I would look at the great advantages which the Government obtained from such completion, and the great convenience which it has been to the people of the United States, and the enormous amount of money which the Government has saved by its construction, and the failure of the Government to keep its part of the contract as outlined in the debates preceding the passage of the act of 1862. Then I would give full and fair consideration to any application which might be made for an extension of the time of payment, and I would give it upon fair and equitable terms. That is what any business man would give to his debtor under like circumstances.

EARNING CAPACITY OF ROAD VERY MUCH REDUCED.

Q. Have you considered the subject sufficiently to indicate to this Commission the terms of the settlement which ought to be proposed?—

A. I have not. I am not prepared to make any positive suggestion on that subject. I am speaking on general principles as to what ought to be done under the circumstances.

Q. Have you any intimate knowledge of the earning capacity of this property as it stands to-day?—A. No; but I did have some years ago. I have been out of business for some time, but I know that within the last few years its earning capacity has been very much reduced. I am now speaking of the mortgaged property, and not of the whole Southern Pacific property.

Q. You say that you know that its earning power has been very much reduced; how do you know this?—A. I know this from my knowledge of the affairs of the company, and from my knowledge of the business which is being done by rival lines. I also consider that the ill-considered legislation adopted by Congress towards these two roads, the Central Pacific and the Union Pacific, has been such that they have not had a fair chance to compete with other roads for the business of the country.

EARNING CAPACITY CONTROLS ITS MARKET VALUE.

Q. In determining the terms which the Government should adopt, would you take into account only the value of the property as it stands to-day in the markets of the world, or would you consider in addition thereto the earning capacity of the property?—A. The earning capacity of the property and its ability to maintain those earnings necessarily control the market value.

Q. Is it not true that in railroad circles the value of a property is determined more by its earning capacity than by the amount of money which it may owe?—A. Hardly so. The earning capacity of course has reference to the charges that will come upon those earnings. If the earnings are to be absorbed in paying interest on a large bonded indebtedness so as to leave nothing to the stockholders, the road itself will have very little market value, except to its creditors.

ITS NET EARNINGS FOR 1886.

Commissioner LITTLER. The net earnings of this road for 1886, as I remember them, were about nine million of dollars, and the gross earnings were between seventeen and eighteen millions.

Commissioner ANDERSON. Including all the leased lines.

The WITNESS. I am speaking of the mortgaged property. I see very well where the mortgaged property will be left if it is separated from the other property which has been acquired and which is at present somewhat free from competition.

Q. Is it not true that at least some of these branch lines have been acquired with moneys earned by the Central Pacific road?—A. That is a mere question of calculation which I have not been able to make. I notice that almost every time a new property has been acquired, there has been some lien placed upon it.

Q. Have you any interest in the stock or bonds of the Central Pacific Railroad Company?—A. No, sir; not a cent, and I never did have.

Commissioner LITTLER. You seem to be a competent witness.

The WITNESS. I am merely giving you my opinion. I think that if you gentlemen would come to my views on this subject the Government and the people of the United States would make more out of this road than by any other course which could possibly be adopted.

LOSS OF TRAFFIC CAUSED BY AIDED LINES.

Q. Have you any knowledge of the amount of the decrease of traffic of this company arising from the construction and operation of the competing lines to which you have referred?—A. I made some kind of a calculation once, but do not know how true it is. I have talked with some of the people whom I thought to be familiar on the subject, and my impression is, from the best information obtainable, that the loss to the Central Pacific and its leased lines caused by the building of the other subsidized roads—the Northern Pacific and the Atlantic and Pacific—and the loss caused by the construction of the Canadian Pacific, together with the earnings which have been taken from it by the Atchison, Topeka and Santa Fé Company, which, of course, works the subsidized line of the Atlantic and Pacific, will amount to something over thirty millions of dollars, probably nearer forty millions.

By Commissioner ANDERSON:

Q. From what period of time?—A. That would be about five years, I think. The business that has been taken away from your debtor by the roads which you have subsidized and by the roads which you have aided in various ways has certainly amounted to somewhere between thirty millions and forty millions of dollars, and to this extent you have impaired the means of your debtor and reduced its ability, so far, to pay its debt.

THE CANADIAN PACIFIC.

By Commissioner LITTLE:

Q. Does this Canadian Pacific Company, through the bonding system which you mention, take a large part of the traffic which would otherwise go to the Central Pacific?—A. Yes, sir; the very idea of the Canadian Pacific seems to be to take everything that is in sight, and the Government seems to be willing to afford the foreign company every facility and means for doing it.

Q. Is that done under any statute of the United States?—A. No; I do not think it is. I think this is done under a Treasury regulation.

THE NORTHERN PACIFIC.

Q. How does the Northern Pacific connect itself with the business of this region?—A. The Central Pacific, before the completion of the Northern Pacific, got all the freight for Oregon and the territory north. Now the Northern Pacific gets all of that business, and in addition to that it has a line of steamers plying between San Francisco and Oregon and takes a large slice of the business which naturally belongs to the Central Pacific line.

By Commissioner ANDERSON:

Q. Is not this carrying the doctrine of taking care of a debtor rather far? It could hardly be expected that the builders of the Central Pacific Railroad should have a monopoly of the carrying of traffic across the United States.—A. That is so. I am merely speaking of things as they exist, and how contrary they are to the anticipations indulged in

by Senators and members of Congress and by the railroad companies before the construction of the roads.

BENEFICIAL EFFECT OF COMPETITION OF SOUTHERN PACIFIC.

Q. How about the effect of the competition of the Southern Pacific on the Central Pacific traffic?—**A.** Instead of hurting, I think that it has greatly benefited the business of the Central Pacific Railroad. The Southern Pacific undoubtedly has been the means of saving to California a great deal of its business. It has built a line through Arizona, New Mexico, and Texas, and has opened up these markets to the merchants of California. It has also built a line into Mexico and has given our merchants a chance to compete for the business of that country. But for this, all the business of these Territories and of Mexico would be done by Eastern merchants, and California would get none of the benefits from that traffic. As it is, California supplies the largest portion of the goods consumed in these sections, and all of this business contributes directly or indirectly to the prosperity of the Central Pacific road. The Southern Pacific is the only line by which you can get freight rapidly from San Francisco to New York and from New York to San Francisco. It is the only concern which can make a through rate. You can go to a man in New York and he can tell you exactly what he can do for you and the time within which he can do it.

Q. That is on freight?—**A.** Yes, sir. If you want to ship any freight from New York to San Francisco you have not got to await the convenience of the New York Central, or of any other of those Eastern trunk roads, and you have not got to be bothered and annoyed with the delay which always occurs at Chicago. According to my experience, it used to take a week or ten days to get freight through Chicago. I do not know how it is now.

SOUTHERN PACIFIC PROTECTS CENTRAL FROM COMPETITION WITH GOULD'S LINES.

Q. What effect has the construction of the Southern Pacific and the establishment of a through line had on the earnings of the Central Pacific?—**A.** I do not think that it has any but a good effect. If the Southern Pacific had not started its road and protected the Central Pacific's through business, this business would have been done by the Texas and Pacific and Mr. Gould's lines.

Q. What do you mean by "protected the Central Pacific"?—**A.** If the Southern Pacific had not been built, and if the Sunset route had not been established, the Central Pacific, of course, would have had a competitor from the south, which would have taken a large share of the business, reduced the rates for traffic, and more or less demoralized the Central and Union Pacific Companies, and business would have been done without profit. With the construction of the Southern Pacific and the building of a road which worked in harmony with the Central Pacific, rates were maintained and the earning capacity of both roads increased. While the Central Pacific operated the Southern Pacific under lease it, of course, received the tolls upon business done by the Southern Pacific. The business of the Southern Pacific, under any circumstances, must come over the lines of the Central Pacific, and must pay terminal charges and ferrriage to the Central Pacific. If the Southern Pacific road were owned by the Pennsylvania Central, as originally intended by Tom Scott, or if it had been built by the Texas and Pacific people under Mr. Gould, the earnings of the Central Pacific would not have been as great as now.

TERMS OF LEASE OF CENTRAL TO SOUTHERN PACIFIC.

Q. Have you examined the lease of the Central Pacific to the Southern Pacific Company, and are you familiar with its terms?—A. I have not seen it.

Q. Do you know how the rental of \$1,200,000 per annum, which the Southern Pacific agreed to pay, was fixed?—A. I did know, but I have forgotten. I do not remember now.

Commissioner ANDERSON. I presume that we can get that from the auditor's office.

The WITNESS. I think that you can get it from the record.

HOSTILE LEGISLATION.

By the CHAIRMAN :

Q. What legislation on the part of Congress interfered with the development of the Central Pacific?—A. I think the Thurman bill and all the various little things that have been passed since then ; and not only that, but the general hostility that has been shown by Congress to the Central Pacific Railroad have very seriously interfered with the development of the Central Pacific Railroad. Although the company has complied with the terms of the various acts of Congress and of the Thurman act, there has been money due by the different Departments to the Central Pacific Railroad Company, and the Secretaries have reported session after session that the amount was due, and it has been put into the appropriation bills, but every time some patriot would rise up and have it stricken out. Although these claims have been considered by the Court of Claims, and have been passed upon by the Supreme Court of the United States, the company has been unable to get its money, and there has been a very large amount of hostility shown by somebody towards the management of this road.

PROSPERITY MEASURED BY EARNING POWER.

Q. Would you measure the prosperity of a road by its dividends?—A. I measure the prosperity of any material property by the amount of its earnings. Of course this would apply as well to a railroad as to a brewery.

Q. Do the dividends of the Central Pacific Railroad Company represent the earnings of the road?—A. No well-regulated corporation ought to pay dividends except from earnings.

Q. Do you know whether the dividends of the Central Pacific represent the earnings of the Central Pacific?—A. All that I know about it is that at the time they were declaring those dividends, their annual reports, as published in Poor's Manual, and in the "manual" containing the reports of its officers, showed that they earned enough to pay those dividends.

Q. Is it not true that more dividends have been declared since the passage of the Thurman act than at any time prior thereto?—A. The Thurman act was passed in 1878 ; I think that the road commenced to pay dividends in 1873 or 1874, and then they stopped for a while. After they resumed, I think they paid up to 1882.

The CHAIRMAN. They paid up to 1884.

Commissioner ANDERSON. I think it was 1883.

The CHAIRMAN. A dividend was declared February 1, 1884.

The WITNESS. It is a mistake to say that they declared any dividend for 1884.

The CHAIRMAN. February 1, 1884, a dividend of \$1,778,265 was declared.

The WITNESS. That is a mistake. They did not declare any dividends in 1884.

The CHAIRMAN. I have it from the reports.

The WITNESS. It must be a mistake, for I think no dividends were declared in 1884.

Commissioner ANDERSON. Look at the report of 1884 and see what it says.

NO DIVIDENDS DECLARED FOR FOUR YEARS.

The WITNESS. It says that a dividend was paid February 1, 1884. That is, paid from the earnings of 1883. I know that they were not earning dividends in 1884.

Q. If that be true, is it a just conclusion that the prosperity of the road, so far as its financial standard is indicated by the payment of dividends, has been interrupted by the passage of the Thurman act?—A. This dividend to which you refer me was paid from the earnings of four years ago. The company has declared no dividends for four years, and then you must remember they had income from the non-aided and leased lines.

Q. They declared dividends in 1883, 1882, 1881, and 1880, did they not?—A. Yes. But in 1884, 1885, 1886, and 1887 no dividends were declared.

EFFECT OF THURMAN ACT ON EARNING CAPACITY.

Q. I am taking the periods prior to the passage of the Thurman act and subsequent thereto. If the declaration of dividends is an indication of the financial prosperity of the road, can you conclude that the passage of the Thurman act has interfered with the earning capacity of the road?—A. I cannot say that I have been sufficiently in the confidence of the directors to enable me to say why the dividends were declared; but it may have been that at the time the stock began to be put upon the market they commenced to pay dividends to help its sales. I am very well satisfied that the property of the road and its earning power, and everything else pertaining to its success, were very much impaired by the legislation contained in what is known as the "Thurman act." It is a little too voluminous a subject to discuss in answer to one question. But if you will take the traffic reports and the mode of distributing the earnings, and what they paid the Government, and compare it with the distribution of their earnings for years before, you will find my conclusion to be correct.

VALUE OF BONDS OF SOUTHERN PACIFIC.

Q. Was not the "Thurman act" a mere preparation for the maturity of the bonds?—A. These men had started, as I understand, to make a sinking fund of the bonds of the Southern Pacific Railroad Company of California at ninety cents on the dollar. Those bonds to-day are worth one hundred and fifteen, paying interest right along, and will, no doubt, be worth one hundred and twenty in a little while, and will have to be redeemed at one hundred and twenty, if redeemed before maturity. Instead of allowing them to handle a sinking fund as any other solvent man would be allowed to handle it, instead of allowing them to put in the liens of their own road at a low rate, as they proposed to do, you force them to pay money in, which was taken out of their earnings from time to time, and which was invested in some bonds of the Government which

had to be purchased in the open market at a high premium, so that the money put into the sinking fund is less to-day by three quarters of a million, according to my recollection, than the amount of money paid in. You took the earnings from them, and exhausted three quarters of a million of them in buying your own bonds to create your own sinking fund. I want to call your attention, as business men, and as intelligent men—really as a matter of business—to the way in which these men have been treated; and to the unintelligent way in which their business has been handled by those having Government control. I know that I would not treat any debtor of mine in that way if I expected him to pay me.

EFFECT OF CONSTRUCTION OF SOUTHERN PACIFIC ON UNION PACIFIC.

Q. What effect had the construction of the Southern Pacific road upon the Union Pacific?—A. Well, the Southern Pacific undoubtedly takes some business which might otherwise go by the Union Pacific; or, if not by the Union Pacific, by the Atlantic and Pacific, or by the Texas and Pacific. I wish to state to the Commission, however, that when the Southern Pacific was started, recognizing the fact that these roads were intended to be operated as one, and having due regard to the interests of the Government as a creditor of the Union Pacific, an offer was made to the Union Pacific people—Mr. Dillon and Mr. Gould—to let them in on the construction of the Southern Pacific upon equal terms, dollar for dollar, without any bonus, and that they refused. They did not believe that the Southern Pacific could hurt the Union Pacific. I think that you should bear this in mind: If the owners of the Central Pacific had not the control of the Southern Pacific, if the control of the latter road had been in adverse hands, the condition of the Central Pacific would have been very much worse to-day than it is, and the position of the Government would have been a great deal worse. The same is true of the Union Pacific. It has had its share of all the business which the Southern Pacific has thrown into the hands of the Central Pacific.

EFFECT OF CONSOLIDATION OF CENTRAL AND SOUTHERN ON UNION PACIFIC.

Q. Has not the effect of the union of the Central and Southern Pacific been to divert a large portion of the traffic from the Union Pacific over to the Southern Pacific?—A. I have fully explained what I mean in this regard. Some of it has been diverted, but not so much so as would have been the case had the Southern Pacific been in any other hands than those of the managers of the Central Pacific. I am about used up, gentlemen. I have given you all the time I can very well afford this morning.

Commissioner ANDERSON. We will be here thirty days. Will you be back within that time?

The WITNESS. Oh, yes; but if you want anything more I will give you any time you want in New York. I shall be in New York the 1st of October. Or, if you want me here to-morrow, I am willing to come. If not, I will read this over and see what I want to correct.

Commissioner ANDERSON. We hope to ask our last question before the 1st of October.

The CHAIRMAN. Can we hear you to-morrow at some hour?

The WITNESS. I can be here to-morrow at 10.30. I want to go away Saturday.

ALFRED A. COHEN.

ABSTRACTS OF VARIOUS ARTICLES OF CONSOLIDATION.

Commissioner ANDERSON. Mr. Miller has left with me the different articles of consolidation produced yesterday, from which we will take extracts.

The following are extracts from the various articles of consolidation:

Articles of consolidation between the Western Pacific Railroad Company and the San Francisco Bay Railroad Company, dated October 23, 1863, containing a recital of the organization and construction of those two railroads, of their conclusion to consolidate.

They contain six articles.

The effect of those articles is to consolidate all the capital stock and all of the property and franchises of the respective corporations into a new corporation, which is declared to be the Western Pacific Railroad Company.

The terms of the consolidation are that the respective stockholders in each of the constituent companies shall hold equivalent amounts of stock in the new corporation.

The stock of the new corporation is fixed at \$10,400,000, and the length of the consolidated road is stated to be about 223 miles.

The new corporation assumes all liabilities of the constituent companies.

The articles of consolidation are signed by Leland Stanford as president and E. H. Miller, jr., as secretary of the Western Pacific Railroad Company, and by Leland Stanford as president and by E. H. Miller, jr., as secretary of the San Francisco Bay Railroad Company.

The consent of more than three-fourths in value of the stockholders in the respective companies is annexed and the signatures thereto are as follows:

The stockholders of the Western Pacific Railroad Company are: Leland Stanford; C. Crocker; E. H. Crocker, by C. Crocker, attorney in fact; Mark Hopkins; C. P. Huntington, by Mark Hopkins, attorney in fact; E. H. Miller, jr.; Contract and Finance Company, by C. Crocker, president; C. H. Cummings.

The stockholders of the San Francisco Bay Railroad Company are as follows: Leland Stanford; C. Crocker; E. B. Crocker, by C. Crocker, attorney in fact; Mark Hopkins; C. P. Huntington, by Mark Hopkins, attorney in fact; E. H. Miller, jr.; Contract and Finance Company, by C. Crocker, president; Jerome Madden; B. B. Redding; W. E. Brown, and D. A. Bender.

The articles of consolidation between the California and Oregon Railroad Company and the Yuba Railroad Company bear date the 15th day of December, 1863.

The terms of the consolidation are to the effect that the shareholders of each of the constituent companies shall receive a number of shares in the consolidated company equal to the number of shares held by them, respectively, in the old companies.

The stock of the new corporation is fixed at \$15,000,000, and its term of existence at fifty years.

The new company succeeds to all the property and franchises of the old companies and assumes all of their obligations.

The first board of directors of the new company is declared to consist of the following persons: Leland Stanford, C. P. Huntington, Mark Hopkins, E. B. Crocker, Charles Crocker, E. H. Miller, jr., and A. P. Stanford.

The articles are signed by E. H. Miller, jr., as secretary of the California and Oregon Railroad Company. A corresponding instrument is executed by the Yuba Railroad Company.

Articles of association between the Central Pacific Railroad Company of California and the Western Pacific Railroad Company bear date June 22, 1870.

The articles contain a recital of the organization, construction, and operation of the constituent roads and of the preceding consolidation between the Western Pacific and the San Francisco Bay Railroad Company, and the articles of consolidation provide, substantially, that the new corporation shall succeed to all the property and franchises of the constituent corporations and shall assume all of their obligations; that the stockholders in the new corporation shall hold an equivalent amount of stock to that which they held in the constituent companies; and that the new corporation shall be known as the Central Pacific Railroad, which shall exist for fifty years.

The first board of directors is declared to consist of Leland Stanford, C. P. Huntington, Mark Hopkins, Charles Crocker, E. B. Crocker, E. H. Miller, jr., and A. P. Stanford.

The length of the road is stated to be about 1,000 miles, and its capital stock is fixed at \$100,000,000.

The articles are signed by Leland Stanford, president, and E. H. Miller, jr., secretary, for the Central Pacific Railroad Company of California, and by the same parties as president and secretary, respectively, of the Western Pacific Railroad Company.

Annexed to the articles are the consents of more than three-fourths of all the stockholders of the respective companies.

The stockholders of the Central Pacific Railroad of California, whose names are appended to the consent, are as follows: Leland Stanford, Charles Stanford, by Leland Stanford, attorney in fact; Mark Hopkins, C. P. Huntington, by Mark Hopkins, attorney in fact; C. Crocker, E. B. Crocker, by C. Crocker, attorney in fact; E. H. Miller, jr., C. L. Scudder, A. P. Stanford, by Leland Stanford, attorney in fact; B. R. Crocker, D. O. Mills & Co., Albert Gallatin, W. R. S. Foye, C. H. Cummings, J. E. Hollister, Julius Wetzel, J. S. Friend, Friend & Terry, W. E. Terry.

The stockholders of the Western Pacific Railroad Company, whose names appear subscribed to the consent, are as follows: Leland Stanford, Mark Hopkins, C. P. Huntington, by Mark Hopkins, attorney in fact; C. Crocker, E. B. Crocker, by C. Crocker, attorney in fact; E. H. Miller, jr., A. P. Stanford, by Leland Stanford, attorney in fact, and C. H. Cummings.

Articles of association between the San Francisco and Oakland Railroad Company and the San Francisco and Alameda Railroad Company bear date June 28, 1870.

They recite the organization, construction, and operation of the respective roads. The articles are substantially that the new company shall succeed to all the property and franchises, and shall assume all the obligations of the old companies. The stock of the new company is fixed at \$2,000,000.

The stockholders of the old companies are declared to be entitled to receive amounts of stock in the new company equal to the amounts held by them in the old companies. The name of the new company is declared to be the San Francisco, Oakland and Alameda Railroad Company.

The length of the road of the new company is declared to be about 25 miles.

The articles of association are signed by the boards of directors of the respective companies, and are: Alfred A. Cohen, president; D. O. Mills, W. C. Ralston, F. D. Atherton, and D. P. Barstow, directors of the San Francisco and Oakland Railroad Company; and by F. D. Atherton, John Hewston, jr., E. B. Mastick, and Alfred A. Cohen, as directors of the San Francisco and Alameda Railroad Company.

The consents of more than three-fourths of the stockholders are annexed, being for the San Francisco and Oakland Railroad Company: A. A. Cohen, D. O. Mills, W. C. Ralston, F. D. Atherton, D. P. Barstow; and by the following as stockholders of the San Francisco and Alameda Railroad Company: F. D. Atherton, A. A. Cohen, E. B. Mastick, John Hewston, jr., and Leland Stanford.

The four parties first named signed for 5 shares each, and the last named for 14,985 shares.

Articles of association between the Central Pacific Railroad Company, the California and Oregon Railroad Company, the San Francisco, Oakland and Alameda Railroad Company and the San Joaquin Valley Railroad Company bear date August 20, 1870.

These articles recite the organization, construction, and operation of the constituent roads and contain articles of association as follows:

The new company is declared to be the Central Pacific Railroad Company.

It succeeds to all the property and franchises and assumes all the obligations of the constituent companies.

The board of directors was declared to consist of the following-named persons: Leland Stanford, William E. Brown, Mark Hopkins, C. P. Huntington, Charles Crocker, Edward H. Miller, jr., and Charles H. Cummings.

The capital stock is declared to be \$100,000,000, and the company is to exist for fifty years. Each stockholder of each of the constituent companies shall have the same number of shares of the capital stock of the new corporation which he holds of the capital stock of the respective companies.

The articles are signed by Leland Stanford, as president, and E. H. Miller, jr., as secretary, of the Central Pacific Railroad; by Leland Stanford, president, and E. H. Miller, jr., secretary, of the California and Oregon Railroad Company; by Alfred A. Cohen, president, and H. Lacy, secretary, of the San Francisco, Oakland and Alameda Railroad Company; by Leland Stanford, president, and E. H. Miller, jr., secretary, of the San Joaquin Valley Railroad Company.

The consents of more than three-fourths of the stockholders of the respective companies are attached.

The stockholders of the Central Pacific Railroad Company are as follows: Leland Stanford, Mark Hopkins, C. P. Huntington, by Mark Hopkins, attorney in fact; C. Crocker, E. B. Crocker, by C. Crocker, attorney in fact; W. E. Brown, E. H. Miller, jr., and C. H. Cummings.

The stockholders of the California and Oregon Railroad Company, whose signatures are attached to the consent, are as follows: Leland Stanford, Mark Hopkins, C. P. Huntington, by Mark Hopkins, attorney in fact; C. Crocker, E. B. Crocker, by C. Crocker, attorney in fact; E. H. Miller, jr., and B. B. Redding.

The stockholders of the San Francisco, Oakland and Alameda Railroad Company whose names are attached to its consent are: Alfred A. Cohen, D. O. Mills, F. D. Atherton, D. P. Barstow, and W. C. Ralston.

The stockholders of the San Joaquin Valley Railroad Company whose names are attached to its consent are: Leland Stanford, Mark Hopkins, C. P. Huntington, by Mark Hopkins, attorney in fact; C. Crocker, E. B. Crocker, by C. Crocker, attorney in fact; E. H. Miller, jr., B. B. Redding, and C. H. Cummings.

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, Cal., Wednesday, July 27, 1887.

Afternoon session.

WILLIAM H. MILLS, being duly sworn and examined, testified as follows:

By the CHAIRMAN:

Question. What is your business?—Answer. As connected with the road, I am the land agent.

Q. How long have you been connected with the road?—A. I was appointed land agent on the 1st day of January, 1883.

Q. What relations did you hold with the road prior to 1883?—A. No relation with the road as an employé.

DUTIES OF LAND AGENT.

Q. How long were you connected with the road prior to 1883?—A. I was not connected with it as an employé prior to that time, nor in any other way.

Q. Was the date of 1883 your first connection with the road in any capacity?—A. Yes, sir.

Q. What were your duties at that time, and what are they now?

The WITNESS. As land agent?

The CHAIRMAN. As land agent?

The WITNESS. I have general charge and supervision of the lands granted by the Government in aid of the construction of the road.

B. B. REDDING'S ADMINISTRATION.

Q. Who was your predecessor in office?—A. Mr. B. B. Redding.

Q. How long was he connected with the land department?—A. Mr. B. B. Redding's connection with the land department, I think, dated from the very beginning of the grant. I think it was about 1866. That is only from recollection, of course. I was not in a position to know or to answer that question really anyhow.

Q. Where is Mr. Redding now?—A. Mr. Redding is dead.

Q. How long has he been dead?—A. Mr. Redding died in the summer of 1882, some time, I think, in June or July of 1882.

Q. Were you appointed or selected to fill the vacancy caused by his death?—A. Yes, sir; there was an interregnum in the office of land

agent from that date until the date of my appointment—from the date of his death to the date of my appointment—the office being conducted by clerks and a deputy who had been in the office since the beginning of the administration of the office.

Q. What are you paid by the company?—A. I am paid a salary.

Q. What is the salary?—A. The salary is \$7,000 a year.

Q. How many clerks have you?—A. Six clerks besides the field agents.

BOOKS OF LAND DEPARTMENT.

Q. What books do you keep?

The WITNESS. Personally, do you mean?

The CHAIRMAN. Yes, sir.

The WITNESS. None whatever.

Q. What books does your department keep—impersonally I am speaking, altogether?

The WITNESS. Oh, you are speaking of the department?

The CHAIRMAN. Yes.

The WITNESS. We keep the tract books, which exhibit the lands granted. We keep all the maps and all the delineations of the land grant. We keep the plots of townships, the accounts of sales and of leases, the accounts of sales of timber lands, of lands where the timber is granted and the land is not granted, which is the case within ten miles of the road if the land is mineral. We keep accounts of all matters and things relating to the land department and to the lands granted. I also keep all accounts between the Government and the railroad company in the way of lists of selections.

Q. Have you named all the books which your department keeps?—A. Yes; I guess that would include all—that is, in categories—I have not named the specific books in which the accounts are kept. But we keep all books which are necessary to be kept relating to leases, and all books necessary to be kept relating to sales, and to the balance of the principal due upon lands sold upon credit, and all the tract books which exhibit the lands granted, showing the tracts of lands.

AMOUNT OF LAND PATENTED AND DISPOSED OF.

Q. How many acres of land has the company patented to date?—A. My recollection is that on the line of the Central Pacific Railroad 1,039,710.59; and on the line of the California and Oregon there are, I think, 1,340,000 to 1,350,000 acres patented to the company. There are some odd figures besides.

Q. How many acres of patented land has the company disposed of?—A. On the Central Pacific there are patented and for sale to-day—I am speaking merely from recollection now—345,000 acres; on the California and Oregon there are about 275,000 acres. My general recollection is that there are patented and for sale in the two grants, in round numbers, 600,000 acres.

Q. And the difference between 600,000 acres and the number of acres patented have been disposed of?—A. Would represent the sales; yes, sir.

AMOUNT APPLIED FOR AND UNPATENTED.

Q. Upon how many acres of land has the company applied for patents for survey?

The WITNESS. Applied for altogether, do you mean?

The CHAIRMAN. Yes, sir.

The WITNESS. On the main line?

The CHAIRMAN. On the main line I speak of specially now.

The WITNESS. On the main line the excess of applications over the patents is 622,000 acres and some hundreds. I do not remember the hundreds, I only remember the even thousands. On the California and Oregon line the excess of applications over the patents amounts to 400,000 acres, perhaps a little more. I know that the aggregate of applications by the company for patents in excess of the response of the Government is a little over a million of acres.

HOW APPLICATIONS ARE MADE.

Q. How long have the applications been on file in the Department?—

A. That question cannot be answered, Mr. Chairman, in the manner, perhaps, that you think it can. I will give you the information and then you will see the difficulty of answering the question. Applications are made for patents by listings, that is, a list of selections is made. The company must first select the land, claiming that it was granted. Those lists of selections are examined by the registers and receivers in the land district in which the land is located. That examination results in making what is called a clear list, or clearing the land to the company. When the registers and receivers have decided that the land is clear to the company the company pays the costs of the surveying, selecting, and conveying, as required by law, and the list is forwarded by the register and receiver, it having been properly certified by the surveyor-general of the State that the fees have been paid to the General Land Office at Washington. From these lists clear lists are made in the General Land Office at Washington, and there has scarcely been a list sent from which there has not been some suspensions from the very first, for further examination, which examination has not in all cases been made.

SUSPENSIONS.

Now, when you ask the question, How long have these lists been before the Department at Washington for examination? it is quite probable that from the very earliest selections some suspensions were made for further examination, and that final decision in those cases has not yet been rendered. For illustration, a list made early in 1882, prior to my administration of the department, comprised 120,000 acres. From that list 65,000 acres were suspended for further examination. That examination has been made in part by special agents of the Land Office at Washington, but patents have not been issued for it yet. Now, as to that list of 65,000 acres—the figures of the acreage are on the books, and I speak generally, but that is about the proportion—that land has not yet been patented. Therefore, as to that list, we might say that about 65,000 acres had been before the Department since May, 1882. And still behind that list there might be parts of lists of selections upon which the costs of surveying, selecting, and conveying had been paid and to which no response from the Government has been made in the way of patents.

EFFECT OF FAILURE TO MAKE SURVEY.

Q. Does the failure to make the survey retard the company in making the selections?—A. Oh, yes, sir; very greatly.

Q. Why?—A. It is because the application for the land, which is made from settlers that they wish to settle upon the land and buy it.

has been acted upon by us and we have directed our attention in all cases to dealing with such tracts as the settlers wish themselves to buy. You will understand that there is a very large quantity of unpatented land in the possession of settlers who are very anxious to obtain their titles. They cannot borrow money on their holdings, and they cannot proceed with their improvements until they have a title that will answer for collateral security, and they are very anxious to get titles. Now, to meet the requirements of settlers, we have always addressed our attention—and I see from the records of our department that that has been our custom from the first—to obtain title to such land as people wish at once to occupy and improve and settle upon. The delay in making surveys, then, if people want to enter upon a particular section of country, is a drawback. People begin to notify us that they want to buy that land, and if that land is unsurveyed, of course we cannot give them a title to it.

METHOD OF MAKING SELECTIONS.

Q. Do you wait until you get a notice from a settler before you attempt to make any selection of the land?—A. Oh; no, sir; the selections have been made generally with a view of meeting and encouraging settlements. The difficulty in obtaining patents from the Government has been, from the first, such that there was no encouragement to urge upon the attention of the Department at Washington lists of selections, since those already before it had not been patented; and therefore the effort has generally been made in the direction where settlement was proceeding, because to make lists of selections would be to facilitate its improvement. If it was just generally to simply open the country where there was no evidence of settlement, or no desire on the part of anybody to take possession of the land, we would interpose those lists between lists of land where we really desired to get patents; that is, where the people desired that we should get patents.

POLICY OF COMPANY IN REGARD TO APPLICATIONS.

Q. Is not the effect of such a policy and failure to patent lands, especially in settled counties, to avoid on the part of the company the local taxation in counties?

The WITNESS. You speak now of a motive on the part of the company?

The CHAIRMAN. Of a policy of administration.

The WITNESS. If there had been such a policy in the minds of the directors I would have been notified of that policy. I have never been notified of the policy of withholding the applications. On the contrary, it has been urged upon me continually to get title to all the land we can; that is, all the land that we can get in before the Department.

Q. Is not the effect, however, to place the tax on the land upon the settler at once, without subjecting the company to the local tax?

TO URGE THE ISSUANCE OF PATENTS.

The WITNESS. You mean, has that been the policy of the company?

The CHAIRMAN. Is not the effect of the policy which the company pursues with reference to the land what I stated?

The WITNESS. The policy of the company has been to urge upon the Government the issuing of patents. That has been its uniform policy. I cannot say what the effect of the policy would be. The effect of the

policy of the Government in delaying to issue the patents has been to keep the people who occupy the land out of their titles and in a very unsettled and uncertain condition.

Q. Is not the effect of waiting for the settler to make application before the selection of land is made to place the local tax at once upon the settler by giving him the immediate title instead of the company taking the title?

COMPANY INTERESTED IN TRANSPORTATION SIDE OF ACCOUNT.

A. The effect of taking title where there is a probability of the early use of the land is to accommodate the settlement; the policy of making a general application wherever applications might be made would be to fill the Department at Washington with applications and lists of selections to the exclusion of lists of selections where the land would be likely to be needed by applicants for actual settlement. That would be the effect of that policy, and that effect would be disastrous upon the settlement of the lands and the opening up of the country immediately along the line of the roads. The company, of course, is very anxious to settle the land in such a way that there would be a large amount of money to the transportation side of the account. Here is an instance where the owner of the land is interested in the progress of the settlement. The land pays the company, perhaps, much better after it is settled than it does by the price of it. The income from a settled piece of land is a continuing source of revenue to the road and they are therefore very desirous of settling the land along the line of the road.

WHEN TAXES ARE DUE ON PATENTED LANDS.

Q. When are the local taxes due upon the lands that are patented?

A. The taxes in California attach and become a lien on all property on the first Monday of March of each year. If the patents were issued prior to the first Monday of March in any year, it would be taxable. However, you will understand me that we have also possessory rights—that in the State of Nevada possessory rights are taxable, and so they are in California. And it has been held that a possessory right is a taxable entity, as I understand it. I know it is so in Nevada.

LOCAL TAXATION THEREON.

Q. How much has the company paid upon patented lands in local taxation in the several counties through which it passes?—A. The taxes of this company are managed and controlled by a tax auditor. I have no charge whatever of the taxation on land. There is a department which has charge of that matter. I have no figures on the subject, none whatever, nor have I any in my department.

Q. What is the name of the gentleman who has charge of that?—A. Mr. E. B. Ryan.

Q. Is he subordinate to you or under your control?—A. No, sir; he attends to all tax matters relating to the company, and of course attends to the tax upon lands. And those figures can very readily be obtained at his office.

By Commissioner ANDERSON:

Q. He attends to the tax on the lands?—A. Yes, sir; that is the only matter connected with the land over which I have no jurisdiction at all, I have no jurisdiction in that case at all.

By the CHAIRMAN:

Q. Have you any tax accounts whatever connected with the land granted by the Government?—A. The lists of lands patented to the company and subject to taxation are made up in my department each year and sent to Mr. Ryan's office, and that is the last I know of them.

Q. He can furnish that list to the Commission, with the amount of taxes paid to date?—A. Oh, yes, sir; he keeps all those matters separately.

AMOUNT OF ORIGINAL GRANT TO THE CENTRAL PACIFIC.

Q. How many acres of land of the original grant are yet due to the Central Pacific Company?—A. The grant to the Central Pacific Company at first, I find in the reports before I administered the department, was theoretical in quantity. It was made up by assuming that there was a grant of 12,800 acres to the mile. There having been a grant of twenty sections to the mile of 640 acres each, the amount would be 12,800 acres per mile. The theoretical acreage was, therefore, determined by multiplying the whole number of miles by 12,800 acres, because that would be the quantity that would be granted; but by reason of the sinuosities of the road there are a great many miles which get no land. If we take, for instance, in the vicinity of the mountains, where the road is very crooked, there may be 2 miles of road constructed upon one tier of sections. You are only making progress east and west in your land grant 1 mile to 2 miles of your road. The theoretical quantity, according to my recollection, is 9,000,000 acres on the main line.

REDUCED BY GOVERNMENT DELINEATIONS.

Q. That is the total amount?—A. Yes, sir; but when the Government delineated the grant by fixing definite exterior limits, plats of which I can furnish you, with the certificate of the General Land Office; that is, the governmental delineation reduces the quantity to something like 7,500,000 acres, and from that there is another deduction to obtain the actual result. Now, we have dealt with the grant in California, and know pretty well just what we will get; that is, we have the materials upon which to form a judgment. Theoretically we obtained the result by multiplying the mileage by 12,800 acres, and it gives 1,992,000 acres for California. The Government delineation gives about 1,222,000 acres, while the actual result is 774,000 acres. Now, out of a grant of 1,992,000 acres, theoretically, the company will receive about 774,000 acres of patented land. That deduction arises from the fact that the delineation of the Government does not take into account the crookedness of the road; it makes the general exterior limits almost straight; that is, it follows the general course of the road. Within that delineation made by the Government there are about 1,222,000 acres.

By Commissioner ANDERSON:

Q. What would make the second deduction to 774,000 acres?—A. The second deductions are the subtractions from the grant, prior disposal, mineral lands, and the lands generally excepted out of the grant. The land was granted in categories.

By Commissioner LITTLE:

Q. Would you be allowed to go beyond the limits for the purpose of making good that grant?—A. No, sir; not upon the main line.

THE CALIFORNIA AND OREGON GRANT.

If you are now referring to the California and Oregon grant, I will say that that was a grant of quantity and not a grant in place. That was a grant of 12,800 acres, to be found within 20 miles each side of the line, and if there was land lost in the odd-numbered sections of the lands granted, indemnifying lists were provided 10 miles on each side of the land granted for the purpose of indemnifying them for the loss in the granted limits. In that case below Redding, from Redding to Roseville, the company never acquired the full amount granted; that is to say, there was not enough land in the odd-numbered sections both in the granted limits and in the indemnity limits to make the 12,800 acres to the mile, which was the quantity granted in that case. It was an absolute grant of quantity, amounting to 12,800 acres to the mile, but there was not enough undisposed of to satisfy the grant for that distance.

AMOUNT OF LAND DISPOSED OF.

By the CHAIRMAN:

Q. Will you please repeat how many acres of land, estimating to date, on the main line, the company has disposed of?—A. The company has received on the main line—

The CHAIRMAN. No; I say disposed of—sold?

The WITNESS. Well, I can only do that, Governor, by subtracting. The company has received in patents on the main line 1,666,000 acres. There remains patented and unsold on the main line about 345,000 acres. If you will subtract one figure from the other you will see how much has been disposed of. The difference must have been disposed of, of course.

AMOUNT RECEIVED THEREFOR.

Q. How much money has the company received from the land disposed of to that date?—A. I could not answer that question without examination; that is, not anything like accurately. I might approximately.

Q. Will you approximate now, and then subsequently furnish the figures to the Commission?—A. Well, there were bonds for \$10,000,000, including the interest; there are several elements entering into the question of reduction of the bonded indebtedness. There was the interest account and the sale of stumpage, and there are various things of that sort. What you wish to arrive at, I presume, is what the land sold for.

The CHAIRMAN. I want to know how much money the Central Pacific has received from land disposed of to date on the main line.

The WITNESS. Approximately I should think, altogether—from all sources on the main line?

The CHAIRMAN. Yes.

The WITNESS. Well, I would have to venture an opinion on that, because a segregation would have to be made. The fund is all kept as one. I would say \$2,000,000.

Q. Will you furnish the Commission with an accurate statement of the sum received from lands disposed of?—A. With pleasure. I will furnish the Commission any statistical facts derivable from my books, if the Commission will give me a list of the things which they wish.

VALUE OF LAND REMAINING UNDISPOSED OF.

Q. What do you estimate, as the land agent of the Central Pacific, is the value of the land on the main line undisposed of?

The WITNESS. Patented and unpatented?

The CHAIRMAN. Yes; patented, or yet to be taken up. Allowing for the deductions which you have made, what do you, as the land agent, estimate to be the value of the land undisposed of along the main line of the Central Pacific?

The WITNESS. That is, the land that can be disposed of, excluding from that computation the money already obtained for the sale of land?

The CHAIRMAN. Yes.

The WITNESS. Well, I should estimate it to be \$4,000,000. That estimate is very general. There will remain, after the present deductions, probably six millions of acres, or five and one-half millions of acres, in that grant.

SETTLERS INVITED TO GO UPON UNPATENTED LANDS.

Q. When you make a selection of land at the suggestion of a settler, do you allow him to go upon it at that time?—A. Oh, the company invited settlers upon its lands from the very outset. That is, upon the unpatented lands of the company. You will understand that within the limits of the grant every alternate section granted would remain unoccupied if the grant itself would constitute an obstruction to its settlement. To prevent the lands from being a displacement of settlement, the company at once invited settlers upon the unoccupied lands of the company. They invited them to take possession of the lands and cultivate them and live upon them, and they have done so, and they are doing so. There are scarcely any lands granted to the company that are not in the use of somebody to-day, and that have not been free from first.

LEASES OF UNPATENTED LANDS.

Q. Have you made leases with the persons using the lands?—A. Only in a very few instances, and within the last eighteen months. Formerly leases were not made at all, except upon patented lands suitable for cultivation. Lands patented to the company and fit for cultivation were leased, but we did not charge the settlers anything for occupying the land.

Q. How many acres of land unpatented and selected by you have you leased as the land agent?—A. Three or four hundred thousand acres, perhaps.

INCOME DERIVED THEREFROM.

Q. What income does the company derive from the leased lands selected and yet unpatented?—A. Up to two years ago the company had never derived any benefit from leases of that kind. About two years ago I inaugurated a policy, owing to the destruction of the ranges in Nevada; this was chiefly a matter in Nevada and Utah; we have leased very little or no land in California. The sheep are very destructive to the pasture, and the cattlemen object very strongly to the lands being occupied by them. We have leased the lands as much as possible to cattle men, preferring that class of stock upon the lands to sheep, because sheep destroy the range. One lease was executed this year of 181,000 acres for \$1,200 per annum, and there is a lease executed for 320 sections. These are the two largest leases, and comprise nearly all the land that is under lease. There are 320 sections for \$10 a section. That is, \$10 for 640 acres. The price is almost nominal; \$1,200 a year for 181,000 acres of land would be a very small rate per acre. A general lease was executed, and the entire territory of Utah embraced in

it, to one individual, so as to distribute the leases among the people over there. That was about three years ago. I think that was perhaps the first lease of that kind that was made.

Q. What expense is the company put to either in taxation or the maintenance of lands selected and unpatented?—A. The company is not put to any expense, unless it is necessary to protect the timber from depredations; in that case it is very expensive. In California the lands left to the company now are chiefly timber lands.

MAP OF LAND GRANT IN NEVADA.

Q. Did you issue a map concerning grazing land a year or so ago?—

A. We have issued a map of the whole grant in the State of Nevada; yes, sir.

Q. What was the character of the map?—A. Well, I will exhibit a copy of it here.

Q. Will you produce a copy of it to the Commission?—A. Yes, sir.

Q. Did you issue an order in connection with the map?—A. No, sir; I do not remember of any order. I have issued a notice several times, requesting people to rent the lands, to lease the lands, so that they might have possession of them.

Q. Could you produce a copy of the map here now?—A. Yes, sir.

(The witness sent for the map.)

COMPANY'S TITLE TO UNPATENTED LANDS—RIGHT OF POSSESSION.

Q. How do you get a sufficient title to the land to warrant you in making your leases?

Commissioner LITTLE. That is, as to unpatented lands.

The CHAIRMAN. Unpatented lands.

The WITNESS. The court has decided recently in Utah that the right of possession of unpatented lands is in the company. That question arose in a case between the Promontory Stock Company as plaintiff against Adams and Schilling.

Q. What title does such possession give you?—A. It gives us the right of possession; that is to say, the ground.

The CHAIRMAN. I want to know the effect of such a title.

The WITNESS. Well, the effect of the decision in that case was to give judgment for the restitution of the land. There was a quantity of unpatented land in the possession of Adams and Schilling. The right to that land was sold to the Promontory Stock Company, and they brought suit for the restitution of the land—for the right of possession; and the court decided that they had the right of possession. I have the decision of the court up-stairs in that case, and the charge of the judge to the jury, which sets forth the whole story.

Q. Will you produce that?—A. Yes, sir; I have it printed in a little circular form.

CONFIRMATION OF SALE TO PROMONTORY STOCK COMPANY.

Q. Do I understand you to say that the court in that case confirmed the sale to the parties?—A. It confirmed the right of the company to the possession of the land.

Q. What is the name of the company?—A. The Promontory Stock Company, but they were the grantees of the Central Pacific Railroad Company, so that it was a confirmation of the right of possession in the Central Pacific Railroad Company.

By Commissioner ANDERSON:

Q. And of the right to transfer that possession to the grantee?—A. Yes, sir; and I wish to say in that respect that if patents could be obtained with facility no measure of that sort would ever have been resorted to. But the patented land of the company has been in the possession of everybody without lease for years. We have 214,000 acres patented in the State of Nevada that have been in the free use of the people of that State for a great many years without rent.

TERMS OF LEASES.

By the CHAIRMAN:

Q. How long do you make your leases?—A. The leases are made for one year, with the privilege of sale. That is, they can be renewed from year to year, if the lands are not sold in the mean time. The leases more frequently than otherwise include patented lands. They include a large range of country. If you saw that country as you came over it you will be prepared to understand that it takes a large quantity of it to be useful to a herdsman. It is leased in large ranges; lands convenient to water.

Q. What is the length of the term of your large that leases you spoke of—two or three years?—A. One year.

(The map already referred to was here produced.)

DIVISION OF NEVADA LANDS INTO GRAZING RANGES.

The WITNESS. Here is a map of the grant of lands in Nevada. There is a good deal of green on the map.

The CHAIRMAN. I call your attention to the order signed by you dated July 31, 1885, and printed upon this map, of "Lands granted by the United States to the Central Pacific Railroad Company in the State of Nevada." That order states:

Hereafter land belonging to the Central Pacific Railroad Company in Nevada will be sold only in grazing ranges. The grant has been divided into ranges as set forth below. The ranges will be sold or leased to stockmen on easy terms. The attention of stockmen in Texas and Wyoming is respectfully called to these ranges and the liberal terms upon which they may be secured.

Will you please state to the Commission why a special description and division of the land was made by the company and by your order into grazing ranges?

THE REASON OF SUCH DIVISION.

The WITNESS. It was because the sale of land immediately contiguous to water destroys the use of the land lying behind that water. If you look upon this map you will see that it is divided into ranges, that is, approximating somewhat the water. There, for instance, is water through that range, and here is some water in this range. The land granted to the company, if they are ever to find sale, must have the use of water. To begin with, this land will find its highest use for hundreds of years to come in grazing. It is distinctively grazing land. Not all the land left now to the company is grazing land or timber. There is some foot-hill fruit land left. The former practice was to land in 160 or 640 acre tracts. Some lands of the company were along the margin of streams by 40-acre tracts. The order that I there, that is, the notice that you see on the map, was that all the land used by a herdsman must be purchased by him. They use the ranges. This whole territory is in free use now except as to the

stances of leases that I spoke of, one of them here in the eastern end of the grant and the other about the middle of the grant, with some minor exceptions, as for instance where a single section has been leased to a herdsman. So the order was given that hereafter the lands would be sold only in ranges, because in that way only can the lands be disposed of. If the water necessary to the profitable use of the range is sold it is the equivalent of conferring upon the purchaser of that water the perpetual use of the land without purchase. This is just what the Government of the United States does all the time.

AREA OF RANGES, AND WHAT THEY ARE GOOD FOR.

Q. Are the numbers from 1 to 28 upon the map descriptive each of range?—A. Yes, sir. That is, they are intended to be generally descriptive of a range. The whole grant was divided into ranges from 100,000 acres up, and some of them containing 200,000 acres.

The CHAIRMAN. I observe that the ranges grade from 30,000 acres to 600,000 acres?

The WITNESS. Yes.

Q. Is not the effect of that to virtually or entirely exclude from this territory granted to you by the Government and designated by you as grazing land, all settlers except those who are engaged in the grazing business and able to purchase a range of from 30,000 to 600,000 acres?—

A. The class you speak of have been excluded since the settlement of the country. They are excluded by the character of the country itself. They are excluded from the fact that the most of that territory is at such an altitude that there is frost every month in the year. The lowest place on that grant is 3,300 feet above the level of the sea, while it rises in some instances to nearly 6,000 feet. The annual rain-fall of the country, including the snow is 2½ inches of water. It is therefore an arid country, under a high altitude, with very cold winters. For the most part, in the eastern portion of the grant, the thermometer goes down to 20 and 25 degrees below zero. It is not in any sense of the word an agricultural country.

THE WATER "BODIED UP" UNDER LAW OF NEVADA.

That policy was also forced upon the company for another and a very important reason. The State of Nevada had a grant of the sixteenth and thirty-sixth sections for school purposes. The Government of the United States took that grant back and issued in lieu thereof scrip to the amount of 2,000,000 acres of land, authorizing the State to dispose of that land as it saw fit. The legislature of the State allows the land to be taken in 40-acre tracts. The purchasers of that land purchased the land lying contiguous to water. The State inaugurated a system which, as they characterize it in that country, "bodied up" the water in such a way as to give its exclusive use to the purchaser of lands lying contiguous to water. That policy, being pursued by the State of Nevada, produced a corresponding policy upon the company, because purchasers of lands in that State could buy this floating scrip of the State and could body up the water in that way. They "bodied up" the even sections within the limits of the railroad grant, and they "bodied it" solid outside of the limits of the railroad grant. It was a plain recognition upon the part of the land authorities of the State of Nevada that the country was distinctively a grazing country. And while agriculture has been prosecuted there, under irrigation, in the lower part of the grant, from the Humboldt House particularly down,

and while there are large quantities of land in Humboldt County which, if capital could be induced to take the water out, might be raised to a very considerable state of productiveness and induce a very considerable agricultural interest, yet there are other portions of the Pacific coast so much more productive that capital is not likely to be attracted that way.

BUT TWO LARGE SALES MADE IN NEVADA.

Q. How many ranges designated on the map that you have produced have been disposed of by lease or otherwise?—A. There have been but two large ranges sold in the State of Nevada. That is, in any considerable quantity. There was one of 30,000 acres and one of 31,000 acres. Those two are the only sales I recall now—there may be others. There have been two large leases executed in that State.

I wish to say to the Commission that these ranges are not arbitrary by any means. An individual can buy all the land in the township. The announcement there is simply the declaration that the old policy of selling water, that is, selling 160 or 640 acres of land on the water, would not be any longer pursued. It was a declaration that the man must buy a sufficient quantity of land lying back of the water so that he would divide the water (water being indispensable to the use of the land) into something like fair proportions, so that lands contiguous to water would not be purchased in such a way as that the lands lying behind it would be wholly unsalable. If the company was to ever realize anything from its grant, that was the only policy to be pursued. That 600,000 acre range is right there before Mr. Anderson, and comprises very largely the White Plains and Humboldt Desert, and 40 miles of desert, along through that region. We put it in a large tract there because at least 550,000 acres of it has no grass on it.

SEEMING DISCREPANCY WITH REPORT FOR 1882.

Q. Will you please explain to the Commission the difference in your statement, or the seeming difference in your explanation just made, and the report furnished by you in the year 1882?

The WITNESS. 1883.

The CHAIRMAN. Memorandum relating to bond-aided roads. You place the agricultural land in Nevada and Utah at 2,000,000 acres?

The WITNESS. Is that my report of 1883?

Mr. NORRIS. Report dated January 1, 1883, for 1882.

The WITNESS. I wish to state to you in regard to that report that I came into the department, as I have already stated to you, on the 1st of January, 1883. My predecessor had died during the year 1882. This report was derived chiefly from statements made to me by the gentlemen in charge of the office as to quantities of land and things of that kind. Immediately after taking possession of this office I was sent to Washington and New York by the company on other business, and I did not return so as to resume my duties in the land office until the 1st of April. This report was written in June. They notified me that I must make a report for the year 1882 of the office I had administered. That is, taking it up to July, I never had administered any part of the department for that year. You will observe I came into office, I went to Washington, and I resumed business here on the 1st of April, 1883. When I was notified that a report of that kind was to be made I took the reports of former years that had been made by my predecessor, called the gentlemen in who had been connected with the depart-

ment from the first, and taking such general statements as might be derived from their knowledge and recollection and having the general pattern of the reports that theretofore had been made, I made the statements that appear there. Now, following that, you will find that all reports of my department are entirely devoid of any statement concerning the segregation of that land into agricultural, grazing, or timber land.

NO DESCRIPTION OF LAND IN REPORTS.

Q. Did you attempt in your report of the subsequent year, or the year 1885, to make any description of the land?

The WITNESS. My report is before you, is it not?

The CHAIRMAN. I am asking you the question. I ask you to look at the report for the year 1885, and say whether you attempted any description of the land.

The WITNESS. It appears not, from this report.

Q. What other report can you produce, at any subsequent period, in which you divide the number of acres of land into agricultural and mineral or otherwise in the lands granted by the Government?—A. I have made no other report to the company than such as are published in its annual reports.

VALUE OF UNSOLD LANDS ON MAIN LINE.

Q. I call your attention to the annual report of the Central Pacific Railroad Company for the year ending December 31, 1885, under the heading of "Assets," and ask you to please explain the item, "Lands unsold—estimated value, \$24,000,000," with the estimate of value that you have given to the Commission, of \$4,000,000.—A. That was on the main line, if you please. I made the estimate of \$4,000,000 on the main line and did not include the California and Oregon; that is not in any respect my work.

THE CALIFORNIA AND OREGON GRANT.

By Commissioner ANDERSON:

Q. What is your valuation of the California and Oregon, so that we can gauge the difference between the two estimates?—A. The value of the California and Oregon grant is much greater than that on the main line. There are about 1,400,000 acres in suspension, north of Redding Junction, awaiting adjustment. That is my general estimate. That land is worth perhaps an average of \$2 to \$2.50 an acre. There are nearly 300,000 acres unsold in the California and Oregon grant. Some of that land is quite valuable, as timber land, and will become valuable as timber lands come to be demanded. It is worth perhaps \$3 an acre now, but the valuation upon these lands I have noticed—I am speaking now simply of what I have seen of the valuation in these reports—is based upon the price that the Government asks for lands within the limits granted to the railroad companies. It is the double minimum which the Government fixes as the price of lands that alternate with lands granted to a railroad. It is an estimate derived from multiplying the whole number of acres by \$2.50, I presume.

VALUE OF AGGREGATE GRANT.

Q. As tested by your judgment of what can ultimately be got for these lands, do I understand that the estimate of \$24,000,000 is entirely

inaccurate?—A. My judgment is that the estimate of \$24,000,000 is too high, having been ascertained by multiplying \$2.50 for every acre of land within the grant. The 4,000,000 of acres of land in the State of Nevada are not salable at \$2.50 an acre, and never will be.

By the CHAIRMAN:

Q. How much is the asset of \$24,000,000 upon the page before you, depreciated in comparison with the actual value of the same asset "land unsold"?—A. Well, I presume that the lands remaining to the company might be placed at ten or twelve millions of dollars, fairly \$12,500,000, including the lands in Nevada and Utah.

Q. Then the asset of \$24,000,000 is just \$12,000,000 too much as an asset of the Central Pacific Railroad Company, of "lands unsold"?—A. According to the rules of arithmetic.

ANNUAL REPORTS.

Q. Do you make annual reports?—A. Yes, sir.

Q. To whom do you report?—A. To Governor Stanford, as president of the company.

Q. Will you furnish the Commission with a copy of your reports during your term of office and your predecessors' term?—A. Yes, sir; if I can find them. I can furnish you my own, I know. There are some other statistical matters that have been referred to here that perhaps ought to be tested by the actual facts. I have stated a great many things from memory.

The CHAIRMAN. In each case I have for the present taken your estimate, and will ask you to produce the actual figures in the form of a statement. I only wanted to get the approximate figures at present. I understand you to say that you have not in your department any tax account?

The WITNESS. No, sir.

GOVERNMENT LAND GRANT THE ONLY ONE.

By Commissioner LITTLE:

Q. Did this company ever acquire additional lands from any other source than the United States Government?—A. No, sir.

Commissioner ANDERSON. You mean as a gift. They have purchased land for terminal facilities.

Q. They have had no local land grants within the State?—A. No, sir. The sovereignty of the soil over which they pass belongs to the General Government.

Q. You mean their land has been derived from the Government?—A. Of course. And the sovereignty of the soil is in the Government in the States and Territories through which the line passes.

Q. I understand; but in some cases the States have lands, and I did not know but that the State of California had fooled away its grant in that respect to the company.—A. No, sir; the State of California has managed its land grant excellently well, in my judgment.

NO PURCHASES OF MINERAL LAND BY THE COMPANY.

By the CHAIRMAN:

Q. Have you purchased any mineral lands for the company?—A. No, sir.

Q. Have any purchases been made, or have any entries upon mineral lands in the names of individuals been made for the use of the com-

pany?—A. Not that I am aware of. Nothing of the kind has ever been done through my department. Mineral lands are not a desirable kind of land to own in this country.

TITLE TO WYOMING COAL LANDS.

By Commissioner LITTLER:

Q. How did the Central Pacific acquire title to its coal lands in Wyoming?—A. I have no knowledge upon the subject. By purchase, I presume.

Q. To what sources can you refer us for information on that question?—A. My judgment would be that Secretary Miller would be good authority in that matter. Will you permit me to exhibit this map to you before you ask me any further questions?

Commissioner ANDERSON. Certainly.

DESCRIPTION OF THE LAND-GRANT MAP.

The WITNESS (referring to the map). There is the land grant in California. All the lands in red have been disposed of by the company. All the lands in green have been disposed of by the Government. These lands [indicating] were Spanish grants. You will see that from Sacramento out, for a considerable distance, there was a very small grant of land obtained. The lands marked yellow are mineral; that is, they are denominated "mineral" by the United States surveyors-general. All these checks on them have been applied for; that is the cost of selecting and surveying have been paid and the lands are before the Department at Washington to be patented. Lands with a circle around them are unsurveyed, and therefore unavailable in any way. The only part of the grant in the State of California that we have not tried to get title to is a little spot there [indicating], embracing about ten or twelve thousand acres. All these red lands are patented and sold; the blue lands are patented and for sale. All the lands colored green were disposed of by the Government by homestead or pre-emption or by prior appropriation, before the rights of the company attached. Lands colored in yellow are mineral lands. All that remains of this grant to be dealt with at all is a small space there [indicating].

Q. A small place in the northeast?—A. Yes, sir. Now it is from this map that I obtain materials for my statement that the grant in California will yield the company but 774,000 acres, and you can see that we have here the data from which such an estimate might be safely made. I have made that estimate since the Commission has been in session here—the estimate of the number of acres that we can get.

MINERAL LAND.

By the CHAIRMAN:

Q. What effect would a selection of land, leased by you before it was patented, have upon the discovery that it was mineral land and that you were not entitled to it under the law?—A. Well, if we had leased a piece of land and we were not entitled to it, I suppose that the party who had paid the lease money would be entitled to recover or entitled to a rebate.

Q. Do you make any conditions upon selected lands, unpatented, for any discovery in the future of minerals?—A. No, sir; that is not necessary. We have never leased, that I know of, any land in the mineral regions of California. We have made but very few leases, and those

very small, in the State of California. The leases that I spoke of have been in Utah and Nevada. The discovery of minerals has been one of the sources of loss to the company by reason of the tardiness of the Government to give us patents. The company was interested in getting its title as early as possible in consequence of that. Your questions have frequently gone to the general subject of a supposition that the company has avoided taking title to its land to avoid taxation. The one item alone of loss of lands in consequence of the discovery of minerals would have paid all the taxes that ever could have been assessed against the company if the whole grant had been taxable from the start. The decisions of the courts, upon lands patented to the company before valuable mineral deposits are known to exist, are that the mineral passes with the patented land, but if the mineral is discovered prior to the issuing of the patent the land is lost to the company, and that extension of discovery has lost in value more to the company, a great deal more than the taxes would have amounted to.

AVOIDANCE OF TAXATION ON LAND.

Q. As a business proposition, if you could have conveyed your title at once upon the issuance of the patent, would you not, to that extent, have avoided local taxation in the county in which the land was located?—A. If I understand the question it amounts to this, that if the land was unpatented and not taxed we would have saved the tax.

The CHAIRMAN. Certainly.

The WITNESS. But if, by reason of failure to take the title, mineral discovery should affect the land we would lose the land.

The CHAIRMAN. I spoke of lands that you have patented, and not of lands that are the subject of selection.

The WITNESS. Then I beg your pardon.

POLICY IN REGARD TO DISPOSAL OF LAND.

Q. I ask you, as a business proposition, whether it would not have been better from a financial standpoint, in the handling of the lands of the company, to pursue a policy of disposing of the land as quickly as possible after patenting, in order to avoid the local taxation?—A. It would as a business proposition. It has been the policy of the company to dispose of its lands as soon as possible. It undertook to repay this mortgage within a given time. It had to raise the money out of the sales of land and it has pursued the policy continually of urging the sale of its land. As a business proposition the land in the possession of a settler is of the highest value to the road, on the transportation side of the account, and there was, therefore, the strongest motive in the mind of the company always in favor of disposing of the land, as against holding it, if the land is not in the possession of any one disposing of it.

FAILURE TO PATENT LANDS DUE TO TARDINESS OF GOVERNMENT.

Q. Have you failed to patent land for the purpose of avoiding local taxation at any point along your line?—A. No, sir. Under my administration of the land department I have urged upon the Department at Washington continually the subject of survey. I have urged upon their attention selections. I have written frequently, and personally made complaints to the Commissioner of the General Land Office at Washington, of the tardiness of the Government in making response.

The Commissioner of the General Land Office in that interview promised to give it his personal attention. I represented to him the tardiness of the Government in making these examinations. The reports of the Commissioners of the Land Office from 1881 to the present time show conclusively that the Government is many years in arrears with its work. Mr. Sparks reports 16,500,000 acres of selections before his department. He reports that he was able to examine and certify about 100,000 acres in one year. Mr. McFarlane, his predecessor in office, made application to the Secretary of the Interior for one hundred additional clerks and accommodations for them. Mr. Sparks renewed that application when he came into office and approved of the recommendation, or request, of his predecessor, and said that it was necessary. In 1862 Mr. Commissioner McFarlane reported to the Secretary of the Interior that the railroad division was many years in arrears. There is no provision of the law whereby one company shall have a due proportion of the patents that they are able to examine and certify to in a single year, and we do not know what the fate of other companies in this respect is. We have given passes to United States surveyors in order to induce them to take contracts for surveys that the land might be patented.

LAND ENTRIES AND LOCATION OF LANDS.

Q. Can you furnish a statement showing the land entries paid for by the company, and the location of the land?—A. Yes, sir; the location of the land applied for will be shown on this map, so far as California is concerned. All the land on this map with a blue check on it is applied for, and the fees for the surveying is paid. The costs for the surveying are paid. You see it is taken clear up to this point [indicating]. I do not know why that [indicating] was left out. My instructions were to commence at *that* end and "clean it up," as we call it. That is, take everything right straight on through the grant. You see that that course has been followed here up to *this* point; and why that has not been done *here* I do not know. I am disposed to think that it is interdicted mineral, which shuts off our application.

Q. I understood you to say that you have paid for those entries?—A. Yes, sir; we have paid for those surveys. All the fees for surveying have been paid on those lands.

WITNESS REFERS TO HIS DEPOSITION SUBMITTED WITH GOVERNOR STANFORD'S EVIDENCE.

Q. What other statistics have you bearing upon that question?—A. Well, I will state to the Commission that the questions which you propounded to Governor Stanford, as president of the road, were furnished to me, and I answered to him, and yesterday a notary public appeared at my office with my answer. I answered in writing, and answered as fully and completely as it was in my power to do; and a notary public appeared and I verified that statement to Governor Stanford. I presume that Governor Stanford will hand it to you in connection with the answers to the questions which you have propounded to him. In that you will find a great many questions fully answered and accurately answered from the books. The statistics concerning the amount for which the lands were sold and the amount and quantity of lands sold, are being made up in my office now.

THE LAND FUND.

Q. What control have you over the land fund?—A. None whatever. I pay it to the representative of the trustees of the land mortgage.

Q. How often do you make settlements?—A. Every day. At the close of business each day I pay to the treasurer of the Central Pacific Railroad Company, who is the treasurer of the trustees of the land-mortgage fund, all money received that day.

Q. Does that end your control over the fund after the day's settlement?—A. Yes, sir. It is a trust fund, and it is paid to the trustees, and they have control of it.

Q. Who are the trustees of the land-grant mortgage?—A. Mr. W. E. Brown and J. O'B. Gunn.

NO LAND GRANT FROM CALIFORNIA.

By Commissioner ANDERSON:

Q. Mr. Mills, are you positive in your answer that this company has not received land aid from the State of California or from any of the counties?—A. It has not. That is the extent of my knowledge, at least. I have been a citizen of this State for twenty-four years, and I have taken part in the general discussion of these questions. I was editor of a paper for a great many years, and I never heard of it if they ever did. I am only speaking now from the absence, rather than the presence, of knowledge. There may have been some grants of terminal facilities, for instance. There may have been a grant of water front, and some for depot purposes, but not as a subsidy. That is, there is no such thing in my office received as a subsidy.

Q. Who can tell us in regard to that?—A. Mr. Gage could assist me in answering that question.

GRANT OF TERMINAL FACILITIES AT MISSION BAY.

Q. Was there no land grant in connection with Mission Bay?—A. Yes, sir; there was land granted for terminal facilities here at Mission Bay. But what I understood your question to cover was the question of inducement to construct the line. Of course this grant at Mission Bay was given after the line was constructed.

WATER FRONT AT SACRAMENTO.

Q. Were there other grants of that character?—A. I believe there was some water front granted at Sacramento on condition that they would construct wharves and put lifting works upon them. That was after the road was completed, or after the line was completed.

Q. Are those matters in your department?—A. No, sir. My department is confined strictly to the lands granted by the acts of 1862 and 1864, in aid of the construction of the road. These other matters are generally in the hands of the various departments; for instance, if a shop were located upon the lands it would be in charge of the master mechanic. If they were held for depot purposes they would be in charge of the superintendent of the track department or the superintendent of the right of way. Mr. Curtis would have charge of them. These lands here, I suppose, are in charge of the company generally.

Q. That is the Mission Bay lands?—A. Yes, sir. The Mission Bay lands must be in the charge of the directors or their representatives.

NO STATE LAND GRANT BEFORE CONSOLIDATION.

Q. Was there no State land grant to any of the roads which were consolidated together before the general consolidation of the Southern?

chie?—A. No, sir. There were no State lands to be granted. The State had nothing but the sixteenth and thirty-sixth sections, and it lost all the sixteenth and thirty-sixth sections in mineral belts, so that the State itself had no lands to grant. The State was not possessed of any land, practically, at that time. The swamp lands of the State were very largely disposed of prior to the time that this road was constructed, and it could not have granted those. Congress granted, under the act of 1850, the swamp and overflowed lands to the State of California, but none of those were granted to the railroad by the State. The State extended a credit, though that is a matter outside of anything I am personally cognizant of. It extended a credit, but it was not in the form of a land grant.

CENTRAL PACIFIC vs. L. B. ADAMS.

Judge McKissick calls my attention to an error in my testimony. You gentlemen are lawyers, and I do not know that it is of any importance at all, but you will discover that this was not an action in ejectment. It was the Central Pacific Railroad Company vs. L. B. Adams.

(The witness here handed to the Commission the papers in the case referred to, together with the charge of the judge to the jury.)

The WITNESS (continuing). The Promontory Stock Company I supposed had been a party to the action. There is the charge of the judge to the jury that I referred to.

LESSEES OF LARGE RANGES.

By Commissioner LITTLER:

Q. Who was the lessee of the large ranges that you have spoken of?—A. Sparks and Tinnin are the lessees of it. D. P. Tarpey is the largest lessee in Utah, and George W. Crumm is the lessee of the 181,000 acres that I spoke of. George W. Crumm's address is Battle Mountain and Sparks and Tinnin is Wells, Nev., and D. F. Tarpey's address is Corinne, Utah.

Q. Who is the lessee of the Promontory Stock Company?—A. That is sold. That is, the company's rights there are sold.

Q. To whom?—A. To the Promontory Stock Company.

Q. Who compose the Promontory Stock Company?—A. A gentleman by the name of Buford and another by the name of Taylor and another by the name of Crocker—Taylor, Crocker, and Buford.

Q. What is Mr. Crocker's name?—A. George Crocker.

Q. Is he the Mr. Crocker connected with the Central Pacific Railroad Company?—A. He is a brother of Col. Fred Crocker.

Q. What connection have the other members of that company with the Central Pacific?—A. Mr. Taylor is not connected with them in any way. He was formerly superintendent of public instruction in this city. He is an enterprising gentleman who has been engaged in speculation with them. Mr. Buford's relations with the Central Pacific I have never known. He is a lieutenant in the Navy, and he has no connection with this road that I know of.

WILLIAM H. MILLS.

The witness, William H. Mills, subsequently submitted the following statement in connection with his testimony :

Table showing aggregate acres selected by and patented to the Central Pacific Railroad Company, and the Central Pacific Railroad Company as successor to the California and Oregon Railroad Company, at the end of each half year, from the earliest date, to January 1, 1887, and during the five months thence ensuing, ending June 1, 1887.

Date.	Selected by.	Patented to.
	<i>Acres.</i>	<i>Acres.</i>
July 1, 1865	55,259.09	
January 1, 1866		
July 1, 1866		45,510.54
January 1, 1867	135,153.06	87,598.03
July 1, 1867	155,204.65	122,708.00
January 1, 1868	161,753.67	144,386.03
July 1, 1868		
January 1, 1869		
July 1, 1869	278,582.56	
January 1, 1870		
July 1, 1870		281,523.23
January 1, 1871	298,910.21	
July 1, 1871		271,005.85
January 1, 1872	492,698.81	
July 1, 1872	558,997.09	430,962.23
January 1, 1873		
July 1, 1873		
January 1, 1874		
July 1, 1874		431,122.22
January 1, 1875	808,837.23	
July 1, 1875	853,798.94	833,852.37
January 1, 1876		835,565.26
July 1, 1876	1,816,619.11	
January 1, 1877	1,982,982.02	1,022,913.35
July 1, 1877	1,378,543.88	1,234,059.27
January 1, 1878		
July 1, 1878		1,256,967.07
January 1, 1879	1,838,112.82	
July 1, 1879	1,950,955.35	
January 1, 1880	2,048,788.57	1,657,597.77
July 1, 1880	2,240,672.29	2,047,621.48
January 1, 1881		
July 1, 1881		2,066,593.94
January 1, 1882		
July 1, 1882		
January 1, 1883	2,366,031.57	
July 1, 1883		2,119,038.06
January 1, 1884	2,397,234.85	2,143,538.15
July 1, 1884	2,522,902.41	2,178,517.83
January 1, 1885	2,611,684.01	2,252,619.74
July 1, 1885	2,651,532.52	2,272,514.83
January 1, 1886	2,730,249.41	2,384,290.72
July 1, 1886	2,350,739.61	2,824,955.58
January 1, 1887	3,480,782.16	2,402,384.34
June 1, 1887	3,581,146.22	
Listed		3,581,146.22
Patented		2,402,384.34
Balance in the company's favor		1,178,761.88

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, Cal., Wednesday, July 27, 1887.

EDWARD H. MILLER, JR., being further examined, testified as follows :

By Commissioner ANDERSON :

Question. Will you produce the books and minutes which you have relating to branch roads?—Answer. Yes, sir.

By the CHAIRMAN:

Q. And also the minutes of the board of directors of the branch roads?

The WITNESS. That is, the roads that are consolidated with the Central Pacific?

The CHAIRMAN. Yes.

The WITNESS. I can produce such as I can find. We never had them all. Do you want them produced now?

Commissioner ANDERSON. Yes; so that we can take them up to the hotel with us as soon as we adjourn.

The WITNESS. I can get them all for you in an hour.

E. H. MILLER, Jr.

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, Cal., Wednesday, July 27, 1887.

EDWARD C. WRIGHT, being duly sworn and examined, testified as follows:

By Commissioner ANDERSON:

Question. What is your position in the Central Pacific Railroad Company?—Answer. General auditor.

DUTIES OF GENERAL AUDITOR.

Q. How long have you been general auditor?—A. A year.

Q. One year?—A. About a year.

Q. Were you connected with the company before that time?—A. Yes, sir; I was with the company for seventeen years.

Q. State what positions you have held.—A. I was assistant general auditor before that, and before that I was a clerk.

Q. Please state generally what are the duties of the general auditor.—A. We receive the daily reports from the ticket auditor and from the freight auditor, in a condensed form, they receiving the reports from agents. We receive also the daily statements of account from agents, which we check against these other auditors' reports.

EARNINGS AND OPERATING EXPENSES.

Q. What you have stated then relates solely to the earnings?—A. Earnings and operating expenses. We make up reports of the operating expenses also.

Q. From what sources do you receive the operating expenses?—A. From reports received from the different departments, such as the motive power, and machinery department, bridges and building department, and track department.

Q. The two statements you have made, then, will cover the receipts of the road, the earnings of the road, and the expenses of operation?—A. Yes, sir.

Q. Now, do any other of the accounts of the road pass through your office?—A. Most all of the accounts representing the earnings and operating expenses go through our office; we make up the monthly statements.

CONSTRUCTION ACCOUNTS.

Q. Do charges for construction account pass through your office?—

A. Yes, sir; a great many of them.

Q. Do you audit all bills for construction?—A. Not all. Some of them go to the secretary's office—secretary and comptroller.

Q. Please state what makes the distinction as between items that go to your office and those which go into the secretary's office?—A. I know very little about those that go to the secretary. The most of them go through our office. Very seldom—once in a while—there might be a trifling item of what is known as general expense, for which they send the bill to the secretary's office.

Q. Does it first come to you and you send it to the secretary?—A. If it should come to me I would send it to the secretary.

VOUCHERS FOR GENERAL EXPENSE.

Q. Why should you select such a bill for general expense and send it to the secretary instead of auditing it as you would the general run of bills?—A. I know they have such an item as general expense. It is a matter of custom more than anything else.

Q. Is it because the object for which the money has been expended does not appear upon the face of the voucher?—A. All the money always appears upon the face of the voucher.

Q. But you have stated that vouchers for general expense sometimes go to the secretary's office; do you refer to a form of voucher which would disclose exactly what the nature of expense was, and still say that you would send such a voucher as that to the secretary?—A. It might be something in the nature of a purchase bill for the particular use of the secretary, that I would know nothing about, and I would send it up there.

Q. Then the test would be that you would send vouchers which you did not feel competent to pass upon yourself, from your own knowledge of the requirements of the road, to the secretary for his judgment?—A. Yes, sir.

Q. And after the secretary disposes of them, would they come back to your office?—A. A voucher might come back to our office with instructions from the secretary to dispose of it there and charge it to a certain item of operating expenses.

DISTRIBUTION OF ACCOUNTS.

Q. After you have audited a bill for any purpose which you have referred to, do you have anything to do with the distribution of it?—A. Yes, sir; as a rule I direct the distribution.

Q. And you have been engaged in this business either as assistant or as principal for seventeen or eighteen years?—A. Oh, no; not so many years. I was in a subordinate position for some of this time in other offices, and knew nothing about the distribution of the accounts.

Q. How long have you been engaged in this business?—A. About ten years.

Q. Would you be able to furnish the Commission a statement year by year for the ten years, showing the distribution of the items which went to the construction account, to the equipment account, and to operation?—A. The way we dispose of construction items at present—no—I could furnish what is charged in bulk to operating expense it would take a long time to do it, though.

CONSTRUCTION BILLS AUDITED BY PACIFIC IMPROVEMENT COMPA

Q. To show you what I mean, can you take the construction accounts—that portion of the California and Oregon that was done under

contract with the Pacific Improvement Company and explain the various vouchers for payments made under that contract, as audited by you, so as to show us from time to time how much road was constructed, and how much in the shape of vouchers had been audited and approved by you?

The WITNESS. You mean work north of Delta?

Commissioner ANDERSON. Yes.

A. I do not even audit those bills now. If a bill comes to me, I send it in to the secretary of the Pacific Improvement Company.

Q. Why do you not audit those bills?—A. Because they are doing the work.

Q. Who are doing the work?—A. The Pacific Improvement Company.

Q. But if your company is doing the paying, is it not proper that your department should audit the bill before the payment should be made?—A. The payments to the Pacific Improvement Company are not made through our office.

Q. Through what office are the payments made?—A. I could not say, unless it is through the secretary's.

Q. Is that not unusual?—A. I do not think so.

METHOD OF PAYMENTS AS TO OTHER CONTRACTS.

Q. What other large contracts have been paid through the secretary's office without going through the auditor's office?—A. You will understand that all the vouchers that are audited in our office are allowed by the secretary and comptroller.

Q. What is that?—A. Most all of them are allowed by the secretary and comptroller.

Q. So I understand. But my question is, what other large contracts have been paid for by the company without being audited from your office?—A. The Western Union Telegraph Company's payments are not made through our office, although the showing is in there.

Q. How about the payments made to the Contract and Finance Company? Do you know about those?—A. That was before my time, and I do not know how that was managed.

Q. Well, substantially, the bills of the Pacific Improvement Company were audited directly by the secretary or by the board of directors?—A. That I could not say. They are not paid through our office.

Q. Do you know what evidence the company receives of the performance of the work, and the justice or the propriety of the bill in regard to work, done by the Pacific Improvement Company?—A. Merely by hearsay. I really do not know, of my own personal knowledge, anything about it.

REPORTS OF EARNINGS OF LEASED LINES.

Q. Do you also receive in your office the reports of the earnings of the leased lines as well as those of the Central Pacific Railroad directly?—A. We make up the earnings of those different lines composing the system in our office.

Q. On what basis or with what material do you make up the earnings of the leased lines?—A. We receive detailed statements. Say we are distributing freight earnings, we receive a detailed statement from the general freight office, showing the amount in dollars. We distribute that over the line; it passes—well, it is distributed right straight over the line which it passes, on the basis of mileage.

Q. So that in making up the earnings then for a given year, you have to make up the earnings of the main line proper to make up the earnings of all the different lines which were leased to the Central Pacific—I am speaking now of the period prior to the lease from the Central Pacific to the Southern Pacific—and you then distribute the earnings of the interchanged traffic, as you have said, in accordance with mileage so as to credit each road with its proper proportion?—A. Yes.

Q. And in that way you make up a complete statement for the year of the earnings of the main line and of its branches?—A. Yes, sir.

CONSTRUCTIVE MILEAGE.

Q. Is it your custom in making distributions of the earnings interchanged between branches and the main line, to determine at times the earnings of branches by the use of the constructive mileage factor?—A. No; we are using the actual mileage, but there should be a large constructive mileage, because these rates on which these earnings are based give different results. For instance, we will say from a point on the Amador Branch to a point on the Central Pacific; the rate on the Amador Branch is two or three times as heavy per mile as the Central Pacific rate, but through some misunderstanding or mistake, we have been using the actual mileage for the whole distance in the division. Of course that gives the Central Pacific a much larger proportion than its local rate would call for, or than it would be justly entitled to.

By the CHAIRMAN:

Q. What constructive mileage rates have you, and on what roads have you those rates now?—A. None at all, now.

Q. When did you have them?—A. They did give some of these small lines constructive mileage in 1882, I think.

RATES OF CONSTRUCTIVE MILEAGE.

Q. What were the rates?—A. The California Pacific, I believe, had 50 per cent.

By Commissioner ANDERSON:

Q. That is $1\frac{1}{2}$?—A. Yes, sir; $1\frac{1}{2}$; and the Stockton and Copperopolis had 100 per cent.

Q. That is 2 to 1?—A. Yes, sir; and some of these small lines, the Los Angeles and Independence Railroad, and the Los Angeles and San Diego, had, I think, 50 per cent. each. That is $1\frac{1}{2}$ to 1 for constructive mileage and even at those rates they do not get anywhere near their proportion that they are entitled to, as we have since discovered.

Q. Have you named them all?—A. I think the Amador Branch got constructive mileage.

Q. At what rate?—A. I think 50 per cent.

Q. That is $1\frac{1}{2}$ to 1?—A. I could verify those figures by the record.

Q. I would be obliged to you if you would verify it and give us a statement of your constructive mileage, on what roads it was allowed and the rates allowed upon them. Why did you stop the allowance constructive mileage?—A. I believe Auditor French objected to it when he was out here.

CONSTRUCTIVE MILEAGE OBJECTED TO BY AUDITOR FRENCH.

Q. What Auditor French?—A. The Government auditor of rail ~~ways~~ accounts. I believe that is his title.

Q. What objection did he make?—A. I am speaking from hearsay now. Mr. Miller could give that positively.

Q. Who directed you to stop?—A. Mr. Miller.

Q. Since the lease of the Central Pacific to the Southern Pacific, do I understand your work to have altered or changed its form?—A. Very little that I can think of now. The details are improving all the time.

Q. What is the difference in the method of ascertaining the net earnings of the railroad prior to the lease to the Southern Pacific and subsequent to the lease?—A. No difference in the method.

TO WHOM RETURNS ARE MADE.

Q. To whom do the earnings belong since the lease?—A. That is a matter that the secretary keeps. We make our returns to him showing the earnings and the operating expenses of each line in the system monthly, and we transfer from our books to the secretary's books the accounts, so far as the earnings and expenses go.

Q. Do you make your returns to him as secretary of the Central Pacific or as secretary of the Southern Pacific?—A. Secretary of the Southern Pacific Company.

Q. And before the lease the returns were made to him as secretary of the Central Pacific?—A. Yes, sir.

RENTALS.

Q. Does the rent reserved by the lease or to be paid to the Central Pacific by the Southern Pacific pass through your office?—A. No, sir; not now.

Q. You understand that the net earnings of the Central Pacific are now determined by the amount of rent payable to it by the Southern Pacific?—A. I understand so.

Q. All your accounts then are kept with the Southern Pacific at present?—A. We have a small open account with the Central Pacific; some small unsettled matters. Our account current with the secretary might not change for months and months, and it might change by a slight charge or credit.

Q. Before the lease to the Southern Pacific, did the rentals that the Central Pacific paid for the different leased lines pass through your office as part of its operating expenses?—A. Yes; most of them did at one time.

REQUEST FOR STATEMENT OF NET EARNINGS.

Q. Can you prepare for the Commission a statement of the actual net earnings of the Central Pacific from 1880 to the date of the lease to the Southern Pacific, and also a statement of the net earnings by way of rentals since that lease to the present time, so that we can compare the results of one operation with the results of the other?—A. Yes, sir; I think that can be done with very little trouble. For how long a period?

Commissioner ANDERSON. From 1880 to the date of the lease and from the date of the lease to the present time, five years before and two years since.

The WITNESS. I think that can be done in a very short time.

EFFECT OF CENTRAL PACIFIC LEASE.

Q. What, in your judgment, is the effect of that lease? Do the Central Pacific receive as much at present under the lease as it

Q. I have not given that much thought. I really do not know. That question you asked me to make a statement about is a proper one for Mr. Miller to answer.

Commissioner ANDERSON. You can confer with Mr. Miller, but the figures are in your department. He would have to get them from your department?

The WITNESS. Partially.

Q. Can you tell me whether, as to any of the leases which the Central Pacific held prior to April 1, 1885, the rent paid by the Central Pacific exceeded the net earnings derived from the leased roads?—A. I could not say without the records.

Commissioner LITTLE. The Central Pacific did not pay any rent. It was the Southern Pacific which paid rent to the Central Pacific.

Commissioner ANDERSON. The Central Pacific held a number of roads under lease prior to 1885.

The CHAIRMAN. What is your answer?

The WITNESS. I could not say without looking at the records.

Q. We would like that information also. In cases where the rent in those leases is fixed on a basis of paying to the road its net earnings simply, then I suppose that the net earnings would actually determine the rent, and that there would be nothing else to pay. That is the arrangement in some of these cases, is it not?—A. That is a matter that is arranged entirely in Mr. Miller's office; we have nothing to do with that.

Q. Under these leases where you pay something in addition to net earnings for the use of the roads, would not the bills for the payments so to be made pass through your office?—A. I do not think that; they never have.

Q. Are you familiar with these leases? Have you seen them?—A. Yes, sir; but it is something that I do not handle.

Q. Can you furnish us with copies of the printed blanks in use in your department?—A. Yes, sir.

LIST OF BOOKS KEPT IN AUDITOR'S OFFICE.

Q. Please do so. Please state now a list of the books which are under your control and kept in your office.—A. We keep a disbursement book, an auditor's ledger and journal, and we have the accounts of two of the outside departments in the office, such as the bridge and building department and track—that is, the bridge and building department and the track department. Of course they have a number of detail books in each, in which they keep their records of time and material, from which they compile a report, which is made in the form of a voucher and entered in the auditor's journal and ledger.

Q. Are these all the books which you keep in your office?—A. Of course there are a great many small books in the shape of memoranda.

Q. They belong to one of these different classes of books and are the basis from which you post into the general ledger?—A. Yes, sir.

Q. Do you keep this book for the distribution of charges?—Yes, sir; what I call a disbursement book is the book from which we distribute these accounts that I speak of to the different items of operating expenses and foreign roads, and private parties, and to sundry accounts.

METHOD OF AUDITING REBATES.

Q. Are any of the refunds or rebates that are made on freight charges audited in your office?—A. Yes, sir; most of them.

Q. Do they simply appear in these same ledgers, or have you a separate book for that?—A. They appear in this disbursement book that I speak of.

Q. In what form are such charges audited?—A. As a rule they take this course; the general freight agent will receive a claim inclosing a bill of lading, an expense bill, and note demanding a refund, or asking it. He will make up the voucher, knowing the details of the tariff and classification. He will have it examined and compared with the way-bill, to show that such a shipment actually went over the road, and he will check the way-bill to prevent a future claim being presented on duplicate papers. He will make up this voucher and certify to its being correct. He will name the amount that should be refunded. That voucher will go to a committee on allowance, and then usually it is brought to our office. Sometimes it goes to our office first, and we send it there.

COMMITTEE ON ALLOWANCE.

Q. Who is the committee on allowance?—A. Mr. E. H. Miller, Mr. G. L. Lansing, and Mr. S. T. Gage, I believe; other officers sometimes allow vouchers, and they are passed through also.

Commissioner ANDERSON. I am only speaking now of rebate or refund vouchers.

The WITNESS. As a rule, those are the only gentlemen who ever sign those vouchers.

Q. Who determines the rate that is to be allowed?—A. The general traffic manager or the general freight agent.

Q. Is that generally done before shipment, or is it sometimes done merely on application after shipments?—A. They are the only officers that should answer that question, because the vouchers are certified to by them as being correct when they come to me.

REBATE VOUCHERS ALLOWED BY THIS COMMITTEE.

Q. Is your duty, then, purely ministerial?—A. No, sir; not altogether. There are many vouchers, for the correctness of which I am responsible, before they are registered or audited.

Q. I am only speaking now of rebate vouchers. Have you anything to do with the percentage of allowance, or with the person to whom it shall be made?—A. No, sir; I have never considered that I was responsible for even a bad payment on such vouchers, for I am not conversant with the tariff or classification.

Q. If it received the approval of the general traffic manager, or of this committee, the voucher is thereupon audited by you?—A. Yes, sir.

FORM OF PAYMENT TO SHIPPERS.

Q. What is the form of making the payment to the shipper?—A. It is recorded in our office, and sent by us to either the paymaster or the treasurer or to an agent for payment.

Q. And there it is receipted for by the person to whom it is paid?—A. Yes, sir; and then he sends it back to us with a report. We keep an account with those officers. We keep an account, for instance, with the paymaster, charging him with all moneys received and crediting him with all payments made.

Q. All these entries, I understand you, are made in your general books, and are not made in a separate book by themselves?—A. All

overcharge, loss and damage, and rebate vouchers are entered in a separate book, and at end of month transferred in bulk to the auditor's ledger.

EARNINGS DERIVED FROM POOLS.

Q. What reports do you receive of earnings derived from pools?—A. The vouchers for payments made to and receipts from pools are all approved in the same manner that I have described as to these others.

Q. Do you have any means of determining the correctness of the report made to you, either by consulting the pool contract or by consulting the report of the traffic done and administered under the pool?—A. Yes, sir; I usually read the pool contracts, and generally have had a copy of them. But I have not considered myself responsible for the correctness of these vouchers.

RESPONSIBILITY FOR CORRECTNESS OF POOL VOUCHERS.

Q. Who is responsible for the correctness of the pool vouchers?—A. Either the general freight agent or the general traffic manager.

Q. Does the approval of the general freight agent appear on all the pool vouchers which are audited in your office?—A. I think every one of them or of the general traffic manager.

Q. That is Mr. Stubbs?—A. Yes, sir.

Q. How many pools do you know of prior to last April?—A. Well, the transcontinental pool I presume you would call one.

Commissioner ANDERSON. Yes.

The WITNESS. There were a half dozen or so.

Q. Can you furnish us with the names of them by referring to your books?—A. I don't think I could.

Q. Do you refer us to Mr. Miller for that?—A. No; I would refer you to the general traffic manager.

By the CHAIRMAN:

Q. Who is the custodian of those contracts?—A. He is familiar with the contracts.

Q. Who keeps the contracts?—A. I think he does.

By Commissioner ANDERSON:

Q. Mr. Stubbs?—A. Yes, sir.

OTHER SOURCES OF REVENUE.

Q. From what other sources do you derive revenue besides from passenger and freight traffic and pool earnings?—A. We receive rental earnings.

Q. Are there express companies?—A. No; also from property along the line of the right of way, and from the sale of what they call "old horse."

Q. Old material?—A. Yes, sir; and from telegraph earnings, sleeping-car earnings, and miscellaneous items.

EXPRESS BUSINESS.

Q. How has the express business been managed over your road?—A. It comes to us in a condensed form. The freight auditor renders to us reports, on which we make credits to express earnings, and send to our treasurer for collection.

Q. Who does the express business?—A. Wells, Fargo & Co., I believe, do all of it.

Q. Have you the possession of the contract between Wells, Fargo & Co. and the Central Pacific Company?—A. No, sir; I have not.

ORIENTAL AND OCCIDENTAL STEAMSHIP COMPANY.

Q. What do you know about the earnings of the Oriental and Occidental Steamship Company?—A. I have nothing to do with that company.

Q. Do not the earnings pass through your department?—A. No, sir.

Q. Through what department do they pass?—A. They have a secretary of their own, I believe. He keeps all the accounts, I think—Mr. D. D. Stubbs.

Q. Is that your Mr. Stubbs?—A. No sir; that is another Mr. Stubbs.

Q. I mean through what department of the Central Pacific or the Southern Pacific do payments from that steamship company pass?—A. They do not pass through our office. Of course we may have a small bill against that company the same as we do against private individuals, but we do not have anything to do with their business. I do not know what contracts they have. I do not know how the Central Pacific is connected with it.

Q. Is not the Central Pacific a large stockholder in that company?—A. Not that I know of. I don't know anything about it.

REQUEST FOR COMPARATIVE STATEMENT OF ORDINARY BUSINESS AND POOL BALANCES.

Q. Could you furnish us with a statement for the year 1884, showing the passenger earnings derived from pools and the passenger earnings derived from the ordinary business, and a similar statement as to freight for the same year.

The WITNESS. Does this mean net?

Commissioner ANDERSON. No; not net, but just for the gross. So that we can compare the volume of the two businesses.

The WITNESS. Yes, sir; I can furnish that.

Commissioner ANDERSON. Will you do so for the year 1884?

The WITNESS. When you say "net," I want to know whether you wish all rebates deducted?

Commissioner ANDERSON. I think it would be a fairer test after the rebates are taken out.

The WITNESS. Sometimes we have six thousand vouchers a month right along, and there are so many miscellaneous vouchers.

The CHAIRMAN. We want to know how much of your business in a year, taking the year 1884 as an example, is ordinary railroad business incident to a railroad, and how much you derive in the same year from pool balances or arrangements or settlements with other roads, as distinguished from ordinary business.

The WITNESS. I understand it.

AMOUNT OF BUSINESS POOLED.

By the CHAIRMAN:

Q. What proportion of the business is pooled and what remains unpooled of freight and passengers, taking the year 1884 as an example?—A. When I come to think that over, I cannot do it within a reasonable time.

Q. How long would it take you?—A. Well, to make a statement covering a year it would take me a month or more.

The CHAIRMAN. That will do, if you will furnish it and forward it to the Commission. How much of your business is in a year's pool?

The WITNESS. We have not segregated our earnings in past years in such a way that it can be done without a vast amount of work.

HOW POOL ACCOUNTS ARE KEPT.

Q. How do you keep your pool account?—A. We charge it right up. If it is a payment we are making on account of pools, we deduct it from the total freight earnings. If it is a receipt on account of the pool, we credit freight earnings.

Q. Taking the amount of pool credits or balances in favor of the company, and contrasting that amount with the ordinary business of the company not forming any part of the pool settlements, what would be then the traffic of the company for 1884?

The WITNESS. That is the question!

The CHAIRMAN. Yes.

The WITNESS. That was before I was handling much of that detail. But my opinion is it would take a vast amount of work to get that information.

By Commissioner ANDERSON:

Q. How many entries of pool balances, either of credit or debit, would you make in the course of a year? You did not settle more than once a month, did you?—A. No, sir; but a year's pooling business covers freight to all our terminals. There is a great deal of other freight coming to the terminals, which is not pool business. In order to answer that question I have got to get down to all this detail at those terminal stations.

Q. Why? If you have the total of your freight business for a year, and you can ascertain from perhaps twenty-five entries that you had received a certain amount of money from the settlement of pool balances during that year, and paid out other items, and then from that derived the exact amount of pool business for the year, you will know that all the rest of the freight business is derived from the other sources. All you have to do to effect that result is to ascertain the amount of pool business so that we can compare it with the total amount of the business.

The WITNESS. I would like to hear that question asked once more by the stenographer.

(The question was repeated.)

The CHAIRMAN. This will make it easier. Can you give a statement showing the amount of freight earnings derived from pools, and the amount of ordinary business, for the year 1884? Can you give us also a statement showing the amount of passenger earnings derived from pool balances, and the amount derived from ordinary business, for the year 1884?

The WITNESS. I can let you know to-morrow what we can do.

Commissioner ANDERSON. You can let us know to-morrow. My explanation was only intended to show you that in taking the pool part of it away the rest of it would answer itself. It seems to me so, though I am not a railroad expert.

The WITNESS. It would be a very easy matter for me to deduct any amount we may have credited to freight earnings on account of pools. That is a very simple matter. But I do not get at the pith of the matter.

Commissioner ANDERSON. What we want to know is whether your pool earnings figure in your business as a much greater quantity than your ordinary business. We want to compare your pool earnings with

your entire earnings. All we need in order to make that comparison is to get your entire earnings, which you have, and the pool earnings, which cannot number many items.

The WITNESS. But for pool business there may be a great deal of business that would be a loss.

COST OF CONSTRUCTION OF CALIFORNIA AND OREGON LINE.

Q. Very probably. We are not finding fault with the pooling, but we want to know the result. Were any branch lines of this road constructed during your administration of the auditor's office?—A. A portion of the California and Oregon was.

Q. The portion which you said did not pass through your office; or did some portion pass through your office?—A. Well, the portion north of Delta, before the Pacific Improvement Company took charge of the construction of that part of the line. The details mostly passed through our office.

Q. Can you furnish a statement of the cost of that portion of the California and Oregon which was audited in your office?—A. Yes, sir. That is, I can give you a statement of the entire amount which passed through our office, charged to that account.

RESPONSIBILITY FOR ACCURACY OF VOUCHERS.

Q. As to those vouchers, do you consider your office responsible for their accuracy?—A. Yes, sir. That is, all that I can think of at this moment.

Q. On what report would you audit a voucher for work done on that portion of the California and Oregon?

The WITNESS. On what report?

Commissioner ANDERSON. On what report, or what representation?—A. Well, I received some verbal authority at the time the work was going on.

Q. Would you receive an engineer's certificate that certain work had been done, or a surveyor's report?—A. Oh, yes; if the track department should do any work in the nature of construction there, they would turn in "time-books," and I would make up a statement and send it to the superintendent of track to certify as to its correctness. Then it would pass through the committee on allowance in the usual way. Then it would be registered and charged to that account.

EXTENT OF CONSTRUCTION DONE DIRECTLY BY CENTRAL PACIFIC.

Q. At what northerly point did the construction done directly by the Central Pacific Company commence?—A. I think they constructed it all the way from Roseville Junction; but I would not speak positively with regard to it. It was before my time.

Q. Since your time between what points has the construction been completed?—A. What I am most familiar with is from Bedding to Delta.

Q. How many miles is that?—A. It is about 40 miles.

Q. Have you been over that road?—A. Yes, sir; I have not been to the terminus.

Q. Have you been over the road from Delta to the north boundary of California?—A. No, sir; not all the way.

Q. What is the character of the country along the 40 or 60 miles of road that you audited?—A. I went over it in the night, and I did not see the country. I could not say much about it.

GROSS RECEIPTS AS DISTINGUISHED FROM GROSS EARNINGS.

Q. Would your office show the gross receipts of the Central Pacific Company, as distinguished from its gross earnings?

The WITNESS. The gross receipts as distinguished from its gross earnings?

Commissioner ANDERSON. Yes; by gross receipts I include all matters that make up the receipts of the company by reason of the ownership of stock or of different interests.

The WITNESS. No, sir; my records would not show that.

Q. What records would show that?—A. Mr. Miller's records would show that.

REBATES.

Q. Are these rebates that we have spoken of matters of individual arrangement in each case, or have you in your office rebate contracts?—A. We have not all the rebate contracts. We get most of them—copies of the contracts.

Q. How numerous are they?

The WITNESS. You are speaking of pools, are you, now?

Commissioner ANDERSON. No; I am speaking of rebate allowances to shippers.

The WITNESS. Oh, they are not all under contracts. There are all sorts of rebates.

Q. That was my question, whether they were matters of individual arrangements with shippers or whether there were contracts extending over a fixed period of time.—A. Those contracts that you speak of are kept in the general freight office.

Q. You have none in your office?—A. No, sir.

Q. You refer us to Mr. Stubbs for that, do you?—A. Mr. Stubbs or Mr. Gray.

ANNUAL ALLOWANCES FOR REBATES, ETC.

Q. Have you a book which shows the total of the allowances for rebates, refunds, returns, or overpayments made up annually?—A. Yes, sir; we have.

Q. Can you give us the gross total of such allowances by the year from the time you commenced?—A. Yes, sir.

Q. What year was it that you took charge—1881?—A. I can show that many years back.

Commissioner ANDERSON. Show us the full total of allowances for rebates.

Commissioner LITTLER. If he has such a book, he can let us see the book.

The WITNESS. By years, you mean?

By Commissioner LITTLER:

Q. Do I understand that you have a book for rebates containing the several items of rebates during the several years the company has been in operation?—A. It is not kept altogether in one book. I can furnish the amount.

Commissioner ANDERSON. I simply ask for the amount made up by years.

GROSS RECEIPTS OVER GROSS EARNINGS.

By the CHAIRMAN:

Q. What does your department contribute to the gross receipts in making up at the end of the year a statement for the company?—A. We

close our showing of freight earnings, passenger earnings, and different items of earnings, also the operating expenses, to the secretary's books monthly; and then we are through with it, so far as that goes.

Q. But who ascertains the gross earnings as distinguished from the gross receipts?—A. We do.

Q. Then what figures do you use in order to ascertain your gross earnings?—A. We take, for instance, our station agent's returns of freight receipts and ticket sales, baggage, &c., and then we may make a refund to a man for an error in overcharging on a ticket, or an error for overcharging on freight; and we would charge that amount to that item of earnings which should be charged. Of course that reduces it to net freight earnings.

Q. Do you carry into the account your pool balances?—A. If we should pay out any money on a freight pool, we would charge that to the freight earnings; and if we received any money on a freight pool, we would credit that to freight earnings.

Q. What else do you carry into the gross sum before you ascertain your gross earnings?—A. We have express and telegraph, mail, rental, and sleeping cars and extra baggage. I believe I named passenger and freight, of course; I believe that is all.

Q. Is the item of gross receipts taken off each year as a separate item?—A. We made a monthly showing of gross receipts and operating expenses, and then we show the net.

Q. Is the item of gross receipts for the year taken off as a separate item as distinguished from gross earnings?—A. No, sir; not that I know of. That is made up by the secretary, anyhow. We transfer this to him monthly, you know.

HOW THE GROSS EARNINGS ARE ASCERTAINED.

Q. What do you deduct from the gross receipts to ascertain your gross earnings, before you make your return to the secretary?—A. We deduct all these rebates that we have mentioned, from the gross receipts, and we still call that gross earnings, after that; and then we make up our operating expenses, and deduct that from these gross earnings, and that leaves net earnings.

The CHAIRMAN. I understand that you have your gross receipts and gross earnings, from which you deduct your operating expenses.

The WITNESS. I understand the gross receipts to be the gross earnings.

Commissioner ANDERSON. We differ as to that. We use the phrase "gross earnings" as including everything that the railroad gets from every source, in addition to the earnings from its road. If it happens to be the owner of stock in a gas company in New York, or it gets rent from a house which has nothing to do with the railroad, that we call gross earnings.

The CHAIRMAN. He deducts rebates and refunds and overcharges, and railroad settlements come off.

The WITNESS. Yes. For instance, we sell a ticket from here to New York, and our agent in San Francisco will report all that money as ticket sales, and it goes into our passenger earnings. Now, we afterwards pay out from that to the other roads interested, you see. That still leaves what we call our gross earnings, after we have paid the other roads.

The CHAIRMAN. Yes, I understand you. Now, will you furnish a statement of the gross receipts from 1869 to 1886, or from the date of

the opening of your road, as distinguished from gross earnings, year by year?

The WITNESS. It would make no showing at all, the gross receipts. My education in railroad accounts has made the gross receipts the gross earnings, and nothing else.

GROSS RECEIPTS AS DISTINGUISHED FROM GROSS EARNINGS.

The CHAIRMAN. Yes, as ordinarily understood. I now speak of gross receipts, which include everything received by the company, out of which you make some deduction, such as rebates, overcharges, terminal settlements, pool settlements, and all other settlements, and then you would ascertain your gross earnings.

The WITNESS. I understand what you mean, but it would be a foolish showing, because we sell a ticket here in San Francisco to New York for \$120, say. I don't know what the price is. We call that passenger earnings. I do not call that gross receipts. It does not belong to us. We know it, and know we have got to pay out to Eastern roads most of the money. But you call that gross receipts.

Q. Do you take off the gross receipts every year, to ascertain and make your deductions, in order to know just what you received before you determine your gross earnings?—A. We do this monthly.

Q. Will you furnish to the Commission a statement from 1869, or from the opening of the road, to 1886, showing the gross receipts?—A. I will do the best I can.

The CHAIRMAN. Very well. That is all you can do. Let us judge of the foolishness of it.

CUSTODY OF CONSTRUCTION ACCOUNTS.

By Commissioner LITTLER :

Q. Who has custody of the books containing an account of the cost of construction of the Central Pacific road?—A. I do not know. I never have seen them.

Q. In whose charge ought they properly to be found?—A. That was before my time, and I do not know anything about it.

Q. Are you sure they are not in the auditor's office?—A. Yes, sir; I know they are not in my office.

Q. Are there any vouchers in your office in respect to the construction of the road?—A. Not that I know of.

Q. To what date backward do your vouchers extend?—A. They extend away back to the beginning of the road.

THE AUDITOR'S OFFICE AN OPERATING OFFICE.

Q. Then they ought to embrace the cost of construction, ought they not?—A. Well, no; that does not follow. Our office is an operating office, and as a rule it might contain only charges to operating expenses.

Q. Then you think your office only includes the vouchers for operating expenses from the time the road was opened?—A. No, sir; I would not say that. Well, as a rule, yes; but we do occasionally, as an operating company, finish up work that the construction company has left incomplete, and charge it to that construction company.

Q. Who has charge of the canceled checks on which the money was paid out for the construction of this road?—A. I should say the treasurer had. I really never saw them.

Q. The treasurer of the company really ought to have the custody of these books containing the cost of the construction of the road, ought he not?—A. That I could not express an opinion about.

Q. Do you know whether any of the books of this company, from its organization to the present time, have been destroyed, by accident or otherwise?—A. No, sir; I do not know anything about it.

REFERRED TO CONSTRUCTION COMPANY FOR THE BOOKS.

Q. To whom can you refer us for the production of these books containing the account of the construction?—A. The Construction Company, I should say.

Commissioner LITTLER. Although a construction company may have constructed the road, there must be books in charge of this company containing certain accounts or vouchers upon which the money of the company was paid to the Construction Company for its services under contract.

The WITNESS. I do not think that those accounts would necessarily go through the auditor's office, which is, as a rule, an operating office.

Q. Through what office would they go, and where would these papers be found?—A. I should think the secretary's office would be the proper office. I should think so.

EXISTENCE OF THE COMMITTEE ON ALLOWANCE.

Q. How long has this committee on allowance, I believe you call it, been in existence?—A. Ever since I have known anything about these vouchers.

Q. Does it date back to the time of the construction of the road, and did such a committee pass upon the vouchers for the payment of the cost of construction?

The WITNESS. I think they did—oh, the cost of construction?

Commissioner LITTLER. Yes.

A. Well, that I could not say. That I do not know anything about.

Q. Recurring to the question of gross receipts as distinguished from gross earnings, as I understand you, in the statement of your accounts, in order to ascertain gross receipts you deduct all rebates, all overcharges, all moneys paid on account of pool contracts, and credit all moneys received from other railroads in the interchange of business, whether collected on freight or on tickets?—A. Yes, sir.

Q. What other deductions do you make from your gross receipts before you declare your gross earnings?—A. You have named them most all.

EDWARD C. WRIGHT.

REPLIES BY LETTER TO UNANSWERED QUESTIONS.

The following letter was subsequently received from the witness, E. C. Wright, in response to requests for information:

[Southern Pacific Company (Pacific System), office general auditor.]

SAN FRANCISCO, August 9, 1887.

Sir: Please find below the questions propounded to me by your Commission July 27, 1887, with answers to same in regular order:

Question. Give the names of the roads which had constructive mileage when dividing the earnings; the amount of such mileage, and the period during which it was added to the actual mileage.

P R VOL IV—S

Answer. This information has been furnished in full by the president of our company in a statement presented to your Commission July 26, 1887.

Question. From 1890, inclusive to date of lease, and from date of lease to the present time, prepare statements by years, of actual net earnings of Central Pacific Railroad; also statement of net earnings by way of rental since date of lease to the present time.

Answer. I would respectfully refer you to the secretary of our company for statements requested above, as some of the records required to make the statements are not kept in this office.

Question. State whether as to any of the leases held by the Central Pacific Railroad, prior to April 1, 1895, the rent paid by the Central Pacific Railroad exceeded any earnings derived from leased roads.

Answer. Yes, in some instances, because such earnings were made up on a mileage basis which did not give the leased lines their due proportion of earnings.

Question. Statement showing cost of that portion of the California and Oregon Railroad which was audited in your office.

Answer. The records of my office show vouchers charged to the California and Oregon construction, and these cover charges for construction north of Redding; but as I transferred monthly the total amount of charges appearing on my books to the books of the secretary, I cannot say that other charges were not made direct on his books to the work, therefore it is impossible for me to give the actual cost of the work between any given points. I would respectfully refer you to the secretary for this information.

Question. Statement from 1869, or opening of the road, to 1886, showing gross receipts by years.

Answer. Statement requested is given below:

Statement of gross receipts of Central Pacific Railroad and leased lines from 1864 to 1885, inclusive.

[No charges to earnings of any description have been considered.]

Years.	Amount.	Years.	Amount.
1864 (November and December).....	\$121,679 10	1876	\$129,329,732 34
1865	556,806 94	1877	138,736,796 15
1866	879,754 38	1878	139,339,319 11
1867	1,442,825 58	1879	139,349,572 47
1868	2,364,211 18	1880	139,367,994 29
1869	7,503,247 00	1881	27,112,392 18
1870	9,010,261 89	1882	30,262,932 56
1871	10,271,829 10	1883	39,502,191 28
1872	13,612,835 04	1884	39,977,877 14
1873	14,706,834 24	1885	15,396,082 27
1874	15,438,680 27		
1875	17,611,491 01		229,639,953 15

Question. Statement showing amount of freight earnings derived from pools and the amount derived from ordinary business for the year 1884.

Answer. The amount entered to credit of freight earnings in the year 1884, account of pools, is \$99,231.28; the amount charged to freight earnings in the year 1884, account of pools, is \$89,997.37; total, \$110,766.09. Deduct this latter amount from the gross freight earnings of 1884, or \$13,043,634.27; leaves amount derived from ordinary business, \$12,932,265.15.

Question. Statement showing amount of passenger earnings derived from pools and the amount derived from ordinary business in 1884.

Answer. The amount entered to credit of passenger earnings in year 1884, account of pools, is \$22,550.02; amount charged to passenger earnings in year 1884, account of pools, is \$23.47; total, \$22,573.55. Deduct this latter amount from the gross passenger earnings of 1884, or \$7,226,570.94, leaves amount derived from ordinary business \$7,204,344.39.

I send you herewith a package containing samples of blanks in use in this office, as per your request.

Very respectfully,

E. C. WRIGHT,
General Auditor.

Hon. EUST. E. PATTERSON,
Chairman of United States Pacific Railway Commission,
Palace Hotel, San Francisco, Cal.

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, Cal., Wednesday, July 27, 1887.

EMMONS B. RYAN, being duly sworn and examined, testified as follows :

By the CHAIRMAN :

Question. What position do you hold in the company ?—Answer. I suppose you would call it the tax agent for the Central Pacific.

DUTIES OF TAX AGENT.

Q. What are your duties ?—A. To see that the taxes are paid on the property ; that it is not sold for taxes, and to protect it.

Q. How long have you been connected with that position ?—A. About fifteen years, I think ; fourteen or fifteen years.

Q. Who did you succeed ?—A. No one ; I commenced when it was very young, and I have kept with it ever since, sir.

Q. What kind of books do you keep ?—A. Regular assessment rolls.

AMOUNT OF TAXES PAID UPON LANDS.

Q. Will you state to the Commission the amount of taxes paid by you upon the lands since the institution of your office, or since the grant by the Government to the Central Pacific Company ?—A. It is between four hundred and four hundred and fifty thousand dollars, or about four hundred and twenty thousand and some odd dollars.

By Commissioner ANDERSON :

Q. For what period ?—A. That is since the first—1869 ; somewhere along there.

By the CHAIRMAN :

Q. Do you give the amount accurately or approximately ?—A. I give it within a few hundred dollars.

Q. Will you furnish to the Commission a statement showing the amount of taxes paid upon the several land grants, by years and by counties ?—A. Yes, sir ; to a cent. That is, so far as my books show, and they show correctly.

TAX RATES AND AMOUNT OF ACREAGE.

Q. Will you furnish a statement showing the tax rates of the several counties ?—A. Yes, sir. They vary each year. That is, in nearly every case they vary each year.

Q. Will you include in the statement also the acreage that the amount of taxes has been paid upon ?—A. That I can do also, because that I have in my office.

Q. And will you also include the names of the counties ?—A. Yes, sir.

Q. How soon can you give that statement ?—A. I can give it to you in forty-eight hours. And by the by, can I hazard one little bit of information ?

The CHAIRMAN. Yes ; and do not make it a hazard.

The WITNESS. The Central Pacific has paid over six million dollars of taxes on its lands and its other property since I have been connected with it.

Q. What is the other property ?—A. The roads, the plant, stations, &c.

The CHAIRMAN. Well, we want the land grant.

The WITNESS. You shall have it, sir.

E. B. RYAN.

The Commission then adjourned to Thursday, July 28, 1887, at 10 a. m.

The witness, E. B. Ryan, subsequently submitted the following statement in connection with his testimony:

Statement of taxes paid on lands by the Central Pacific Railroad Company from 1868 to 1886, inclusive.

County.	Acres.	Value.	Rate per \$100.	Taxes.	School.*	Delinquents, &c.*	Total.
1868.							
El Dorado				1882.88			
Placer				1602.36			
1869.							
El Dorado				11,702.80			
Placer				11,202.08			
Nevada				1334.18			
1870.							
Placer:							
First district	5,294	\$6,618	\$2.60	162.47			
Second district	24,136	39,170	2.60	784.42		\$0.60	
Yuba							
Nevada	7,380.72	18,451	2.00	369.02			
El Dorado	32,639	48,958	2.84.2	1,392.75			
Sutter	1,121	3,363	1.90.2	64.06			
1871.							
Placer:							
First district	2,609	3,336	1.85	61.71			
Second district	45,579	56,963	1.85	1,053.81			
Nevada	45,421	113,692	2.10	2,385.64			
El Dorado	29,748	44,622	2.85	1,272.72			
1872.							
Sacramento	2,622	12,880	1.28	164.86			
Placer:							
First district	3,103	7,756	1.35	104.70			
Second district	42,769	106,923	1.35	1,444.50		194.70	
Nevada	54,645	136,614	1.60	2,186.82			
Yuba	2,291	5,575	2.00	71.50			
Sutter	2,469	11,439	1.50	171.45		66.72	
Butte	17,960	89,208	2.20	1,896.57			
El Dorado	27,432	41,178	2.60	1,070.63			
Colusa	23,500	121,757	1.60	1,948.12			
1873.							
Sacramento	1,004	7,060	1.90	134.14		28.50	
Placer:							
First district	2,872	7,058	1.05	74.10			
Second district	38,217	93,978	1.05	1,007.76			
Nevada	50,627	126,568	1.00	2,404.79			
Yuba	21,058	67,350	2.50	1,683.75			
Sutter	6,058	24,308	1.80	439.16			
Butte	58,158	255,687	2.00	4,510.74			
El Dorado	25,094	27,880	2.55	699.85			
Colusa	33,233	137,545	1.70	2,458.27			
1874.							
Sacramento	724	4,845	1.45	71.70			
Placer:							
First district	2,913	7,608	1.50	118.62			
Second district		82,651	1.50	1,239.76			
Nevada	49,824	124,960	1.80	2,242.08			
Yuba	15,450	50,510	2.00	1,313.26			

* Cannot vouch for entire accuracy of succeeding school board and delinquents which appear in these columns.—RYAN.

† Paid previous to my taking tax department.—RYAN.

Statement of taxes paid on lands by the Central Pacific Railroad Company, &c—Cont'd.

County.	Acres.	Value.	Rate, per \$100.	Taxes.	School.	Delinquents, &c.	Total.
1874.							
Sutter	5,297	\$25,732	\$1.95	\$723.00			
Butte	23,061	89,534	2.00	1,791.08			
Colusa	28,058	92,374	1.60	1,477.98			
El Dorado	24,893	37,265	2.20.9	836.70			
Yolo	1,080	7,625	1.00	122.11			
Colusa (paid under protest)				1,847.28			
1875.							
Sacramento	987	5,545	1.30	72.08			
Placer:							
First district		42,389	1.30	561.05			
Second district		54,041	1.30	1,092.53			
Nevada	32,958	132,395	1.70	2,250.71			
Sierra	8,009	6,370	2.36	150.33		800.39	
Yuba	22,382	76,150	2.60	1,979.90			
Sutter	4,558	18,691	1.52	274.07			
Butte	50,116	156,835	1.80	2,823.03			
Tehama	139,974	174,967	1.95	3,421.84			
El Dorado	24,826	37,229	1.65	616.29			
Yolo	1,005	3,267	1.00	32.27			
Colusa		534,727	1.00	8,555.64		139.00	
1876.							
Sacramento	763	2,330	1.65	48.45			
Placer:							
First district	13,530	32,825	1.60	597.37			
Second district	32,580	83,950	1.50	1,259.25			
Nevada	51,060	137,650	1.90	2,423.35			
Sierra	7,468	9,333	2.70	252.05			
Yuba	21,590	73,255	2.80	2,051.98			
Butte	53,060	114,600	2.60	2,292.00			
Tehama	139,776	251,925	2.20	5,162.25			
Sutter	5,130	16,747	1.90	318.20			
Yolo	1,008	4,032	1.78	71.77			
Colusa	115,142	565,108	1.80	10,171.88			
El Dorado	24,551	49,102	2.33	1,146.32			
1877.							
Sacramento	1,580	2,495	1.50	37.42			
Placer:							
First district	11,714	29,285	1.50	439.27		67.00	
Second district	28,577	57,154	1.50	857.31			
Nevada	46,272	115,680	1.90	2,197.92			
Sierra	7,318	9,172	2.60	238.47			
Yuba	18,829	68,265	2.80	1,911.42			
Sutter	4,969	15,985	1.80	287.73		614.75	
Butte	46,840	82,892	2.00	1,657.84			
Tehama	126,926	213,061	2.20	4,687.35		5.00	
El Dorado	22,963	45,926	2.23	1,024.15			
Colusa	124,775	748,514	1.65	12,350.48		1,117.76	
Yolo	1,000	4,024	1.65	66.40		7.98	
Washoe	33,084	60,168	2.17	1,438.83			
Lyon	2,119	5,300	2.45	129.85			
Churchill	10,754	10,754	2.50	268.85			
Humboldt	90,803	90,803	2.90	2,633.28			
Lander	40,308	50,400	2.60	1,311.96			
Elko	96,618	240,000	3.00	7,200.00			
1878.							
Sacramento	3,005	3,005	1.50	45.07		8.50	
Placer:							
First district	8,960	25,292	1.60	404.67			
Second district	26,842	53,688	1.60	859.00		98.39	
Nevada	44,347	110,867	1.90	2,166.48		\$4.55	55.43
Sierra	7,327	9,100	2.60	236.60			
Yuba	9,578	28,379	2.60	737.62		19.38	
Sutter	5,761	18,749	1.75	345.06		127.71	
Butte	65,259	186,285	1.75	3,250.98		349.09	9.35
Tehama	132,688	395,267	2.50	7,632.43		122.88	167.12
El Dorado	22,402	44,800	2.19	940.80			
Colusa	42,613	181,114	1.50	2,716.71			68.40
Yolo	952	2,322	1.58	35.27			6.04

Statement of taxes paid on lands by the Central Pacific Railroad Company, &c.—Cont'd.

County.	Area.	Value.	Rate per \$100.	Taxes.	School.	Delinquents, &c.	Total.
1878.							
Washoe.....	32,891	\$65,782	\$2.00	\$1,315.64	.....	\$29.19	\$310.80
Lyon.....	2,119	4,200	2.70	113.40	.....	.....	.....
Churchill.....	10,752	10,752	2.50	268.80	.....	.....	.....
Humboldt.....	90,175	90,194	2.80	2,577.43	.....	.....	.....
Lander.....	37,591	47,000	2.60	1,222.00	.....	.....	.....
Eureka.....	24,046	19,200	2.00	384.00	.....	.....	.....
Elko.....	97,906	146,850	3.00	4,405.77	.....	.....	.....
1879.							
Sacramento.....	785	2,520	1.50	37.95	.....	.....	17.56
Placer:							
First district.....	10,677	26,693	1.50	400.40	.....	.....	.....
Second district.....	20,822	53,644	1.50	804.66	.....	.....	25.71
Nevada.....	44,298	110,520	1.90	2,099.88	.....	63.17	4.55
Sierra.....	9,686	12,110	2.95	357.25	.....	.....	.....
Yuba.....	7,378	21,245	2.20	467.39	\$34.05	63.35	56.03
Sutter.....	5,959	21,582	1.75	377.68	.....	206.83	27.07
Butte.....	61,131	175,194	1.70	2,978.30	.....	.....	59.16
Tehama.....	280,176	431,106	2.40	10,346.54	.....	63.59	37.37
El Dorado.....	21,587	43,175	2.17	939.05	.....	.....	2.54
Colusa.....	35,841	173,457	1.50	2,601.86	397.22	68.96	60.55
Yolo.....	452	2,282	1.55	34.00	.....	.....	.....
Shasta.....					.....	.....	15.77
Washoe.....	49,942	89,085	1.80	1,441.53	.....	.....	6.08
Storey.....	7,587	4,422	3.55	157.34	.....	.....	.....
Lyon.....	2,119	4,000	2.35	94.00	.....	.....	.....
Churchill.....	10,755	10,755	2.00	275.63	.....	.....	.....
Humboldt.....	92,910	139,365	2.60	3,623.49	.....	.....	.....
Lander.....	40,317	50,000	2.25	1,125.00	.....	.....	.....
Eureka.....	24,048	19,238	1.75	336.66	.....	.....	.....
Elko.....	97,861	147,000	1.50	2,205.00	.....	.....	1,784.06
1880.							
Sacramento.....	786	5,880	1.35	78.88	.....	.....	4.08
Placer:							
First district.....	13,456	33,640	1.45	487.78	.....	.....	32.40
Second district.....	22,466	54,032	1.45	783.75	.....	.....	28.81
Nevada.....	41,403	103,530	1.75	1,811.77	.....	.....	60.45
Sierra.....	9,746	12,283	2.90	356.20	.....	.....	.....
Yuba.....	31,862	66,430	2.30	1,527.89	.....	.....	24.42
Sutter.....	5,621	21,718	1.52	330.11	.....	.....	14.84
Butte.....	110,903	296,382	1.65	4,896.30	.....	.....	81.70
Tehama.....	335,865	487,517	1.90	9,311.37	.....	.....	87.59
Do.....	335,865	388,887	1.90	7,388.85	.....	.....	250.97
Shasta.....	115,408	288,243	2.35	6,773.71	.....	.....	50.10
El Dorado.....	21,335	42,670	2.24	975.49	.....	.....	25.84
Colusa.....	33,112	184,653	1.45	2,679.04	.....	.....	816.78
Yolo.....	452	2,896	1.55	60.24	.....	.....	.....
Washoe.....	39,732	.....	1.70	1,355.18	.....	.....	.....
Lyon.....	2,121	.....	2.57	102.80	.....	.....	.....
Storey.....	3,299	.....	2.53	66.80	.....	.....	.....
Churchill.....	10,758	.....	2.75	293.62	.....	.....	.....
Humboldt.....	91,702	.....	2.60	4,172.48	.....	.....	.....
Lander.....	40,325	.....	3.55	3,205.54	.....	.....	.....
Eureka.....	24,067	.....	2.09	385.00	.....	.....	.....
Elko.....	95,854	.....	2.70	3,882.08	.....	.....	.....
1881.							
Sacramento.....	469	1,475	1.70	25.67	.....	.....	5.00
Placer:							
First district.....	11,331	28,583	1.40	400.16	.....	.....	.....
Second district.....	22,164	58,117	1.40	813.64	.....	.....	10.00
Nevada.....	39,540	98,965	1.70	1,682.91	.....	61.27	63.17
Sierra.....	9,747	12,185	2.90	350.36	.....	.....	.....
Plumas.....	3,138	5,910	2.47	96.58	.....	.....	.....
Yuba.....	32,172	101,720	2.40	2,441.28	11.90	18.25	.....
Sutter.....	4,205	14,326	1.62	239.62	.....	.....	.....
Butte.....	305,118	306,275	1.60	4,900.40	.....	59.16	12.08
Tehama.....	369,640	556,779	1.05	9,166.87	.....	490.00	104.17
Shasta.....	176,449	220,501	2.65	5,843.25	.....	.....	.....
El Dorado.....	20,973	41,965	2.25	946.08	.....	.....	.....
Colusa.....	30,831	223,100	1.40	3,123.41	664.83	317.98	1,032.00
Yolo.....					.....	.....	.....

Statement of taxes paid on lands by the Central Pacific Railroad Company, &c.—Cont'd.

County.	Acres.	Value.	Rate per \$100.	Taxes.	School.	Delinquents, &c.	Total.
1881.							
Washoe	33,861	\$67,720	\$2.30	\$1,557.56			
Storey	3,039	2,511	4.90	124.04			
Lyon	2,121	4,000	3.30	132.00			
Churchill	10,755	10,755	2.80	301.14			
Humboldt	90,633	158,606	2.60	4,123.75			
Lander	40,309	50,386	3.90	1,965.05			
Eureka	21,883	19,250	2.50	481.25			
Elko	97,165	145,750	2.70	3,933.25			
1882.							
Sacramento	469	1,465	1.70	25.24		\$14.35	
Placer:							
First district	8,074	21,650	1.00	346.40		161.62	
Second district	20,160	50,400	1.00	806.40		15.19	
Nevada	35,435	88,580	1.75	1,550.15		76.62	
Sierra	9,714	12,140	2.80	339.92			
Yuba	46,807	93,360	2.60	2,427.36		\$23.85	24.43
Sutter	4,204	14,078	1.75	246.36			14.84
Butte	188,240	450,960	1.50	6,809.50		97.44	81.70
Tehama	271,108	476,432	1.05	7,801.12		521.80	352.97
Shasta	162,219	199,338	2.00	5,182.78		108.97	65.10
El Dorado	21,471	43,020	2.14	920.63		17.92	25.14
Plumas	3,128	3,910	2.50	97.75			
Yolo	433	2,263	1.43	32.16			
Colusa	36,061	269,583	1.40	3,809.71	\$135.24	405.68	723.72
Washoe	33,299	60,000	2.25	1,485.00			
Lyon	2,119	4,000	3.05	122.60			
Churchill	10,755	10,755	2.80	301.14			
Storey	3,058	2,746	4.90	134.58			
Humboldt	90,154	157,779	2.60	4,102.02			
Lander	36,592	45,733	3.90	1,784.36			
Eureka	19,471	24,340	2.60	632.84			
Elko	82,632	163,290	2.72	2,846.47			
1883.							
Sacramento	350	1,065	1.30	13.85			
Placer:							
First district	3,504	10,512	1.55	162.93			30.78
Second district	18,117	54,351	1.55	832.44			29.33
Nevada	36,595	76,200	2.10	1,601.40			65.34
Sierra	9,665	14,500	2.80	406.00			
Plumas	5,704	7,190	2.75	195.97			
Yuba	40,664	81,115	2.55	2,072.47		23.95	30.51
Sutter	3,008	9,653	1.90	149.32			69.12
Butte	159,272	375,794	1.50	5,644.41		72.13	13.60
Tehama	219,980	404,560	1.50	6,068.40		424.16	347.77
Tehama (12 per cent. additional State board).		40,456	1.50	633.92			
Shasta	114,096	143,257	3.25	4,658.30			53.59
El Dorado	21,314	42,786	2.08	889.95			17.43
Colusa	20,954	262,675	1.45	3,847.35		470.69	276.09
Do.	1,480		1.45	168.82		1,116.74	
Yolo	338	1,273	1.25	32.01			
Washoe	32,905	65,300	2.00	1,306.00			
Lyon	2,119	4,000	3.05	122.00			
Churchill	10,756	10,760	2.80	301.28			
Storey	2,938	2,350	2.90	68.15			
Humboldt	87,113	152,450	2.60	3,963.70			
Lander	35,084	43,805	3.90	1,710.25			
Eureka	19,471	24,340	2.55	496.48			
Elko	81,204	101,500	2.75	2,791.25			
1884.							
Sacramento	217	1,350	1.05	14.17			
Placer:							
First district	3,584	10,057	1.35	135.77			7.60
Second district	17,346	48,942	1.35	660.72		52.41	125.78
Nevada	35,041	59,190	2.40	1,420.56			
Sierra	9,667	14,500	2.50	362.50			
Plumas	7,163	9,289	2.56	237.82			
Yuba	37,838	70,465	1.75	1,233.14			9.97
Sutter	2,879	12,829	1.90	128.39		19.91	10.20
Butte	128,500	(251,504) (2,075)	1.45	(3,646.81) (30.09)		267.24	31.34

Statement of taxes paid on lands by the Central Pacific Railroad Company, &c.—Cont'd

County.	Acres.	Value.	Rate per \$100.	Taxes.	School.	Delinquents, &c.	Total.
1884.							
Tehama.....	119,692	\$200,711	\$2.20	\$4,415.65	.....	\$208.01	\$136.53
Shasta.....	82,844	103,251	2.25	2,323.15	.....	103.46	292.71
El Dorado.....	35,638	70,972	2.09	1,461.44	.....	18.14	12.43
Colusa.....	289	3,600	1.39	45.68	\$480.04	69.05	340.99
Washoe.....	22,533	65,865	1.85	1,218.50	.....	.....	4.00
Storey.....	2,828	3,000	2.50	75.00	.....	.....	.....
Lyon.....	2,229	4,000	3.05	122.09	.....	.....	.....
Churchill.....	10,756	10,756	2.80	301.14	.....	.....	.....
Humboldt.....	77,999	136,499	2.00	2,749.99	.....	73.83	.....
Lander.....	33,156	41,445	3.90	1,616.35	.....	.....	.....
Eureka.....	16,748	16,748	2.50	418.70	.....	.....	.....
Elko.....	72,336	90,415	2.40	2,169.96	.....	.....	.....
1885.							
Sacramento.....	178	1,070	1.25	13.37	.....	.....	.....
Placer:							
First district.....	804	5,168	1.94	100.25	.....	45.62	.....
Second district.....	19,028	53,240	1.94	1,032.83	.....	76.85	.....
Nevada.....	27,133	77,405	2.50	1,937.87	.....	7.56	.....
Sierra.....	7,007	10,510	2.80	294.28	.....	.....	.....
Plumas.....	6,064	8,330	2.60	216.58	.....	.....	.....
Yuba.....	23,642	57,905	2.05	1,188.34	.....	21.33	3.97
Sutter.....	2,518	9,206	1.15	103.87	.....	5.27	.....
Butte.....	130,115	242,035	1.55	3,751.54	.....	217.03	.....
Tehama.....	97,863	157,361	2.00	3,147.22	.....	177.35	273.80
Shasta.....	60,177	84,693	2.25	1,905.59	77.56	145.87	504.09
El Dorado.....	31,929	63,858	1.92	1,226.08	.....	73.83	5.22
Colusa.....	480	3,780	1.35	60.15	.....	10.85	.....
Washoe.....	32,132	40,165	1.90	763.15	.....	4.08	.....
Storey.....	2,938	2,400	2.90	69.60	.....	.....	.....
Lyon.....	2,129	4,000	2.75	110.00	.....	.....	.....
Churchill.....	10,756	10,756	2.75	295.75	.....	.....	.....
Humboldt.....	57,357	86,035	2.00	1,726.91	.....	.....	.....
Lander.....	32,798	42,345	3.00	1,270.82	.....	.....	.....
Eureka.....	16,748	16,748	2.55	427.00	.....	.....	.....
Elko.....	68,649	85,811	2.15	1,844.94	.....	.....	.....
Box Elder.....	24,265	16,985	1.20	.....	.....	.....	.....
Cache.....	16,909	13,639	1.20	403.88	.....	.....	.....
Weber.....	2,914	3,642	1.20	.....	.....	.....	.....
1886.							
Sacramento.....	40	.....	1.00	40	.....	.....	.....
Placer:							
First district.....	1,015	3,022	1.55	56.14	.....	68.40	.....
Second district.....	18,593	51,908	1.55	804.57	.....	130.92	4.58
Third district.....	4,802	5,349	1.55	82.90	.....	.....	.....
Nevada.....	27,231	68,070	2.30	1,565.61	4.88	19.74	8.87
Sierra.....	6,907	10,560	2.70	279.72	.....	66.40	.....
Plumas.....	6,824	18,444	2.70	302.90	.....	.....	.....
Yuba.....	14,550	59,040	2.90	1,431.10	.....	14.48	22.33
Sutter.....	1,301	4,029	1.10	44.21	.....	2.00	.....
Butte.....	111,472	203,105	1.50	3,059.03	138.00	436.59	150.92
Tehama.....	91,728	146,923	1.80	2,696.00	99.83	267.56	262.02
Shasta.....	56,828	70,777	2.25	1,645.10	5.29	436.09	12.30
El Dorado.....	30,997	60,195	1.80	1,083.51	61.13	108.68	88.45
Colusa.....	1,156	7,740	1.35	117.34	.....	67.40	.....
Washoe.....	32,061	40,075	1.85	741.39	.....	.....	.....
Storey.....	2,779	2,109	2.80	60.48	.....	.....	.....
Lyon.....	2,121	4,000	2.75	110.00	.....	.....	.....
Churchill.....	10,754	10,754	2.75	295.73	.....	.....	.....
Humboldt.....	56,303	84,545	2.00	1,690.17	.....	.....	.....
Lander.....	32,956	41,196	3.00	1,483.03	.....	.....	.....
Eureka.....	16,989	16,989	2.00	441.71	.....	.....	.....
Elko.....	64,827	81,032	1.90	1,538.63	.....	.....	.....
Box Elder.....	12,309	8,616	1.20	103.39	.....	.....	.....
Cache.....	3,204	2,243	1.20	26.91	.....	.....	.....
Weber.....	2,336	2,795	1.20	33.54	.....	.....	.....

Statement of taxes paid on lands by the Central Pacific Railroad Company, &c.—Cont'd.

RECAPITULATION.

Year.	Amount.	Year.	Amount.
1868 to 1872	\$20,860.09	1882	\$44,724.47
1873 to 1874	25,594.63	1883	41,197.46
1875 to 1876	47,729.25	1884	27,168.81
1877	40,546.58	1885	24,292.99
1878	21,342.99	1886	22,711.96
1879	23,283.60		
1880	52,200.88	Total	458,617.32
1881	46,454.82		

To the honorable COMMISSIONERS:

I respectfully state that my books do not tally with vouchers in the office of the secretary of the company for reasons:

(1) Many payments of school, road, and other taxes were paid which do not appear on my books.

(2) Many payments appear on my books which do not tally with actual payments, from the fact of tax collectors correcting errors in amounts due; rebates on errors and from other sources by tax collectors; delinquents paid in the interim between date of publication and sale, and taxes paid by parties purchasing lands during the fiscal year of such payments.

NOTE.—The company returns for assessment all lands owned by it on the first Monday in March of each year.

(3) I did not assume the duties of tax agent until 1879, hence my books show from that year only.

The body of the foregoing is hereby submitted as substantially in its showing.

I have the honor to be, your obedient servant,

E. B. RYAN.

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, July 28, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

The sergeant-at-arms of the Commission having been sent for Mr. William E. Brown, reported that Mr. Brown could not be found. Mr. S. T. Gage, having been requested to learn the whereabouts of Mr. Brown, reported that Mr. Brown had been in the office all day yesterday and at his hotel last evening, but that he had not yet arrived at his office this morning. Mr. Gage further stated that Mr. Brown had been sent for, and, if he could be found, would be on hand as soon as possible.

The CHAIRMAN. We have sent our sergeant-at-arms out for him. He has been out some time.

Mr. GAGE. He has been sent for by messenger, and Colonel Crocker has also telegraphed for him.

OFFICERS OF CENTRAL PACIFIC FAIL TO APPEAR.

The CHAIRMAN. The Commission has twice requested the presence of Mr. Stanford before it.

Mr. GAGE. Governor Stanford has not known that.

The CHAIRMAN. He has not appeared. The Commission desires to know whether a simple request for the attendance of the officers and employes of the company, made upon some one in authority in the company, will be sufficient. If not, then the Commission will issue subpoenas to the officers and employes of the company to secure their presence and the production of their books.

EXPLANATION OF MISUNDERSTANDING.

Mr. GAGE. I can assure you, Mr. Chairman, that Governor Stanford has not received any such information. Your bailiff, or whatever he may be, knocked at Governor Stanford's door, a short time ago, an hour ago, probably, while I was in there with Governor Stanford, and inquired for Mr. Brown. I went to Mr. Brown's room, understanding that it was simply an inquiry for him, but he was not in. I came here now for the purpose of saying to the Commission that Governor Stanford, as president of the company, would like to appear before the Commission. He has volunteered to do so, not having received any information that he was wanted. Presuming that you would be in session, he voluntarily instructed me to say to the Commission that he would like to appear before the Commission at 1 o'clock to-day.

The CHAIRMAN. The Commission will hear Mr. Stanford to-day at 2 o'clock at Parlor A, Palace Hotel.

Mr. GAGE. I will so report to him.

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, July 28, 1887.

JOHN H. WALSH, being duly sworn and examined, testified as follows:

By the CHAIRMAN:

Question. Have you served a subpoena on William E. Brown?—Answer. I have not, sir.

FAILURE TO SUBPENA W. E. BROWN.

Q. Where did you go to find him?—A. I went to room 206, Palace Hotel. I inquired also at the office of the hotel.

Q. What information did you get as to his whereabouts?—A. They told me he was not in the room, and they did not know where he was this morning.

Q. Where else did you go to find him?—A. I went into a room adjoining, room 42, in this building.

Q. Is that his office?—A. I was told that it was.

Q. Was any one there?—A. Yes, sir.

Q. What answer did you receive?—A. They said Mr. Brown was not about to-day.

READINESS OF GOVERNOR STANFORD TO APPEAR.

Mr. GAGE. Mr. Chairman, Governor Stanford will take pleasure in meeting the Commission at two o'clock to-day at the place designated—parlor A, Palace Hotel.

The CHAIRMAN. We shall be glad to see him.

OFFICES OF THE CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, July 28, 1887.

E. H. MILLER, JR., being further examined, testified as follows:

The WITNESS. Before entering into any further answers, if agreeable, I would like to make some explanation of my testimony given a few days since.

Commissioner ANDERSON. Certainly, you may do so.

ESTIMATES OF ENGINEER.

The WITNESS. I think that there was a call the other day relating to the examination of a contract, but if not, I would like to offer it. I have found the estimates of the engineers as to the quantities of the several contracts, with the prices put in by myself, which I desire to offer.

By Commissioner ANDERSON:

Question. Please state to what contracts they relate? Is it indorsed here on the back?—Answer. I do not think it is. This bundle [indicating a package] contains estimates for section 1 to section 54. *This* second bundle contains engineer's estimates from section 55 to section 92, and *this third* bundle contains engineer's estimates from section 93 to section 141.

Q. Please explain exactly what the papers are which you present?—A. I can only explain in general terms. They contain copies made by myself of the estimates returned by the chief engineer of the company of the quantities of work performed on the various sections from 1 to 141.

MEANING OF "SECTION."

Q. What is a section? Is it of any definite length?—A. As I understand it, it is not absolutely defined, but practically it is for 1 mile. Sometimes there is a change made, as I understand, in the length of a section on account of the character of the work to be done, and sometimes a particular section may be a mile and a quarter and the next one perhaps may be three-quarters of a mile, but on the average they represent 1 mile. There is a specimen copy of one [handing document to Commissioner Anderson]. In addition to that there is a statement made up by myself of the quantities as appears upon that statement made by the engineer, the price as I ascertained it under the contract, carried out for each subdivision of the work, making a total amount of the estimate to the various dates, with the prices given.

Commissioner ANDERSON. After you have completed your explanation of one of these estimates I will ask you some questions about it, in order to complete the matter.

The WITNESS. That is a sample of the estimates and prices as filed in my office.

Q. In whose handwriting are those estimates?—A. In mine, those two, and, I think, every one of them.

Q. When did you copy them?—A. I copied them at the time of the dates, certainly within ten days.

Q. Who was the engineer?—A. S. S. Montague.

Q. Is he now living?—A. He is not. In this connection, with reference to Mr. Montague, as I have mentioned his name, I wish to say that no better man has ever lived. He was competent, honest, and faithful.

EXPLANATION OF ESTIMATES.

Q. In the original paper prepared by him were the prices entered and the amounts carried out, as well as the quantity of work?—A. No, sir.

Q. Then the original contained simply the first column of quantities and you entered the factors of price and the amount?—A. Excuse me.

That is a copy—a precise copy of an estimate furnished to me by the engineers.

Q. Then the engineer did enter the price and carry out the amount?—A. No, sir; I beg your pardon. I am mistaken in that. The engineer did not return the prices, although it appears to be done on this copy that I have made.

Q. As I understand it you took his estimate of quantities and in the next column entered the factors of price and in the third column carried out the amount in dollars?—A. Yes, sir.

HOW THE PRICES WERE ASCERTAINED.

Q. From what source did you ascertain the price?—A. From the contracts or from the orders of the board of directors, as they appeared on the minutes of the company.

Q. In the marginal computations you took the total estimate which, as I understand you, includes the total estimate of all the work done to date, deducted preceding estimates, and then you obtain a sum which you divide into two parts, making the "five-eighths cash" and the other "three-eighths stock." Please state from what source you derive these fractions?—A. Either from the contract itself, if it was a contract, and, if it was not a contract, I took it from the orders of the board of directors, making the price the same as appears on the minutes of the board.

HOW THE CONTRACTORS WERE PAID.

Q. And these amounts due to the contractors, whoever they were, were paid in this manner?—A. They were not paid; they were credited upon my ledger to the contractor.

Q. And ultimately paid?—A. And ultimately paid, certainly.

Q. Does your ledger contain two accounts, to one of which you credited the cash payment and the other the stock payments?—A. It shows plainly on the face of the ledger exactly what is shown there, that he was entitled to receive on this estimate a certain amount in cash and a certain other amount in stock.

Q. I ask you whether those amounts, the stock amount and the cash amount, were entered in separate accounts, or whether they were all merged in one account?—A. There certainly would be one account for the cash and one for the stock account, but not a separate account with the contractor.

Q. Then the contractor, on this statement which I hold in my hand, would be credited with \$204,439.79?—A. Yes; but he would be credited \$127,774.87, payable to him in cash, and with \$76,664.92 payable to him in stock.

Q. Those two entries would be made as separate credits?—A. Yes, sir.

Q. They would not be merged into one figure?—A. No; the entry would appear on the face of the ledger as separate items under the same heading.

Q. And when you came to balance that account you would figure up how much stock was payable to that account and how much cash was payable to that account, and you would balance the account by entering the required amounts in stock and in cash?—A. When it was received or paid to the contractors entries would be made in the manner you suggest, or in the manner in which your question indicates.

CONTRACT WITH CROCKER & CO.

Q. What I want to know positively is whether, when estimating what was paid on this contract with Crocker & Co., we may take all your entries of cash and all your entries of stock, as appearing in these estimates or as appearing on the face of your ledger, and conclude that the consideration received by Crocker & Co. was the sum total of the cash and the sum total of the stock?—A. Yes, sir.

Q. Will you please state to what contract these estimates refer, as far as you can?—A. Yes, sir; they referred in general or in detail to all the contracts between sections 1 and 141; the various contractors between those sections. For all of these sections, of course, there were various contractors.

LOCATION OF SECTIONS.

Q. Give us the geographical location of those sections. Do they commence at the city of Sacramento?—A. Section No. 1 commenced at the city of Sacramento and section 141 ended approximately 141 miles east of Sacramento, varying perhaps three quarters of a mile.

Q. How near the State line would that be?—A. At the State line, practically.

CONTRACT AND FINANCE COMPANY.

Q. That carries us to a point where the transactions with the Contract and Finance Company commence?—A. Yes.

Q. And embraces all the minor contracts and the two contracts with Crocker & Co.?—A. Yes, sir; I think there are three contracts, however, with Crocker & Co.

Q. In whose handwriting are the monthly estimates?—A. The monthly estimates of quantities are in the handwriting of some clerk in the engineer's department, and the monthly estimates of prices and amounts are in my own handwriting. From the estimates of quantities of work done and the estimates of amounts payable, there is no difficulty in ascertaining all of the terms of the contracts applicable to the sections between 1 and 141.

I wish to state to the Commission that these papers were not in the vault in my office, but in an outside room, in some pigeon-hole, and I found them yesterday while making a thorough overhauling of all my papers.

HOW CONTRACTS WERE MADE.

Q. What other papers do you desire to produce besides these estimates?—A. As I remember, I was asked under what arrangements contracts were let and the circumstances in connection therewith. I find on looking over the reports of Governor Stanford that reports were made by committees at various times upon these matters. I have three reports of a committee of which, I believe, Governor Stanford was one, and in another case I was another. One is a report of a committee upon the question of making a contract for the construction and grading of the railroad. It is dated May 9, 1865. The report of another committee upon letting a contract, dated June 6, 1865, is also here. Also the report of the president and the acting chief engineer, dated January 5, 1867, upon the progress of construction, submitted to the board of directors January 14, 1867, and ordered on file. With the permission of the Commission, I would like to read these reports.

Commissioner ANDERSON. We will probably put them in our report and we will read them this afternoon.

The WITNESS. I would prefer to read them now if there is no objection.

The CHAIRMAN. It is not necessary to read them now.

REPORT FOR 1886.

The WITNESS. In my statement the other day as to the funded debt of the company I was very careful to state that my figures were given as of the date December 31, 1885. I have before me a proof of the report of the company up to December 31, 1886.

Commissioner LITTLER. Read that.

The WITNESS. It is composed of tables. I will read it, and I would like afterwards to submit our report containing them. This is our proof, and it has not been corrected; it will go back to the printer to-day for correction.

Q. When are you going to let us have the proof of your report for 1886?—A. There is the proof copy that came a few days ago and now goes back for correction. There are a great many corrections in the proof.

Commissioner ANDERSON. We ought to get it in a day or two?

The WITNESS. Yes, sir.

Commissioner ANDERSON. We will get your report, then, in a day or two, and it is not necessary, therefore, to read that statement at the present time.

STATEMENT AS TO GUARANTEES.

The WITNESS. My testimony should be corrected relative to those accounts, though I was careful to state that the figures I gave were those of December 1, 1885. With regard to the statement as to guarantees which I was asked to get out as to the bonds guaranteed by the Central Pacific, I now submit it. It is a statement showing the bonds of leased lines guaranteed by the Central Pacific. It is made in tabular form, showing the name of the road, miles of road, character of loan, amount of bonds guaranteed, date of maturity of bonds, interest payable, &c. California Pacific, second mortgage, 6 per cent., \$1,600,000, due January 1, 1891, interest payable in January and July.

By the CHAIRMAN:

Q. What is the date of the guarantee?—A. It bears date at the time the lease was made.

Q. What was the date?—A. I do not know.

By Commissioner ANDERSON:

Q. Cannot you tell us the year?—A. Not from memory.

The CHAIRMAN. It is very important that we should have the date of the guarantee.

The WITNESS. There is no difficulty in ascertaining it from the papers in your possession.

Commissioner ANDERSON. There is no doubt about that, but we have many things to ascertain, and we would like to have you get the information for us.

The CHAIRMAN. Suppose you keep that paper and amend it by adding the date of that guarantee.

The WITNESS. If you choose, I will pass that for the present.

Commissioner ANDERSON. The date of the guarantee is essential.

OBJECT OF INCREASED ISSUE OF STOCK.

The WITNESS. It is possible that there may be a correction necessary in my testimony given the other day. I misapprehended one of the

questions, as reported by the reporters—a question put by Mr. Anderson—in relation to the purpose for which the \$5,000,000 were issued. Although that question is in the report, I do not remember it at all. The question that I do recollect was, what was done with the \$68,000,000. My answer fits both cases, because the \$5,000,000 of bonds having been sold for cash, that cash was deposited in various banks and disposed of in sundry ways. It was impossible to tell exactly to what various purposes the proceeds of the sale of those \$5,000,000 were applied. They went into the general fund, and were used for the general expenses of the company.

Commissioner ANDERSON. The question was, what the \$5,000,000 of stock which was issued (raising the amount of stock from \$54,000,000 to \$59,000,000) was. It was not bonds.

The WITNESS. I should have said stock; not bonds. It was impossible for any man to tell to what particular purpose that money was applied, unless it was kept entirely and distinctly by itself. The moneys came in and went into the general fund, and they were applied to the general purposes of the company, and it is impossible for me or for any man to say to what particular purpose this particular money was applied.

DID PROCEEDS GO TO PAY DIVIDENDS?

By the CHAIRMAN:

Q. Would you have used it to pay dividends?—A. If we paid any dividends after that, unless this cash had been kept right straight along separated from all other cash, probably it would have gone towards the payment of dividends. I want to explain that. The actual and definite proceeds, the individual money received from that \$5,000,000 of stock, were not segregated from the other moneys of the company, but went into the general fund, and if the company was entitled to pay dividends—if it had the right and authority to pay dividends—some of that actual money may have been used in paying them.

WHEN AND WHY THE STOCK WAS INCREASED.

Commissioner ANDERSON. The stock was increased in 1880, and is entered in the reports of the company as held in trust for the company. It seems subsequently to have been sold, and my question is, when was that stock sold, and what became of the money?

The WITNESS. The annual reports will show that. They will show the increase in the stock issued. I do not remember the year.

Commissioner ANDERSON. You will find it \$54,000,000 in 1881, 1882, and, I think, 1883. From your general report we cannot tell just when this issue was made without tracing it up. This stock was sold from time to time as occasion offered, and the cash entered in the miscellaneous cash assets of the company. You mean to say that it is impossible to say that the dollars received from this stock went to any special purpose, as I understand you.

The WITNESS. Precisely.

FLOATING DEBT.

Commissioner ANDERSON. But in taking the balance sheets of the company and tracing from the year when the capital stock account was increased \$5,000,000, and tracing the increase on the other side of the account, the construction account, or the equipment account, or any other of the accounts which appear on that side, you may mean to say that

the increase in the stock, together with the increase of the items—the bonds—on that side—have gone into the other moneys which appear to have increased on the other side of the account.

The WITNESS. Yes, and I can add to that, generally, that the sale of that stock was made for the purpose of getting money to pay off the floating debt; but whether that particular money received was used for that purpose or not, I cannot say. I submit now a number of reports, which I have found in my office. I have handed you all the papers, except Leland Stanford's reports. I have here seven reports of Leland Stanford.

REPORTS OF OFFICERS.

(The witness here produced seven reports of Leland Stanford, president, as follows: A report dated July 13, 1865, to the stockholders at their annual meeting. A report dated December 28, 1865, reporting as to proceeds from sales of California Central Railroad rolling stock, &c. Three reports dated September 1, 1867. A report dated December 26, 1867. A report dated July 13, 1869, to the stockholders of the Central Pacific Railroad Company of California, at their annual meeting.

The witness also produced fifteen reports of Treasurer Mark Hopkins.

The witness also produced reports of O. P. Huntington, as follows: Two reports for 1863. Two reports for 1864. Thirteen reports for 1866. Ten reports for 1867. Nine reports for 1868. Three reports, without the date being noted on the back.)

Commissioner ANDERSON. That completes your papers, Mr. Miller, does it?

The WITNESS. Yes, sir; I will say, however, that they are not all the reports of Mr. Huntington. Your accountants are using the reports of 1869 and subsequent to that time. They have been taken out of the files, and have been segregated from those papers.

REQUEST FOR HISTORY OF CONSTRUCTION OF ROAD.

Commissioner ANDERSON. Could you place before the Commission in tabular form (you may take a reasonable time to prepare it) a statement giving us, substantially, the history of the construction of this road, starting with section 1 and coming down to the completion in May, 1869, showing the cost of construction, the amount of cash, of stock, and of bonds issued under the Crocker contract, the amounts under the Contract and Finance Company's contracts and under the Western Development Company's contracts, if that company had a contract during those years? My information is that the entire construction up to May, 1869, covered miscellaneous contracts—the Crocker & Co. contracts with the Contract and Finance Company—and what we would like to know is how much it appears from your books this construction cost in cash, bonds, and stock, to whom the same were issued, and to what sections or miles of construction such payments were respectively applicable, as they appear from the estimates of the engineers, in connection with the issue of stock and bonds or payments in cash. In other words, can you give us the story of the construction of this road from its inception to its junction with the Union Pacific? I do not ask for the production of all the books, showing each individual payment, but so that we can generalize. You may take a number of sections together and take the contracts together, and say that the Crocker contract commenced at such and such a section, at such a date, and was completed so many months or years afterwards, at such a section, and that the entire consideration issued under that contract was so much in

money, so much in stock, and so much in bonds, if bonds were used. Then we would like to have the same thing, made out in the same way, applied to the contracts of the Contract and Finance Company.

The WITNESS. Do you ask if I can give you these facts?

Commissioner ANDERSON. Yes.

TIME REQUIRED TO PREPARE THE STATEMENT.

The WITNESS. I can do so, but it will take some time.

Commissioner ANDERSON. How long will it take you to prepare that information?

The WITNESS. Two or three days; that is, I will not do it personally, but I will have to have it done by my clerks.

Commissioner ANDERSON. You can have all the time necessary.

The WITNESS. It will take two or three days, but I will have it ready for you within that time. I think, however, that your accountants are getting this information in detail. So far as I have seen what they are doing, I think that they will have full details of each contract with the date of each payment.

The CHAIRMAN. I should like to ascertain who can tell us the story of the construction of this road.

The WITNESS. I can tell that story without any difficulty.

The CHAIRMAN. I want it regularly and consecutively, whether on the witness stand or by memorandum. It is indifferent to me whether you write it out, or take the stand and tell it orally.

The WITNESS. I will write it out, and, if you desire, make an affidavit to it.

The CHAIRMAN. As far as I am concerned, I would like to get the facts. It is immaterial in what shape they come so long as we get them. Commissioner ANDERSON. I move that Mr. Miller be requested to prepare the statement indicated to him, and, when it is ready, that he lay it before us.

The motion was agreed to.

VOUCHERS.

Commissioner LITTLE. Can you accompany that statement with the vouchers backing it up?

The WITNESS. I can.

Commissioner ANDERSON. We want first to get a plain statement of when this road was built and how much they paid for it, and then the detailed statement of vouchers or anything explanatory that can follow. You have nothing to add respecting the other contracts—such as that with the Contract and Finance Company?

The WITNESS. No, sir; only to say that I cannot possibly see any important connection which those contracts have, whether lost or present. You have, I think, every detail of those contracts among these that I have submitted this morning.

Commissioner ANDERSON. In these estimates of sections Nos. 1 to 141?

The WITNESS. Yes, sir.

Commissioner ANDERSON. There are other things that we want to see. We want to see the books of the Contract and Finance Company. We want to know how much it cost that company to build this road, as well as what the Central Pacific Company paid for it.

SUBPENAS UNNECESSARY.

The CHAIRMAN. Is it necessary to serve you with a subpoena to be here and testify before this Commission?

The WITNESS. No, sir; it is not necessary to subpoena me, or any other person connected with the company.

The CHAIRMAN. Will it be necessary to serve a subpoena for the production of the books?

The WITNESS. No, sir. Every book that I have you can have without a subpoena.

The CHAIRMAN. Then you will see that they are produced without subpoenas?

The WITNESS. Yes, sir.

E. H. MILLER, JR.

Afternoon session.

PARLOR A, PALACE HOTEL,
San Francisco, Cal., Thursday, July 28, 1887.

The Commission met as above, all the Commissioners being present, the chair announcing that, until otherwise ordered, the sessions of the Commission would be held at that place.

The CHAIRMAN. Mr. Leland Stanford is present, and I suppose we had better proceed with his examination.

Mr. STANFORD. I received the Commission's printed circular containing some fifty-eight interrogatories, and I have carefully prepared an answer to each interrogatory. I had expected to be ready whenever the Commissioners should arrive in San Francisco, but there was some of the information that I could not obtain in time. If you will allow me I will read this.

The CHAIRMAN. Do you make this a portion of your testimony?

Mr. STANFORD. I have made an affidavit as to the truth of the facts stated in it, to the best of my knowledge.

The CHAIRMAN. At the bottom of this paper?

Mr. STANFORD. The affidavit is at the bottom of another paper, but this is a general statement preliminary to the answers that I have prepared to the interrogatories. I presume you will remember that you sent me a printed communication containing a number of interrogatories, requesting me to prepare answers, which I have done.

The CHAIRMAN. Before going on with it I will swear you.

LELAND STANFORD, being duly sworn and examined, testified as follows:

The WITNESS. Your communication dated New York, May 12, 1887, requesting me to answer the interrogatories contained therein, was duly received, has been carefully considered by me, and I submit herewith my replies thereto:

I did not have personally the information necessary to answer some of the interrogatories, and, agreeably to your request, referred them to those persons who possessed such knowledge. Their reports, verified by their affidavits, are attached as exhibits to, and are made part of, my answers to your communication.

CONGRESS TO CONSIDER THE EQUITIES.

The creation of this Commission charged by Congress with the duty of examining "into the workings and financial management of all rail—

roads that have received aid in bonds from the Government," was an honest and candid admission by Congress that there were equities existing in favor of the railroads in question, which should be inquired into, and to the full benefit of which they are entitled. I know that such equities do exist in favor of the roads I represent, and I am pleased that an opportunity has at length been offered us by Congress to present them in such form as to insure their full and impartial consideration both by it and by the people at large.

EXAMINATION POSSIBLE ONLY BY CONSENT OF COMPANY.

It will be readily admitted that the examination contemplated by the act, and with the making of which examination you have been charged, could not be held without the consent of this company whose affairs it was thus desired to examine.

The Central Pacific Railroad Company was organized on the 27th day of June, 1861, under the laws of the State of California, and has ever since been, and now is, carrying on and transacting its business under and in accordance with the laws of this State. In this particular its relations and obligations to the Government are entirely different from those of the companies which were created by and under Federal statutes. Congress has a control over such corporations, even to the extent, perhaps, of taking away their charters; but as to the Central Pacific, even though all the laws of Congress relating thereto, and under which its relations to the National Government are defined, were repealed, it would still exist as a legal corporation, and continue to do business as such under and in accordance with the laws of the State relating to railroad corporations. After diligent search I have been unable to find anything in that contract which authorizes any investigation of this kind to be made.

Hence, as I have before said, it will be readily admitted that the examination contemplated by the act of Congress cannot take place without the assent of the company itself.

COMPANY CONSENTS TO EXAMINATION.

Notwithstanding all this, however, we meet you most cheerfully in this matter. We shall furnish you a full and detailed answer to each and every one of the fifty-eight propositions and interrogatories contained in the communications hereinbefore mentioned.

AID FOR CONSTRUCTION OF ROAD URGED BY ALL.

The construction of the Pacific Railroad to unite the Atlantic States with the States and Territories of the Pacific was the leading topic of public discussion from the termination of the Mexican war, until the road was finally completed in May, 1869. This subject occupied the attention of political conventions in nearly every State of the Union, and Congress was overwhelmed with petitions and memorials urging the extension of Government aid to the enterprise. Public sentiment compelled the national conventions of both political parties to declare in favor of the construction of the road, as a military and commercial necessity.

EARLY SURVEYS AND ROUTES.

Prior to 1800, surveys and examinations were made by the War Department, of various routes across the continent. The Southern route

on the thirty-second parallel was regarded as the only one upon which it was practicable to construct a trans-continental railroad. It was understood that the Northern and Central routes were impassable in winter on account of the deep snows in that region, and besides, the mountains themselves were represented as imposing insurmountable barriers to the construction of a railroad. Pending the discussion of the question, the civil war closed the Southern route and rendered it impossible for the United States to avail itself of the advantages supposed to exist on the thirty-second parallel. The Government had no option; if a road was built, either the northern or central route must be adopted. The war made it clear to every citizen that a road connecting the Pacific with the Atlantic was a political necessity. The discussions which had already taken place with respect to the several routes across the continent had impressed the financial world with the impracticability of constructing a railroad on the central line.

ACT OF 1862.

Congress, however, resolved that a road must be built, and to that end, in 1862, passed an act in aid of its construction. The act provided for the organization of the Union Pacific Railroad Company to construct the road from the Missouri River to the eastern line of California, and authorized the Central Pacific Railroad Company to construct the balance of the road through that State.

BUSINESS FROM COMSTOCK LODE.

At the time of the organization of the Central Pacific in 1861, the great Comstock Lode in Nevada was being rapidly developed, and a vast amount of freight was being carried over the mountains by teams. It was for the purpose of doing this business for which there was no competition, except teams over the mountains, that the projectors of the Central Pacific Railroad organized that company. They would not have attempted to scale the Sierra Nevada Mountains with a railroad against other competition.

GOVERNMENT TRANSPORTATION PRIOR TO ROAD EIGHT MILLIONS A YEAR.

On the line of the road across the continent for a term of years prior to the passage of the act for the construction of the Pacific Railroad, the annual expenditures of the Government for the transportation of supplies for the military and Indian service and carrying United States mail had exceeded \$3,000,000. This annual expenditure was assumed as a basis for the compensation which would be paid to the railroad for the service it would be called upon to perform for the Government. It was understood that the Government service would be largely increased by the construction of the road, and it was assumed that the compensation would never be less. The act provided for both bonds and lands to aid in the construction of the road. The bonds were to draw 6 per cent., and to become due thirty years after the date of their issue. It was also provided that the road should perform all Government service required, and that the compensation therefor should be credited upon the principal and interest of the bonds, and that the Company should also pay to the Government 5 per cent. of its net earnings to apply on the bonds.

UNITED STATES TRANSPORTATION CHARGES AND FIVE PER CENT.
OF NET EARNINGS TO PAY THE DEBT.

It was estimated that the eight millions per annum which it had previously cost the Government to transport supplies and carry the mail would be paid to the company for much better service, and that such payment, together with the 5 per cent., would liquidate all the obligations of the company to the Government before the maturity of the bonds. This would have been the case if the Government had not reduced the compensation of the Pacific Railroad for transportation of supplies and mail service to a mere nominal amount. The Government, in fact, required the Pacific Railroad to perform mail service at a rate not exceeding the usual allowance made to railroads passing through the populous States of the East, making no allowance for the fact that in the region where the road was constructed there was no competition, very little local business, and the fact that the Government had been relieved from the slow and inadequate service formerly performed by teams and pack animals.

ACT OF 1862 NOT ADEQUATE.

The Union Pacific Railroad was unable to enlist capital to undertake the construction of the road under the provisions of the act of 1862. The public mind was so thoroughly impressed with the difficulties of the construction of a railroad on the Central line that it could obtain no money for that purpose. In addition to this, the war had destroyed public confidence and added largely to the difficulties of the enterprise. The Central Pacific was also unable to avail itself of the provisions of the act. It was, however, a State corporation, and continued to struggle to construct a road over the Sierra Nevada Mountains. Some aid was extended by the State of California by the guarantee of interest on a million and a half in bonds, and bonds of several of the counties of the State, all of which have been fully reimbursed, except the city and county of San Francisco, which compromised its subscription of \$600,000 to the stock of the company by paying \$400,000 in the bonds of the city after a long litigation.

ACT OF 1864.

With the private means of the corporation and the aid above mentioned, it commenced the work of construction in 1863, and continued it until the road was completed in 1869. In 1864 Congress became satisfied that the road could not be built on the terms and conditions provided in the act of 1862, and passed a supplementary act containing important modifications, viz: It doubled the amount of the land grant; it provided that the company might execute a first mortgage on the road for an amount equal to the Government bonds; and it confined the payments required from the company to one-half the compensation due from the Government, and the 5 per cent. of net earnings named in the original act. It reserved a lien upon the road for the performance of these obligations.

REASONS FOR MODIFIED TERMS.

The argument in favor of these modifications was that the road was a political necessity and must be built at whatever cost; and it was contended that one-half of the compensation due from the Government

for services, together with 5 per cent. of the net earnings, would pay the bonds before maturity. This would have been the case, if upon the construction of the road the compensation had not been reduced below what was previously paid. The time limited by Congress for the construction of the road extended to July, 1876, but a universal desire was expressed by Congress and the country for an earlier date.

RAILROAD OVER SIERRA NEVADAS DECLARED IMPOSSIBLE.

As before remarked, the Central Pacific was compelled to build over the Sierra Nevada Mountains, which had been pronounced impassable for a railroad, not only by the public at large, but by many engineers. This alone would have made the negotiation of its securities difficult; but added to this there was much local opposition.

ANTAGONISM OF OTHER INTERESTS.

The construction of the railroad antagonized the Telegraph Company, the Sitka Ice Company, the California Steam Navigation Company, the Pacific Mail Steamship Company, the various toll-road companies, the contractors for the Government, the Sacramento Valley Railroad Company, Wells, Fargo & Co., and all the various transportation interests, because its construction would interfere with or practically destroy their respective business organizations. These interests largely influenced the public press of the Pacific coast, and made combinations to destroy the credit of the company and prove to the world that its undertaking was a fraud and a farce which must necessarily culminate in failure. Under these circumstances the road across the Sierra Nevada Mountains was constructed, and the will and energy manifested by the company attracted the attention of Congress and induced a change in the law.

CENTRAL PACIFIC AUTHORIZED TO BUILD EASTWARD FROM CALIFORNIA.

It will be borne in mind that the original act conferred on the Central Pacific the right to build to the east line of the State of California. In 1866 that limitation was removed, and it was provided that both the Union and Central Pacific Railroad Companies might continue to build until a connection was made by a continuous line of railroad. At that time the Central Pacific Company was surmounting the difficulties on the Sierra Nevada Mountains which had hitherto been regarded as obstacles which could not be overcome, while the Union Pacific Company had scarcely made a commencement. The road of the latter company was then constructed but a few miles west of the Missouri River, although it had a level plain for more than 500 miles west of Omaha.

ROAD COMPLETED MAY, 1869; SEVEN YEARS BEFORE TIME FIXED.

This act was passed to hasten the completion of the road, and it accomplished the purpose desired. The last spike was driven in May, 1869, seven years before the expiration of the time limited in the original act. The companies very justly regarded this act as an indication by Congress that a speedy construction of the road was demanded. To meet this demand both companies made great sacrifices.

EXTRA COST BY EARLY COMPLETION.

The loss sustained by the Central Pacific in thus complying with the manifest design of Congress for the speedy completion of the road was very great. The company did not wait for a completion of a continuous line to convey materials and supplies for the construction of the road; on the contrary, by means of teams and pack mules, transported supplies for hundreds of miles in advance of completed construction. It even conveyed railroad iron, locomotives, and other materials by teams in winter, over the deep snows on the Sierra Nevada Mountains, where little but tunnel work could be done in that season of the year, for the construction of the road beyond, and built many miles of road before a connection was made therewith.

ADDITIONAL LOSS TO COMPANY BY EARLY COMPLETION.

I desire to call the attention of the Commission to some of the sacrifices made by the company in hurrying the work to its early completion. The bonds issued by the United States to the company were, on account of the war, disposed of at a discount of over \$7,000,000. This discount, with the interest on the same until the maturity of the bonds, will amount in round numbers to \$20,000,000. There was also a like discount suffered on the first mortgage bonds issued by the company, whereas if the full time allowed by Congress had been occupied in the construction of the road, these bonds could have been sold at par. At the time the road was constructed the prices of labor and materials in California, Nevada, and Utah were enormously inflated, not only on account of the war prices which then prevailed and the war risks which were incurred in transporting material from the East by sea, but also by reason of the great mining excitement which prevailed in Nevada and California and absorbed nearly all the available white labor. It will be shown by the testimony of engineers who had charge of the construction of the road and other competent witnesses, that the cost of construction exceeded 50 per cent. more than it would have been if the company had delayed its final completion until July, 1876.

PUBLIC BENEFITS REALIZED THROUGH CONSTRUCTION OF PACIFIC RAILROAD.

The Pacific Railroad has accomplished all the good, both local and national, that was predicted by its most enthusiastic supporters. It has demonstrated the possibility of the construction of a transcontinental road; it has proved to the financial world that the great interior abounds in resources; it has made it possible for the construction of other transcontinental roads, with numerous branches and feeders; it has shown how the national domain can be utilized; it has encouraged the development of the natural resources of California, and shown that its products of fruits and wines can be transported to the Atlantic States by rail. It was the first enterprise anywhere in the world which made possible the habitation of regions of country far remote from navigable waters, and has added untold millions of wealth to the nation. It has performed the public service so faithfully and expeditiously as almost to annihilate the distance between the Pacific and the Atlantic, and bring the whole country into close and intimate political, social, and commercial relations. It has performed the Government service in transportation of mails, materials, and supplies, to the complete satisfaction of all Government officers having charge of such business.

INJURY TO COMPANY BY UNJUST LAWS.

While the company has been spending all its energies in furnishing to the Government and the people every possible facility at the lowest possible rate for transportation, Congress has at times, through a misapprehension of the facts, appeared exacting and unjust. The act of 1878, known as the "Thurman act," has been injurious to the company. While it was admitted that there was nothing due from the company except one-half of its compensation for Government service and 5 per cent. of its net earnings, until the maturity of the bonds, Congress provided for a sinking fund; it placed the management of that fund in the hands of the Secretary of the Treasury. The sums required under this act have been paid into the fund since 1878 and have been invested in Government bonds issued for the construction of the Pacific railroads, at a cost for premium of 34 per cent. These bonds, as we have already seen, were originally disposed of by this company at a discount, causing a loss on the principal alone of \$7,000,000.

INVESTMENT OF SINKING FUND BY UNITED STATES.

The company is charged interest on these bonds at the rate of 6 per cent. on their par value. The Secretary has invested the money which the company has paid under the Thurman act in these bonds, paying an average premium therefor of 34 per cent. There has been paid in by the company to the sinking fund \$3,168,600.50, the loss on which in interest and premium up to the present time is \$1,012,966.72. In fact, there is less money in the sinking fund to-day than the amount paid in by the company by over half a million dollars.

BENEFITS TO BE CONSIDERED.

It was supposed when the company accepted the terms of the acts and entered into the contracts with the Government that the United States would take into consideration the circumstances under which the road was constructed, the difficulties encountered in its construction, and the great benefits accruing to the Government by its increased facilities in mail service and transportation, and allow it a like compensation to that formerly paid for the service when performed by teams and pack animals. This company, instead of receiving four millions per annum, which would have been its reasonable proportion according to the former rates of compensation, has, in fact, received not more than one-eighth of that amount.

NO COMPETING LINES ANTICIPATED.

I also desire to call your attention to the fact that at the time of the construction of the Pacific Railroad no competing roads were anticipated. It was expected that the Pacific road, for which the Government issued its bonds, would be the only transcontinental road until its debt to the Government was fully liquidated. But soon after the company entered into the contract with the United States for the construction of the road, other parallel and competing roads were aided by extensive land grants made to them by the United States. The land grant to the Northern Pacific was many times in extent and value more than the land grant of the Union and Central companies. The Atlantic and Pacific, Texas and Pacific, and Atchison and Topeka are all compet-

ing roads to the Union and Central, and have all been aided by extensive land grants made by the Government since the commencement of the construction of the Central Pacific.

LOSS CAUSED BY COMPETING AIDED LINES.

There was certainly no competition available to the Government with the Pacific Railroad from the time of its completion until 1881, when the Atchison, Topeka and Santa Fé united with the Southern Pacific at Deming, N. Mex. During all that period the Government was saved the full amount of the difference between what was paid by the former mode of transportation and the actual amount paid after the completion of the Pacific Railroad. This amounts to many millions of dollars, as shown by the public reports. The local business for Utah and Nevada is exceedingly small, as will appear from answers to your questions which I shall hereafter make. The Central Pacific, outside of its local business in California, mainly relies upon through business. This has been diminished by the competing lines aided by the Government by at least \$17,000,000, as will be shown by the facts and figures hereafter presented in answer to the proper interrogatories.

THE EQUITIES CONSIDERED BY CONGRESS.

The act of Congress, however, under which your Commission is organized, recognizes the equities of the company and provides for an examination of all the circumstances attending the construction of the road, such as: what was the cost of Government transportation and mail service on the line of the road prior to its construction; how much more expensive was it to construct the road at the time than it would have been five years earlier or five years later; what discount was the company forced to make in disposing of its bonds; what loss has the company sustained by competing lines subsidized by the Government. This is the first opportunity the company has had to present in official form these equitable considerations.

THE DEBT OF THE GOVERNMENT IN EXCESS OF THAT OF THE COMPANY.

I feel confident that when your Commission shall have concluded its labors it will appear that upon an equitable adjustment between the United States and the Central Pacific Company the company will owe nothing to the Government, but, on the contrary, the Government will be largely in debt to the company.

PRINCIPAL CLAIMS AGAINST THE UNITED STATES.

I will recapitulate the principal claims of the company against the Government, which are:

(1) The loss and interest thereon which the company sustained by being forced to sell the bonds received by it from the Government at a discount:

Loss.....	\$7,120,071.55
Interest to maturity.....	12,836,134.39
Total.....	19,956,205.94

(2) The amount which the Government saved in its transportation on the Central and Union Pacific line between the completion of the road in May, 1869, and time when it might have been completed under the contract, &c., July 1, 1876, \$47,763,178. This company's proportion, say \$1 per cent.....

21,971,962.93

(3) The amount which the Government now owes the company upon transportation, the legality of which claim has been sustained by the Court of Claims and also the Supreme Court of the United States. This amount is.....	\$1,853,323.15
(4) The amount of loss which the Company has directly sustained by reason of the refusal of the Government to grant the company patents for its lands as rapidly as called for, say	500,000.00
(5) The loss by the Sinking Fund investments in United States Treasury	1,612,966.72
(6) Loss by diversion of business from Central and Union Pacific to other subsidized roads, \$37,000,000. Central Pacific's proportion of which, 46 per cent is, say	17,000,000.00
Total.....	62,873,557.81

I will now proceed to answer the questions submitted by you in their order.

By the CHAIRMAN:

Question. Have you those answers in writing?—Answer. Yes, sir.

Q. Do you desire to read them?—A. Yes, sir; but I suppose you may sometimes desire to ask me questions as you go along. A little explanation may occasionally be necessary, and it may save the Commission's time.

Commissioner ANDERSON. I think the witness had better get through all he desires to state and then we can ask him such questions as we may desire.

The CHAIRMAN. We propose to take you up from the beginning, on the examination, as to this road.

The WITNESS. I will be at your service as to anything you want.

The CHAIRMAN. And you can submit your papers.

The WITNESS. I do not believe there are any questions that you will ask me but what will be cheerfully answered to the best of my ability. We have never before had an opportunity to place the history of this road before the public. This is the first time. There have been more misrepresentations and more falsehoods told about this company than one would ever conceive, unless one was familiar with its history.

THE BONDS WENT INTO THE CONSTRUCTION OF ROAD.

All of the \$27,000,000 of bonds (none of which I ever saw) and every one of our first-mortgage bonds went into the construction of the road. I signed all of them and sent all of them East to be sold, and have never seen one of them until this day. Yet they made us out as having made a profit of some hundreds of millions of dollars or more. That story was circulated all over the country. We only had twenty-seven millions from the Government at the beginning, and those sold at a discount of \$7,000,000. And, by the way, those bonds are the only ones that the Government ever parted with at par. All the rest, as you know, were at a discount in gold, but these we are charged for at par. While our credit was pretty good when the Government made the contract with us, and we had great faith in the bonds, yet they came to us at a time when we sold them, I think, at 40 cents in gold.

REASONS FOR RAPID CONSTRUCTION.

I do not know that I have explained to you all the reasons for this rapid construction of our road, but there was more work performed on the first 150 miles of the Central Pacific than would suffice to grade a line of road from that point to Chicago, and that fact is very easily suc-

ceptible of substantial demonstration. We worked a much larger force of men. For three years we worked more than double the force of men on those mountains that we worked afterwards when we went 500 miles in ten months (less 10 days). That rate of speed on the other portion of the road would have carried us to Chicago. We worked with more than double the force of men, and were aided on an average by five hundred kegs of powder a day. I will tell you of a conversation that occurred when we first went over the line, before there was a trail.

AT THE SUMMIT.

When we were prospecting we got up about Donner Lake and had got to the summit and looked down at the lake, 1,200 feet below us, and looked up at the cliffs 2,000 feet above us, we meditated on the scene not only for its beauty, but also for its practical relations to a railroad, and we came to the conclusion that if a ship could start from San Francisco and sail around Cape Horn and get in back there we could not afford to build a road and meet that competition; or if a ship could sail from any Atlantic port around Cape Horn and get in there, we could not afford to build the road and meet that competition. But we knew that they could not, and the only competition, therefore, that we were likely to have or could expect to meet, was that of the ox-team and the mule-team, and as the laws of the State of California allowed 15 cents a ton per mile, we concluded we could build it.

COMPELLED TO HASTEN CONSTRUCTION TO MEET UNION PACIFIC.

When Congress passed the bill which provided for the Union Pacific Company to build west towards us, to form a connection, and allowing us to build east towards them, we were compelled then to meet that road out towards Salt Lake, or else we would have nothing but this terrific mountain to operate and we would be entirely at the mercy of the Union Pacific in bringing supplies from the East to Nevada. We were compelled, therefore, to push our road through with all the speed in our power to have anything of value. Although in passing the summit we had done the greatest amount of our work, and had climbed up an elevation of 7,000 feet in 103 miles (the most of which was done in about 80 miles), yet we made every sacrifice for speed. We economized our means as far as possible, but we never hesitated at anything that would give speed. You must excuse me for branching off a little in this way, but it is a part of the history of the construction of the road and of the influences which led to its construction, which may not be generally known. Now the first question you asked me is as follows:

DUTY OF COMMISSION.

"Question 1. That the duty of said Commission shall be to examine into the working and financial management of all the railroads that have received aid from the Government in bonds."

Answer 1. This interrogatory, being simply a recital of the duties of the Commission, does not seem to require any answer from me.

The CHAIRMAN. Are you going to give us this manuscript?

Governor STANFORD. Yes, sir. I might ask the privilege of editing it a little, because we have been hurried very much, and there are some typographical and other little errors that have crept in.

The CHAIRMAN. There is no objection to that.

HAVE COMPANIES COMPLIED WITH ALL OBLIGATIONS?

"Question 2. To ascertain whether they have observed all the obligations imposed upon them by the laws of the United States under which they have received such aid, or which have been since passed in reference thereto, and complied with all other obligations to the United States."

THE CENTRAL PACIFIC HAS FULLY COMPLIED WITH THE LAWS.

Answer 2. The Central Pacific Railroad Company has always promptly observed all the obligations imposed upon it by the laws of the United States under which it received its aid in bonds, or which have since been passed in reference thereto, and has also promptly complied with all other obligations to the United States.

I have never heard, either from Congress or any other official source, that the Central Pacific Railroad Company was not promptly discharging, as they accrued, each and every one of the obligations imposed upon it by Congress. If there had been such complaints I should certainly have heard of them.

I was chosen president of the Central Pacific Railroad Company at its organization, and have held the position ever since. It has always been the earnest desire and purpose of the company to meet and discharge, and it has promptly met and discharged, as they accrued, all the obligations imposed upon it by the laws of the United States; such has ever been and still is the policy of the company. I deem it unnecessary to say more upon this point, but direct your attention to, and ask your careful consideration of, the following extracts from the reports of the Attorney-General and the Commissioners of Railroads; also to the affidavit of Mr. E. H. Miller, jr., the secretary of the company, hereto attached, marked "Exhibit 1," and made part hereof.

STATEMENT OF ATTORNEY-GENERAL AS TO FULL COMPLIANCE.

The Attorney-General, in his report to the Senate of the United States, at the first session of the Forty-eighth Congress, said: "First. The Central Pacific Railroad Company has fully and promptly complied with the requirements of said act," meaning the act of Congress generally known as the Thurman act. (Ex. Doc. No. 121, p. 2.)

Again, at the same session, in answer to further inquiry, the Attorney-General said:

In further reply to the inquiries of the Senate, I have the honor to state that I am informed by the Secretary of the Interior that the Central Pacific Company has met and paid the demands of the Commissioner of Railroads, reserving all rights. (Ex. Doc. No. 124, p. 3.)

STATEMENT IN 1882 OF UNITED STATES COMMISSIONER OF RAILROADS.

W. H. Armstrong, United States Commissioner of Railroads, in his report for 1882, says:

Able and expert accountants of this office have investigated and reported upon the business, financial condition, and proportion of net earnings due the Government for the past year. The results are shown in detail under the proper headings hereafter. Free access has been accorded to the books and accounts of the several subsidized roads whenever requested. Detailed statements of the earnings and expenses, finan

cial condition, and physical characteristics of the various land-grant railroads have been compiled from examination and returns made, and are submitted herewith. As a rule, the accounts of the road are kept in a thoroughly comprehensive and business-like manner. Reports to this office are not always made as promptly as required, but the desire is expressed by the different companies to fully and promptly comply with the lawful demands of the Bureau. (Report 1882, p. 5.)

Again he says:

Under the act of May 7, 1876, the book-keeper of this office checked the books and accounts of the company (the Central Pacific Railroad Company) in San Francisco with a view to the ascertainment of 25 per cent. of the net earnings for the year ending December 31, 1881. Twenty-five per cent. of the net earnings of the subsidized portion of the road was found to amount to \$1,038,935.24. The transportation for the Government during the year amounts to \$969,765.33, leaving a balance due the United States of \$79,169.91. Statement was rendered and payment demanded October 20, 1882. A check for the amount was sent to the Treasurer of the United States by the vice-president of the company October 23, 1882. The company has therefore paid to the Government all its accrued indebtedness to date. (*Ibid.*, p. 23.)

STATEMENT IN 1883 OF COMMISSIONER OF RAILROADS.

In his report for the following year, 1883, Railroad Commissioner Armstrong says:

In accordance with the act of May 7, 1876, the books and accounts of this company (Central Pacific Railroad Company) were checked by the book-keepers of this Bureau in San Francisco, Cal., with a view to the ascertainment of 25 per centum of the net earnings of that portion of the road (800.66 miles) subsidized with the bonds of the United States for the year ending December 31, 1882. The amount found due was \$792,920.24, against which the company had performed transportation services on aided and non-aided lines, all of which had been retained by the Government, amounting to \$1,051,862.40, leaving a balance due the company that year of \$258,942.22. The Central Pacific Railroad Company has paid promptly all balances found to be due to the United States, after statements have been rendered by this office. (U. S. Com. of R. R. Report 1883, p. 42.)

STATEMENT OF SAME OFFICIAL IN 1884.

In his report for 1884 Commissioner Armstrong says:

The property and accounts of the several railroads have been examined, the companies (Pacific railroads) having freely accorded all proper facilities for the inspection of their properties and the examination of their books. (U. S. Com. of R., 1884, p. 3.)

STATEMENT IN 1885.

General Joseph E. Johnston, United States Commissioner of Railroads, in his report for 1885, says:

The lease (to the Southern Pacific company) has not affected the obligations of the Central Pacific Railroad Company to the United States, of course. The accounts of the company were examined in San Francisco. . . . The property of the company was also examined and found to be in good condition; its principal work-shops at Sacramento are thoroughly equipped, and capable of making all the engines and cars required by the whole system. The surface of the road is excellent, the ditches ample, and the road-bed well raised and bridges sound. (Rep. 1885, p. 17.)

Again, in the same report, the Commissioner says:

The accounts of the companies under the supervision of this office have been carefully examined, especially those of the companies that were aided with the bonds of the United States. Their officers readily furnished all necessary facilities. The property inspected, including railroads, rolling-stock, and work-shops, was in good working order. . . . The portion of this road (Central Pacific) between Oakland and Roseville Junction, 129 miles, was found to be in the usual condition so characteristic of this company's railroads. (Rep. 1885, pp. 3 and

STATEMENT OF THEOPHILUS FRENCH.

Theophilus French, United States Auditor of Railroad Accounts, in his report for 1879, says:

This company (Central Pacific Railroad Company) has rendered such reports as have been required, and submitted its books and accounts to examination. * * * The engineer's report shows in considerable detail the condition of the property covered by the lien of the United States. * * * The equipment on the road is in good condition and ample. * * * The ferry service between Oakland and San Francisco * * * is to be commended. The passenger service on this road is unexceptionably good. (Auditor's Report, 1879, pp. 34-7.)

The above extracts from reports made by the persons selected by Congress from time to time and authorized to examine the books of the company show that it has always faithfully and promptly complied with the laws passed by Congress, and has, as I before said, promptly discharged all its obligations to the Government.

In this connection I direct your attention to the fact that the amount found due the company for the year ending December 31, 1882, as reported by the Commissioner, namely, \$258,942.22, has not yet been paid.

DO BOOKS SHOW NET EARNINGS OF AIDED ROADS.

"Question 3. And whether their books are and have been so kept as to show the net earnings of the aided roads, and what said books actually show in regard thereto, and what have been in fact said earnings."

Answer 3. This interrogatory contains three independent propositions:

(a) Have the books been so kept and are they now so kept as to show the net earnings of the aided roads? (b) What do said books actually show in regard thereto? (c) What have been, in fact, said net earnings? To avoid confusion, I shall answer each proposition separately:

CENTRAL PACIFIC RAILROAD BOOKS SO KEPT AS TO SHOW NET EARNINGS OF AIDED ROADS.

(a) The books of the Central Pacific Railroad Company have been and are so kept as to show the net earnings of the aided roads.

The original acts of Congress passed in 1862 and 1864, respectively, make no provision for the examination by any officer of the books of the companies therein referred to. After the roads were constructed and commenced business difficulties and controversies arose between the companies and the representatives of the United States in the matter of the settlement of the "net earnings," which, of course, had to be determined before the amount due the Government could be ascertained.

OFFICE OF AUDITOR OF RAILROAD ACCOUNTS CREATED IN 1878.

Congress, recognizing this defect in the acts of 1862, 1864, and 1878, by a special act (June 19, 1878) created the office of Auditor of Railroad Accounts, which act took effect on July 1, 1878. The designation of this office was by the act of March 3, 1881, changed to United States Commissioner of Railroads, being a change in title only, the duties and powers remaining the same. The first Auditor of Railroad Accounts appointed under the act of 1878 visited the office of the Central Pacific Railway Company in San Francisco in 1879 and made a thorough ex-

amination of the accounts and books and vouchers of the company from the date of its organization down to the date of his examination. He was given every facility for examination of the books, &c., and upon his report the amount then claimed to be due from the company was promptly paid, and the amounts found due in all subsequent examinations by the Auditor and Commissioner have also been promptly paid.

SUGGESTIONS ADOPTED.

He also made some suggestions in his report that the books of the company had not been so kept as to show readily the earnings of the aided and non-aided roads. The company at the beginning of the next fiscal year—January 1, 1880—changed its system of book-keeping at considerable expense of time and money, to meet his suggestions. Ever since then the books have been and are now so kept as to show the "net earnings," according to his requirements.

NET EARNINGS SHOWN.

(b) The books actually show the "net earnings" from the completion of the road to the last settlement reported by the Railroad Commissioner of the United States, dated December 31, 1886.

(c) Such earnings amount to \$59,276,387.54, from the completion of the road to December 31, 1886.

Now, if you will observe, under the Thurman bill we paid in one million and thirty-eight thousand dollars. That was in 1881, which was the first time that we had a competing line of road, and you will see that we never were able to pay as much in afterwards. At that time, in 1881, the Atchison, Topeka and Santa Fe Railroad Company made a connection with the Southern Pacific at Deming, and of course opened a competing line of the road.

Question 4 relates to constructive mileage. I think I can give you a little explanation here that will make you easily understand this constructive mileage. In the operation of the transcontinental line of roads there has always been constructive mileage allowed to the Central Pacific because of its difficulties in operating. To illustrate (and you will see how fair that is), in going up the Sierra Nevada Mountains a train of 45 cars, say, which any engine can haul over the level plain from Sacramento, has to be broken into five divisions of 9 cars to each division, which, of course, requires five engines to get to the summit, and, when there, one engine goes on and four engines return, making an engine service of 9 miles for each 1 mile of actual engine service. Each one of these engines burns more fuel, although coming back empty, than one engine would burn hauling that whole load on a level plain. You will see, therefore, that a road of that kind is fairly entitled to constructive mileage. In our own case, as between our main road and most of the little roads, I do not think there has been constructive mileage in more than a few cases, and then the road has been very small.

By Commissioner LITTLE:

Q. Is this constructive mileage awarded your road by the Union Pacific?—A. I do not remember whether they have allowed it or not, but the eastern roads allow it, and I think that they allow the Union Pacific constructive mileage also. I believe they put us on an equal basis.

NET EARNINGS FROM BEGINNING TO JULY 1, 1878.

The following statement shows the earnings, expenses, and net earnings of the aided road, as ascertained by the United States Auditor of

Railroad Accounts, for each year from the completion of the road to the commencement of the operation of the Thurman act, July 1, 1878. It covers a period of eight years and about 8 months. The average annual amount of net earnings for this period was \$4,327,000, 5 per cent, of which was paid into the United States Treasury under the contract acts of 1862 and 1864.

Earnings and expenses of Central Pacific Railroad Company, aided line (860.66 miles), from November 6, 1869, to June 30, 1878.

[As ascertained by the U. S. Commissioners of Railroads.]

Period.	Gross earnings.	Expenses and taxes.	Net earnings.
Year ending November 5, 1870:			
Coin.....	\$3,980,106.91	\$2,375,220.99	\$1,404,885.92
Currency.....	2,703,298.90	1,612,615.15	1,090,683.81
	6,683,405.87	4,187,836.14	2,495,569.73
Year ending November 5, 1871:			
Coin.....	3,995,356.72	2,673,242.93	1,322,113.79
Currency.....	3,524,445.91	2,147,617.17	1,437,828.74
	7,520,796.63	4,820,760.10	2,700,036.53
Year ending November 5, 1872:			
Coin.....	5,235,711.03	3,168,879.55	2,066,831.48
Currency.....	4,142,783.43	2,822,266.26	1,320,517.19
	9,378,494.46	5,991,145.81	3,387,348.67
Year ending November 5, 1873:			
Coin.....	5,220,261.25	3,295,299.85	1,924,961.40
Currency.....	4,908,428.05	2,570,462.38	2,337,965.67
	10,128,679.30	5,874,762.23	4,253,917.07
Year ending November 5, 1874:			
Coin.....	5,480,842.81	3,322,631.98	2,158,210.87
Currency.....	4,981,012.23	2,182,809.06	2,798,203.18
	10,461,855.04	5,515,440.99	4,946,414.05
Year ending November 5, 1875:			
Coin.....	6,011,738.68	3,435,107.26	2,576,631.42
Currency.....	6,249,438.68	3,283,762.67	2,965,676.01
	12,261,177.36	6,718,869.93	5,542,307.43
Year ending November 5, 1876:			
Coin.....	6,266,377.23	3,633,350.02	2,633,027.21
Currency.....	6,380,487.86	3,415,618.96	2,974,868.89
	12,646,865.09	7,048,968.98	5,597,896.11
Year ending November 5, 1877:			
Coin.....	4,811,515.02	3,315,421.86	1,496,093.16
Currency.....	6,708,736.33	2,955,335.40	3,753,400.93
	11,520,251.35	6,270,757.26	5,249,494.09
Period ending June 30, 1878:			
Coin.....	2,977,445.23	1,744,049.94	1,233,395.29
Currency.....	3,223,544.48	1,677,290.00	1,546,254.48
	6,200,989.71	3,421,340.94	2,779,648.77
Total to June 30, 1878, coin and currency.....	85,878,514.83	48,449,905.90	37,428,608.93
Average annual amount.....	9,928,152.00	5,601,145.19	4,327,006.81

NET EARNINGS JULY 1, 1878, TO DECEMBER 31, 1886.

The following statement shows the annual net earnings as ascertained by the United States Commissioners of Railroads from July 1, 1878, the commencement of operation of the Thurman act, to December 31, 1886.

In order to show the requirements which are actually payable before payments can be made into the sinking fund in the United States Treasury, the sums paid into the sinking fund of the company in the company's treasury according to the terms of the first mortgages, which are prior in lien to the United States bonds, is deducted from the net earnings. The balance shown is the extreme annual amount which can be paid by the company on its debt to the Government, as it is the entire net earnings of all the road included in the Government's lien after deducting the requirements of the prior lien.

NET EARNINGS REDUCED BY COMPETING LINES.

It will be noticed that the net earnings prior to 1882 amounted to about \$4,000,000 per annum. In 1882 there was a decrease of \$1,000,000. This is the year in which competition commenced with other transcontinental lines which were aided in their construction by United States land grants. This decrease continued as new land-grant lines were completed till 1884 and 1885, for each of which years the net earnings amounted to about \$860,000, and the available balance to about \$740,000. The net earnings of the aided line hereafter cannot be prudently calculated to exceed this annual amount of \$740,000, as the overland business will continue to be divided, and the aided road is chiefly in Nevada and Utah, where there is very little local traffic.

The temporary slight improvement shown for the year 1886 is chiefly owing to an unusually small amount of betterments, additions, and repairs charged in that year. Were these items of the usual amount the increase of earnings which was made at cut rates would have been accompanied by an equal or greater increase of expenses.

The annual accruing interest on the United States bonds issued to the Central Pacific is \$1,671,340.80. The net earnings of \$740,000 lacks \$930,000 a year of meeting the accruing interest, even if every available dollar should be taken for that purpose.

Earnings and expenses of Central Pacific Railroad Company, aided line (869.66 miles), from July 1, 1878, to December 31, 1886.

[As ascertained under the requirements of the Thurman act.]

	1878. (July-Dec.)	1879.	1880.
Gross earnings, aided line.....	\$5,482,930.37	\$10,658,332.35	\$9,905,546.78
Operating expenses and taxes.....	2,509,772.69	4,782,536.87	4,355,165.66
Betterments and additions.....	136,550.18	143,552.66	200,216.70
Interest paid on first mortgage bonds, having priority of lien over United States bonds.....	\$54,000.00	1,671,540.00	1,666,396.90
Total expenses.....	3,477,112.64	6,603,429.33	6,811,769.36
Net earnings as ascertained.....	2,005,817.53	3,454,903.02	3,053,684.42
Sinking funds payable from income for redemption of first mortgage bonds, having priority of lien over United States bonds:			
Central Pacific Railroad, \$100,000 per annum.....			
Western Pacific Railroad (63.31 per cent. of \$15,000, \$9,502.50 per annum.....)	80,413.75	126,827.50	120,827.50
	1,040,403.78	3,234,075.52	3,816,856.92

Earnings and expenses of Central Pacific Railroad Company, &c.—Continued.

	1881.	1882.	1883.
Gross earnings, aided line	\$10,371,563.71	\$9,580,615.94	\$8,861,425.15
Operating expenses and taxes	4,444,127.74	4,734,994.89	4,538,392.28
Betterments and additions	150,856.28	273,164.50	299,396.16
Interest paid on first-mortgage bonds, having priority of lien over United States bonds	1,671,695.00	1,673,940.00	1,675,910.00
Total expenses	6,266,679.02	6,682,099.49	6,514,698.55
Net earnings so ascertained	4,004,884.69	2,898,516.45	2,346,736.60
Sinking funds payable from income for redemption of first-mortgage bonds, having priority of lien over United States bonds:			
Central Pacific Railroad, \$100,000 per annum			
Western Pacific Railroad (83.31 per cent. of \$25,000), \$20,827.50 per annum.	120,827.50	120,827.50	120,827.50
	3,884,057.19	2,777,688.95	2,225,869.10

	1884.	1885.	1886.
Gross earnings, aided line	\$7,300,780.67	\$5,949,214.78	\$6,522,906.23
Operating expenses and taxes	4,416,634.22	3,167,081.78	3,355,555.18
Betterments and additions	351,871.80	247,404.00	24,631.87
Interest paid on first-mortgage bonds, having priority of lien over United States bonds	1,671,630.00	1,671,180.00	1,671,180.00
Total expenses	6,439,636.02	5,085,665.78	5,051,367.05
Net earnings so ascertained	861,154.65	863,548.97	1,471,542.23
Sinking funds payable from income for redemption of first-mortgage bonds, having priority of lien over United States bonds:			
Central Pacific Railroad, \$100,000 per annum			
Western Pacific Railroad (83.31 per cent. of \$25,000), \$20,827.50 per annum.	120,827.50	120,827.50	120,827.50
	740,327.15	742,721.47	1,250,714.78

CONSTRUCTIVE MILEAGE ALLOWANCES.

"Question 4. Or whether there has been a diversion of earnings of aided roads to less productive branches, through constructive mileage allowances, or average mileage allowances between aided and non-aided roads, or otherwise."

Answer 4. There has been no diversion of earnings of aided roads to less productive branches through constructive mileage allowances, or average mileage allowances between aided and non-aided roads, or otherwise, except in the instances noted elsewhere and during the period between January, 1880, and February, 1883, inclusive.

ALLOWANCES MADE BY CENTRAL PACIFIC RAILROAD COMPANY HAVE BENEFITED AIDED ROAD.

Such allowance was in accordance with the usual custom throughout the United States and was in every instance to the benefit of the aided road. Its continuance, however, was a frequent source of criticism by those not familiar with the details of railway operation and the surrounding necessities controlling rates. Experience proved that the amounts involved were not large. To promote complete harmony, therefore, with the Government and the officers appointed by it to enforce the acts affecting the Pacific railroads, constructive mileage allowances were discontinued and have not since been used.

AVERAGE MILEAGE ALLOWANCES FAVORED AIDED ROAD.

Average mileage allowances were made in ascertaining the net earnings of the aided line by the United States auditor from November 6,

1869, to December 31, 1879, inclusive, but such allowances did not effect a diversion of earnings from the aided line. The rules prescribed by the United States auditor allowed only the mileage between Ogden and San Francisco in prorating through earnings, over 95 per cent. of which was by this means given to the aided line. The local earnings were then prorated to all lines operated on the average mileage basis. These rules, under which the net earnings of the aided line were ascertained for the above period, favored the aided at the expense of the non-aided road, the earnings from local business being greater per mile of road in California, where the non-aided roads are located, than in the sparsely settled territory in Nevada and Utah, through which the aided line alone runs.

Equal mileage has always been made on mail earnings, the rate on mails being fixed by the Post-Office Department on an equal mileage basis.

CONSTRUCTIVE MILEAGE AS ALLOWED FAVORED THE AIDED ROAD.

Constructive mileage was allowed in the division of earnings to the several roads to certain less productive branches between January 1, 1880, and February 28, 1883. The constructive mileage allowed was not sufficient to give such branches their proper proportion of the earnings from traffic interchanged between them and the main line. On less productive branches higher rates always prevail, other things being equal, than on more productive branches. This is chiefly because the volume of traffic is much less, or because the expense of operation is greater. In either case the cost of the service per ton per mile or per passenger per mile is greater. In dividing the earnings from joint traffic with the main line then the less productive line may fairly demand more than its mileage proportion of the amount. The common practice throughout the country in similar cases is for the unproductive line to demand its local rate as its proportion of through earnings. Were the several roads operated in connection with the Central Pacific managed by different companies, the unproductive branch lines would demand and receive a division of earnings on traffic interchanged greater than they did receive by the constructive mileage allowance. There was, therefore, no diversion of earnings from the aided line by such allowances, but, on the contrary, the aided line received in the division a larger proportion of the earnings from joint traffic than it was justly entitled to. This fact appears from the following statement in detail of the allowances made.

ILLUSTRATIONS OF CONSTRUCTIVE MILEAGE ALLOWANCES.

AMADOR BRANCH RAILROAD.

Constructive mileage of 100 per cent. allowed from January, 1880, to February, 1883, inclusive. The principal joint traffic with this branch is between San Francisco and Ione.

Actual mileage.				Constructive mileage.	
	Miles.	Per cent.		Miles.	Per cent.
Gold Line, Amador Branch	27	17.9	Amador Branch	54	35.2
San Francisco-Tracy, leased	83	53.9	Leased line	83	49.6
Tracy-Gold, aided line	41	27.1	Aided line	41	25.1
Total	151	100	Total	178	100

For each dollar then received on joint business between San Francisco and Ione the aided line would receive on an equal mileage basis 27.1 cents and on the constructive mileage basis 23.1 cents. It should have received but 18.3 cents, which is its percentage of the combined local rates, as follows:

The average freight rates on classes 1 to 5, inclusive, are—

	Miles.	Cents.	Per cent.
Amador Branch.....	27	85	44.7
Leased lines.....	88	45	37
Aided line.....	41	22½	18.3
	151	123	100

On each dollar of this joint business the amount allowed by the constructive mileage basis thus resulted in giving the aided line 4.8 per cent. more than it was fairly entitled to.

LOS ANGELES AND INDEPENDENCE RAILROAD.

This road received constructive mileage of 100 per cent. from January 1, 1880, to February 28, 1883. This is a branch road running from Los Angeles to Santa Monica, and interchanged no business which affected the earnings of the aided line.

LOS ANGELES AND SAN DIEGO RAILROAD.

This road received constructive mileage of 100 per cent. from January 1, 1880, to February 28, 1883. This is also a branch running out of Los Angeles, and interchanged no traffic with the aided line.

SAN PABLO AND TULARE RAILROAD.

Line from Tracy to Martinez, 47 miles. Constructive mileage of 50 per cent. was allowed for the year 1880. Practically the only portion of the aided line affected by this allowance was that between Tracy and Lathrop, a distance of 11 miles, for the traffic between San Francisco and points on the Southern Pacific Railroad. The traffic between San Francisco and Los Angeles fairly represents the average of this business. The total distance is 482 miles. The aided line proportion of the traffic is thus but 2½ per cent. The Southern Pacific and Texas Railroad distance is 47 miles, being 9.96 per cent. of the total mileage. The constructive mileage allowance is thus chargeable almost wholly to the remaining 87.79 per cent. of the distance, which is a non-aided and leased road. Though this road has a short haul, it has no terminal expenses, as it formed part of the through Southern Pacific line shortly after its construction. Constructive mileage was allowed only for one year.

SOUTHERN PACIFIC RAILROAD.

Constructive mileage of 50 per cent. was allowed on this line as it was built southward from Goshen, from January 1, 1880, to February 28, 1883. The extension of this line was at first in an undeveloped country with but little business. From Goshen southward the road was difficult to construct and expensive to operate. It crosses the mountains where there are short curves and heavy grades, and to gain the summit at Tehachapi Pass the line doubles on itself, forming the well known "Loop," since celebrated as an engineering feat. After crossing the Mojave Desert, the road, to reach the valley of Los Angeles, passes through the San Fernando tunnel of over a mile in length. Practically all the joint traffic with this route affecting the aided line

was that from San Francisco. This traffic north of Goshen is carried over level grades easy of construction and operation and on lines having a larger traffic and lower average rates than the line south of Goshen. The cost per mile on the latter line being much greater, a higher charge per mile was just and reasonable, and would doubtless have been demanded had the road been operated by a separate company. The effect of the constructive mileage allowance on the line may be shown by the traffic between San Francisco and Los Angeles. This formed the greater portion of the joint business at the time the constructive mileage was allowed, and fairly illustrates the result for the whole.

	Actual mileage.			Constructive mileage.	
	Miles.	Per cent.		Miles.	Per cent.
San Francisco-Tracy, leased.....	83	17.2	Leased.....	83	13.8
Lathrop-Goshen, non-aided.....	147	30.5	Non-aided.....	147	24.4
Tracy-Lathrop, aided.....	11	2.3	Aided.....	11	1.8
Goshen-Los Angeles, Southern Pacific Railroad.....	261	50.0	Southern Pacific Railroad.....	261	60.0
Total.....	482	100.0	Total.....	602	100.0

For each dollar, then, received on joint business, the aided line would receive on an equal mileage basis 2.3 cents, and on the constructive-mileage basis 1.8 cents; while on the basis of the combined local rates, which would be used where the roads operated by different companies, the aided line would receive but 1.1 cents. By the constructive-mileage allowance, therefore, the aided line has received more than its proper and just proportion of these through earnings. This is shown by comparing the following proportions based on combined local freight rates, with those given above based on the constructive-mileage allowance:

Combined local freight charges between San Francisco and Los Angeles.

	Miles.	Cents.	Per cent.
Tracy-Lathrop, aided.....	11	1.4	1.1
San Francisco-Tracy, leased.....	83	11.0	
Lathrop-Goshen, non-aided.....	147	48.8	
Goshen-Los Angeles, leased.....	261	62.6	
Total non-aided lines.....	471	120.4	95.9
Total aided and non-aided.....	482	131.8	100.0

STOCKTON AND COPPERPOLIS RAILROAD.

Constructive mileage of 50 per cent. was allowed on this branch for the year 1880, and 100 per cent. from January, 1881, to February, 1883, inclusive. The principal business interchanged is that between San Francisco and Milton. The operation in this case with the largest allowance is as follows:

	Actual mileage.			Constructive mileage at 100 per cent.	
	Miles.	Per cent.		Miles.	Per cent.
San Francisco-Tracy, leased.....	83	82.9	Leased.....	83	51.6
Tracy-Stockton, aided.....	29	15.1	Aided.....	29	12.4
Stockton-Milton, Stockton and Copperopolis Railroad.....	29	22.0	Stockton and Copperopolis Railroad.....	58	36.0
Total.....	121	100.0	Total.....	170	100.0

By this allowance the Stockton and Copperopolis Railroad receives 36 per cent. of the through rate as against the 22 per cent. by the even-mileage division. It should receive more than this. The proper proportion to each line is shown by adding the local rates and ascertaining the percentage of each to the sum. The freight rates, classes one to five, inclusive, between San Francisco and Stockton average $12\frac{1}{2}$ cents per 100 pounds; between Stockton and Milton, $8\frac{1}{2}$ cents. The division of these locals gives the following percentages:

	Miles.	Cents.	Per cent.
Leased.....	83	10	47.6
Aided.....	20	$2\frac{1}{2}$	11.9
Stockton and Copperopolis Railroad.....	29	$8\frac{1}{2}$	40.5
Total.....	132	21	100.0

It will be seen by comparison with the statement showing constructive-mileage percentages above, that the Stockton and Copperopolis Railroad was allowed in the division of this traffic thirty-six per cent., while it should have received on the basis of the local percentages 40 $\frac{1}{2}$ per cent. Had this road been operated independently, therefore, it would have received fully $4\frac{1}{2}$ per cent. more from earnings of joint traffic than it was given by the highest constructive-mileage allowance.

AIDED ROAD HAS RECEIVED MORE THAN FAIR PROPORTION OF EARNINGS.

The aided line received by the constructive-mileage allowance 12.4 per cent. on the division of such joint rates, while it should have received on the proper basis of combined local rates but 11.9 per cent. It will be seen from the foregoing that wherever constructive-mileage allowances have been made by this company, such allowances have not constituted a diversion of earnings from the aided line, but, on the other hand, the aided line has, notwithstanding such allowances, received more than its fair proportion in the division of joint earnings.

A DOUBLE ALLOWANCE TO NEVADA ROADS.

I would say further that we allowed small connecting roads over in Nevada twice as much for the same distance, or even more than that, in comparison with what we charged ourselves. They were mere branch lines to feed us, and whatever they brought us was so much gained. They could not afford to carry the short distance, with their limited business, for the same rates that we could afford to haul over the main trunk line for a long distance. I suppose that you will understand in this connection that the through rate might well be proportionately less per mile than the local, and if a small company demands its local it gets a much larger division, and that is often done.

ALLOWANCE OF CONSTRUCTIVE MILEAGE OPTIONAL WITH EASTERN ROADS.

I give elsewhere a detail of the different lines of road connected with the main line which we control. You will notice, gentlemen, that in

the matter of the allowance to us of constructive mileage by the Eastern roads it was entirely optional with those roads. As we could not send freight any other way it was only their sense of justice that made them allow it to us.

IS CONSTRUCTIVE MILEAGE FAIR AND USUAL?

"Question 5. And also whether such system of constructive mileage allowance is fair and usual, and, in practical operation, has resulted adversely or otherwise to the aided roads and the interest of the United States."

ALLOWANCES HAVE RESULTED FAVORABLY TO UNITED STATES.

Answer 5. Such constructive mileage allowances are fair and usual and in practical operation have resulted favorably to the aided roads and the interest of the United States.

It is customary and fair to allow constructive mileage to less productive roads which are not branches, but form part of through routes. Such roads are less productive because they have but a small amount of traffic, or are expensive to operate, or both. In either case the cost of the service per ton per mile or per passenger per mile is greater on such roads, and this increase in cost is the basis of the constructive mileage allowance. Constructive mileage should always be allowed. It depends upon such circumstances as grades, curves, amount of business, length of roads, &c. The character of the business is also to be considered, for instance, as to whether it is a coarse grade of freight or costly merchandise that is hauled. Climatic influence should also go to determine a fair mileage rate. A rate that is sufficient on one road might be entirely insufficient for another. The allowances made, according to rules prescribed by the United States Auditor of Railroad Accounts, worked adversely to the non-aided and leased roads. The aided road received thereby a greater amount of net earnings than was properly its due, as more fully appears from accompanying statements.

ILLUSTRATIONS OF USUAL CUSTOM AS TO CONSTRUCTIVE MILEAGE.

The following cases, taken at random, of rates in force with connecting lines which are not operated or controlled by this company, will serve to illustrate the usual custom:

Northern California Railroad and Central Pacific Railroad.

	Miles.	Rates through.	Equal mileage division would be—
San Francisco to Marysville, Central Pacific Railroad	162	\$5.30	\$5.92
Marysville to Oreville, Northern California Railroad	28	2.00	1.17
Total	170	7.30	7.10

Constructive mileage allowances of 100 per cent. to the Northern California Railroad shows :

	Miles.	Per cent.	Rate.
Central Pacific Railroad	143	71.7	\$5.10
Northern California Railroad	96	28.3	2.00
Total	199	100.0	7.10

In this case the California Northern Railroad demanded and received 100 per cent. constructive mileage.

Carson and Colorado Railroad and Central Pacific Railroad.

	Miles.	Rate through.	Equal mileage division would be—
San Francisco to Reno, Central Pacific Railroad	244	\$12.05	\$15.10
Reno to Lone Pine, Carson and Colorado Railroad	322	23.00	19.95
Total	566	35.05	35.05

In this instance the division of the through rates amount to a constructive allowance of about 50 per cent. to the Carson and Colorado Railroad, and this notwithstanding that road has the longer haul.

Eureka and Palisade Railroad and Central Pacific Railroad.

	Miles.	Miles through.	Equal mileage division would be—
San Francisco-Palisade, Central Pacific Railroad	325	\$32.05	\$35.02
Palisade-Eureka, Eureka and Palisade Railroad	90	8.00	6.03
Total	415	40.05	41.05

The less productive branch road in this case receives in the division of the through rate an amount equal to about 50 per cent. constructive mileage.

AIDED LINES ALLOWED CONSTRUCTIVE MILEAGE BY OTHER ROADS.

NEW YORK TO SAN FRANCISCO.

A further illustration, which in the present connection is more striking and suggestive than with the branch lines, is the allowance made to the Central Pacific and Union Pacific by the roads east of the Missouri River on transcontinental traffic. The Central and Union Pacific lines having less traffic per mile of road, and in the case of the Central Pacific particularly, an expensive road to maintain and operate across the Sierra Nevada Mountains, the average cost of service per ton per mile is greater than with their connections east of Omaha.

A higher rate per mile is therefore considered fair and has always been allowed in the division of through rates. The through passenger rates from New York to San Francisco which were in force during the

time constructive mileage allowances were made to branch lines by the Central Pacific, the proportions allowed each line, and the proportions each would have received had no constructive mileage allowance been made to the Central and Union Pacific line are shown by the following table:

Through rates and divisions, 1880, between New York and San Francisco.

RATES AND DIVISIONS AS ALLOWED.

Class.	Through rate.	Divisions.									
		C. B. transfer.		C. P.		U. P.		C. B.-Chl.		Chl.-N. Y.	
		Chs.	Pro.	Cents per mile.	Pro.	Cents per mile.	Pro.	Cents per mile.	Pro.	Cents per mile.	
Unlimited	\$125.30	50	\$48.00	5.23	\$54.00	5.22	\$44.55	2.97	\$23.25	2.55	
Second	105.00	50	34.50	3.91	40.50	3.91	12.50	2.55	17.00	1.88	
Third	85.00	50	26.75	2.85	34.30	2.85	6.81	1.88	12.09	1.29	
Coin	100.00	50	33.25	3.77	36.04	3.77	16.50	1.95	16.89	1.95	

RATES AND DIVISIONS HAD NO CONSTRUCTIVE MILEAGE BEEN ALLOWED.

Unlimited	128.30	50	36.09	4.15	42.97	4.15	29.34	4.15	27.85	4.15
Second	105.00	50	27.81	3.15	32.54	3.15	15.44	3.15	28.71	3.15
Third	85.00	50	17.13	1.94	20.04	1.94	9.71	1.94	17.82	1.94
Coin	100.00	50	20.49	2.00	31.00	2.00	14.70	2.00	27.31	2.00

It will be noticed that in the unlimited rate the Pacific roads were allowed 5.23 cents per mile, while the roads between New York and Chicago received but 2.55, the former in this case receiving over 100 per cent. per mile more than the latter.

The mileage of the route is: East of Missouri River, 1,402 miles; west, 1,916 miles. Applying the constructive mileage system to the sum of the rates for the several classes shows that the Central and Union Pacific received a constructive mileage allowance of over 85 per cent.

PROFIT TO AIDED ROADS BY SYSTEM OF CONSTRUCTIVE MILEAGE ALLOWANCES.

This through traffic was very large and comprised a considerable portion of the income of the aided line. The constructive mileage allowance was also for a long haul—the whole length of the road. The difference therefore to the Central Pacific whether it did or did not receive the constructive mileage allowance was of the greatest importance, and the practice has added to the earnings of the aided line amounts aggregating millions of dollars.

HAVE EARNINGS BEEN DIVERTED TO WRONGFUL OR IMPROPER PURPOSES?

"Question 6. Or whether there has been a diversion of earnings of aided roads to wrongful or improper purposes, and if so, to what extent."

EARNINGS USED EXCLUSIVELY FOR BENEFIT OF CENTRAL PACIFIC RAILROAD COMPANY.

Answer 6. In answer to interrogatory No. 6, I have to say: That the earnings of the company have been expended and applied exclusively to the benefit of the company. No portion of them has been applied in construction of any other road. The company is willing and desirous of making a full and complete statement to the Commission of all matters in which the Government can possibly have any concern. I assume that it is unnecessary to go into statements of matters affecting the interests of the company in which the Government has not and cannot have any possible interest.

In determining the amount of the net earnings of the company, in which only the Government is interested, the company do not propose to make any charge or claim that would diminish or affect the amount of such net earnings, for which it will not furnish entirely satisfactory documentary evidence. All items of expenditure for which such satisfactory evidence shall not be furnished shall be charged against the company exclusively. I will merely add, however, that the disposition made of these earnings of the company, in which the Government has no interest, has met with the approval of the board of directors of the company and its stockholders, on repeated occasions.

The aided line does not run into San Francisco, but from Sacramento to San José. In violation of the principles of interstate law, the Government gives the Canadian Pacific the right to bond goods here and take them from San Francisco around up through Canada to Chicago, thereby carrying them for nearly 5,000 miles, for the same or a less rate than we carry them across the continent, which is a violation of the interstate commerce principle. The Government does that for the benefit of the Canadian Pacific road. I will hardly say it is done for that purpose, but that is what is done, and that is the effect which it has.

DISCRIMINATION IN RATES AGAINST AIDED ROADS.

"Question 7. Whether there is a discrimination of rates in favor of unaided against aided roads."

NO DISCRIMINATION EXCEPT THAT MADE BY THE UNITED STATES.

Answer 7. There is no discrimination of rates in favor of unaided as against aided roads, except that made by the Post-Office Department.

The rates for transportation of United States mails are fixed by the Post-Office Department in accordance with the general laws upon the subject. The basis of the rate is the average daily number of pounds carried over the whole route. The overland Central Pacific route is from Ogden to San Francisco via the aided road to Sacramento, and thence to San Francisco via Benecia over unaided roads. The aided line does not run into San Francisco; the business must go over unaided lines. The general business follows the line designated by the Government between Sacramento and San Francisco, which is the shortest possible line—87 miles by one route and 137 by the other. The weight of mails in either case would be the same, and the rate per mile would be the same. The shorter route, therefore, carries the mails for about one-third less than the longer route. This is in effect a discrimination in favor of the unaided against the aided road. Not only has the Post-Office Department thus discriminated against our line, but it and

the War Department and other Departments of the Government have given preference to other transcontinental lines that have not been aided in bonds, thus diverting traffic that the Central Pacific could have done. Upon this subject the United States Auditor of Railway Accounts says:

Government has taken away business across the State of Nevada, and has also given transportation to the Northern Pacific, the Southern Pacific, the Atchison, Topeka and Santa Fe, the Atlantic and Pacific, and the Canadian Pacific, all rival roads, and is paying them full rates, when they could get it done for less rates by the aided Central Pacific.

This matter, with its embarrassing results to the company, will be found more fully set forth in answer to interrogatory No. 54.

IS ANY MONEY DUE TO UNITED STATES FOR ERRONEOUS ACCOUNTS?

"Question 8. Whether any, and if so, how much, money is due and owing to the United States on account of mistaken or erroneous accounts, reports, or settlements made by said roads."

MONEY IS DUE TO COMPANY FROM UNITED STATES.

Answer 8. No money is due and owing to the United States on account of mistaken or erroneous accounts, reports, or settlements made by our road. On the contrary, there is a balance due the Central Pacific for transportation services on non-aided and leased lines of \$1,853,323.15, which is withheld in the face of a unanimous decision by the Court of Claims in our favor, confirmed by the Supreme Court of the United States.

ANNUAL SETTLEMENTS BY UNITED STATES COMMISSIONER.

Settlements have been annually made by the Central Pacific Railroad Company with the authorized officers of the Government for the amounts due the Government under the several acts of Congress. All amounts involved in such settlements have been promptly paid by the company when due. Payments were in every case made for the amounts as claimed by the United States Commissioner of Railroads, though they were not always believed to be justly due. The items of new construction and new equipment were not currently allowed by the Commissioner, and payments were made for the requirements as stated by him. The courts, however, in 1885, decided these items to be proper deductions in ascertaining the net earnings. (See Rep. U. S. Com. R. R. 1885, p. 7.) The erroneous accounts were restated by the Commissioner in his report for 1866, page 35.

The Central Pacific Railroad Company has overpaid the United States on account of these mistaken and erroneous accounts the sum of \$321,152.72. This sum is still held by the Government, and is due the company in cash, though repeated demands have been made for it by the company.

TRAFFIC DIVERTED TO NON-AIDED ROADS.

"Question 9. Whether any traffic or business which could or should be done on the aided lines of said companies has been diverted to the line of any other company or to unaided lines."

Answer 9. This question will be fully answered under interrogatory No. 54. Such discrimination and diversion is made only by the Gov-

ernment. I refer also to report of General Manager A. N. Towne, herewith submitted, and marked "Exhibit 2," also report of General Superintendent J. A. Fillmore, marked "Exhibit 3."

DEDUCTIONS FROM GROSS EARNINGS BY REBATES, POOLS, ETC.

"Question 10. And what amounts have been deducted from the gross earnings of any of said railroad companies by their general freight and passenger agents or auditors, by way of rebate, percentage of business done, constructive mileage, monthly or other payments on any pooling or rate arrangement, contract, or agreement."

SUCH ARRANGEMENTS HAVE ADDED TO EARNINGS OF AIDED ROAD.

Answer 10. There have been rebates and pooling arrangements, there sometimes being a balance against us and sometimes a balance in our favor. Rebates were made for the purpose of securing business, and pooling arrangements for maintaining rates, and these always favored the aided road.

The question of differentials, pools, &c., is more fully treated in support of the answer to interrogatory No. 39. See the report of J. O. Stubbs, general traffic manager, verified by his oath, marked "Exhibit 7," and referred to in the answer to that interrogatory, from which it will appear that whatever has been done in this direction is fully justified by the results.

ASSETS OF COMPANIES.

"Question 11. And also inquire into, ascertain, and report as to the kind, character, and amount of the assets of said companies."

ASSETS OF CENTRAL PACIFIC RAILROAD COMPANY.

Answer 11. In reply to your interrogatory No. 11, I respectfully submit the following statement, prepared by Mr. E. H. Miller, jr., the secretary of the company:

Assets, July 1, 1887.

Railroad and telegraph lines as follows, between—

	Miles.
San José and Niles	17.64
Niles and Brighton	103.83
Sacramento and near Ogden.....	737.60
Total aided road.....	858.87
Sacramento and Ogden (non-aided).....	.95
Niles and Oakland Wharf	26.51
Oakland and Alameda, local lines (including 7.72 miles double track)...	17.31
Lathrop and Goehen	146.08
Roseville and Coles	226.30
Total non-aided road.....	486.15
Total miles of road.....	1,345.02

Also right of way, sidings, turn-outs, switches, turn-tables, depots, stations and other buildings, round-houses, shops, and machinery, tools, safes, furniture, wharves, slips, engines, cars, and other equipment property and appurtenances belonging on the foregoing railroad and telegraph lines.

Steamers and barges as follows:

Ferry steamers of the San Francisco Bay: Alameda, Amador, Capitol, El Capitan, Julia, Oakland, Piedmont, Transit, and Thoroughfare.

Sacramento River steamers: Apache and Modoc; barges, Ace of Spades and Yolo.

Stocks and bonds of other companies owned, cost \$1,074,360.07. Sinking fund of the company in the treasury of the company, consisting of railroad bonds of the par value of \$10,356,000, cost \$9,601,617.50.

Sinking fund of the company in the United States Treasury June 1, 1887, bonds of the par value of \$2,557,000, and cash, \$39,137.32; cost of bonds and cash, \$3,168,600.50; cost for interest lost on investments, \$1,040,503.54; total cost in excess of par value of bonds, \$1,612,966.72.

Land contracts, deferred payments on time sales, \$1,142,084.86. Cash on hand, \$13,768.49.

Undivided half of sixty acres in Mission Bay, San Francisco; 500 acres of water front in Oakland, Cal.; about 140 acres of water front Sacramento.

Land granted by the United States to the Central Pacific Railroad Company, of California, and to the California and Oregon Railroad Company, less amount sold therefrom and lost from mineral lands, prior claims, &c.

APPRAISEMENT OF COMPANY'S PROPERTY.

Any valuation which may be placed on the assets of the company must, at best, be an estimate. I understand that the commission have delegated the duty of making an appraisement of the value of the railroad and other property of the company to a board of engineers, which makes it unnecessary for any such estimate to be made in this place.

Much of the information I have given in answer to this question is contained in our annual report, but it is given a little more in detail here.

Commissioner ANDERSON. You understand that the report does not profess to give the value of the property?

The WITNESS. It gives only estimated values.

Commissioner ANDERSON. For instance, take the construction account, which represents \$130,000,000 or \$140,000,000. It does not even pretend to give the actual value of the assets.

The WITNESS. No. That represents the cash and stock used. The stock, of course, stands on the books as if at par, but in reality it was not worth much of anything.

Commissioner ANDERSON. The question here is with reference to ascertaining the actual value of your assets, in order to determine the value of the United States lien.

The WITNESS. Most of these things are given at what they cost. During the time that we were constructing the road, I remember that we paid \$65,000 for two engines. That is the highest we ever paid. Of course, there is no such value to them now. We could put them on the road now for probably \$13,500.

Commissioner ANDERSON. We have had a special officer, Colonel Morgan, making an examination, and I presume his report will contain an answer to that question, which we can rely on.

Commissioner LITTLE. His name is Richard T. Morgan, jr.

The WITNESS. Our road is well equipped, and everything, I think, is in good order.

ASSETS SUBJECT TO UNITED STATES LIENS.

"Question 12. And what assets of each company are now subject to the lien of the Government and the value thereof?"

Answer 12. The assets of the company now subject to the lien of the Government, are as follows:

ASSETS SUBJECT TO UNITED STATES LIEN.

Aided line assets, July 1, 1887.

Railroad and telegraph lines between—

	Miles.
San José and Niles.....	17.54
Niles and Brighton.....	103.83
Sacramento and Ogden.....	737.50
Total operated road.....	858.87

Also the right of way, sidings, turn-outs, switches, turn-tables, depots, station and other buildings, round-houses, shops, machinery, tools, safes, furniture, engines, cars and other equipment, property and appurtenances belonging to the foregoing railroad and telegraph lines.

As to the value of the different items of property referred to in this statement, I am personally unable to give it. I understand the Commission has appointed experts to make appraisement of it, and therefore this omission will be thus supplied.

The CHAIRMAN. You do not refer there to the question of how far the lien of the Government extends over the property and to what property it attaches.

The WITNESS. The assets of the company subject to the lien of the Government are as I have read. Now, the lien, like the first mortgage bonds, is on the road from Ogden to San José; but by our laws of consolidation the entire property of all the companies consolidated becomes liable for the debts of the institution, just as a man's property is liable for his debts over and above the mortgaged property. The mortgage, first, is a lien upon so much, but all his property is liable. So all the unaided lines of our road, as well as the aided, are liable for the general liabilities of the company, but there is no lien upon them to the Government.

The CHAIRMAN. The whole property, however, is subject to execution?

The WITNESS. Oh, yes, sir.

DIVIDENDS PAID.

"Question 13. And also whether any dividends have been unlawfully declared by the directors or paid to the stockholders of said company; and if so, to what extent."

NO DIVIDENDS UNLAWFULLY DECLARED BY THE CENTRAL PACIFIC RAILROAD COMPANY.

Answer 13. No dividends have been unlawfully declared by the directors or paid to the stockholders of the Central Pacific Railroad Company.

Section 6 of the act of Congress of May 7, 1878 (the Thurman act), provides that no dividends shall be voted, made, or paid at any time when the company shall be in default in the payment of either of the

sums required to be paid into the sinking fund, or in the payment of the 5 per centum of the net earnings, or interest on any debt the lien of which or of the debt on which it may accrue is paramount to that of the United States.

The Central Pacific Railroad Company has not at any time been in default in respect of the payment of any of the sums required under the provisions of the act above quoted.

The Central Pacific Railroad Company, as heretofore stated, was organized under the laws of this State, and is now carrying on its business in accordance with the provisions thereof. Section 309 of the Civil Code of California prohibits railroad corporations from making dividends, except from the surplus profits arising from the business thereof. As required by this section all dividends have been made from the net earnings. The road has been in operation for over twenty-three years for more or less of its extent.

AVERAGE DIVIDENDS 2.65 PER CENT.

The total sum of these dividends amounts to 61 per cent. The amounts paid therefore equal the annual rate of 2.65 per cent., and but for the completion of the Government-aided competing lines, and but for the Government's failure to pay to the company the money for transportation as determined by the Supreme Court of the United States, the company would still be paying the dividends. For the information of the Commission, and the evidence of the fact that the dividends declared by the company were not illegal, we submit herewith, and ask your consideration of a report by Mr. E. H. Miller, jr., secretary of the company, marked Exhibit 4, and made a part hereof.

By Commissioner ANDERSON:

DIVIDENDS PAID OUT OF NET EARNINGS.

Q. Does your report contain a statement of the net earnings actually applicable to the years in which dividends were declared?—A. No, sir; I think not. We carried net earnings along for a good while, and when we commenced declaring dividends it was with the supposition that we would be able to continue. For a time the road earned a good deal more than a 6 per cent. dividend annually, over and above the necessary expenses. But the opening of competing business and the immense falling off of the business in Nevada, a great falling off and the gradual interference with our business in Wyoming, Montana, and Idaho have made a change. We used to have business in Wyoming, not very much, but still some, and a good deal in Montana and Idaho, but the opening and pushing out of other roads spoiled all that business for us. It was a very profitable business, as we were able to fix our own rates, free of competition. Then came the opening up of these competing lines, and our business fell off very much, although the general business of the country was increasing. The prices paid to us were very much reduced. As a result, from 1884 we have been not able to earn any dividends. We have always earned something over expenses. We have always kept up the Thurman fund and made something over expenses. Under the lease of the Central Pacific to the Southern Pacific Company it is guaranteed \$1,200,000 a year, net, over and above all expenses and the interest account and the sinking fund under the Thurman act.

Q. I understand all that, but my question was whether the actual earnings of the road between 1872, the time of your first dividend, and your last dividend, declared in February, 1884, will show that the dividends paid were earned?—A. Yes, sir; the dividends were all earned; not in that time, however. We had quite an accumulation of net on hand when we commenced the dividends, but all the dividends were paid out of net earnings.

By the CHAIRMAN:

Q. Did you ever borrow money with which to pay a dividend?—A. We never borrowed a dollar to pay a dividend.

DIVIDENDS.

"Question 14. And whether the amount thereof may not be recovered from the directors unlawfully declaring the same or persons who unlawfully receive the same."

Answer 14. I beg to state that as there have never been dividends wrongfully or unlawfully declared by the company there remains nothing liable to recovery.

HAVE TRUST FUNDS BEEN DIVERTED?

"Question 15. Whether the proceeds of any trust funds or lands loaned, advanced, or granted have been diverted from their lawful uses."

NO FUNDS DIVERTED.

Answer 15. No proceeds of any trust funds or lands loaned, advanced, or granted have been diverted from their lawful uses. The only trust fund that the company has ever had in its treasury has been the sinking fund. This fund now amounts to about \$9,000,000. In addition to this we have paid \$1,216,000 of what was known as the State aid loan. The convertible loan also aggregated \$1,500,000. The trust funds have been invested in sinking funds at interest in the company's treasury for the final redemption of bonds of the company. That fund, of course, did reduce the general indebtedness of the Central Pacific Railroad Company. It is not all for the aided line, but it is some for that line and some for the others. There are sinking funds for all of the companies which are now part of the Central Pacific, and they are growing very rapidly.

SINKING FUNDS.

By Commissioner ANDERSON:

Q. The sinking fund does not apply to the United States bonds at all?—A. No, sir; it goes to the first-mortgage bonds—the bonds that are a prior lien to that of the Government.

Q. It goes to all your mortgages, as I understand it?—A. Yes; each mortgage has its own sinking fund. They are all, of course, in the hands of the Central Pacific Railroad Company. These companies have been consolidated, and the Central Pacific has assumed these liabilities.

THE LAW OF CALIFORNIA REGARDING SINKING FUNDS.

Q. Will you tell me what the requirement of the law of California is in regard to permitted investments in sinking funds?—A. That the money shall be loaned.

Q. Is there no limitation?—A. I think there is none.

Mr. BERGIN. There is no limitation.

Commissioner ANDERSON. Can they loan it to anybody?

Mr. BERGIN. It is in the discretion of the board of directors of the corporation. The law does require of railroad companies organized under its provisions, that at the time of the creation of a liability by the company secured by a bond and mortgage, it shall also provide a sinking fund for the ultimate liquidation of the liability, but as to the manner of investing the fund, that is left to the discretion of the board of directors.

DUTIES OF TRUSTEES AS TO INVESTMENT OF A SINKING FUND.

Commissioner ANDERSON. May I ask whether there has been any decision upholding, for instance, a loan of money in a sinking fund by a corporation to itself?

Mr. BERGIN. No, sir; the question of the manner of investment has never yet been judicially passed upon by the courts.

Q. In your opinion, would the trustees of a sinking fund amounting to many millions of dollars be justified in taking a note of the corporation itself and then putting it back in the general assets?—A. The general trustees; not the company. The company itself is not necessarily the trustee, or not the trustee at all.

Q. I am asking you whether the trustees would be justified under the laws of California in putting the money which they hold in the sinking fund into the vaults of the corporation itself for its general purposes and taking as its evidence of the sinking-fund moneys the note of the corporation?—A. That might be under some circumstances. I do not know now. My attention has not been called lately to the duties of trustees, but I think under our laws that a trustee may do with it as any good business man might do. I do not think there is any restraint beyond that, is there, Mr. Bergin?

Mr. BERGIN. No, sir.

EXCHANGE OF BONDS.

Q. The point of my question is this: Have you not in fact surrendered over three million dollars of first-mortgage bonds of the Southern Pacific belonging to your sinking fund and accepted in lieu thereof the bonds of the Central Pacific issued under its second or third mortgage made in October, 1886?—A. I do not know how much we have done. The trustees have often exchanged bonds at a premium for bonds which, to our knowledge, were just as good as the bonds in the fund, but which, not having an established market price, would have commanded less, and so far would have been a benefit or profit to the sinking fund.

Q. What are those bonds quoted at, the bonds under the mortgage of October, 1886?—A. I do not think they are quoted on the market. They sell here. We have been offered for them par in this market. I think that we could sell large quantities of them here at par. They are 6 per cent. bonds and they are secured by a second mortgage on the road. The mortgage is on the unaided portion of the company's property and is not a lien upon the aided portions.

HAVE STOCKS OR BONDS BEEN UNLAWFULLY ISSUED?

"Question 16. Whether any new stock or bonds have been issued, or any guarantees or pledges made contrary to, or without authority of law."

NO ISSUES OR PLEDGES BY CENTRAL PACIFIC CONTRARY TO LAW.

Answer 16. No new stocks or bonds have been issued, or any guarantees or pledges made contrary to, or without authority of the law.

The WITNESS. Stock has been issued to aid in the construction and secure a through line to Oregon. The valuable properties of the Central Pacific to-day are the unaided lines.

By the CHAIRMAN:

Q. Have you not made guarantees of bonds of other roads since the passage of the act of Congress of 1873?—A. I cannot call to mind that the Central Pacific has made any. I do not think it has. If Mr. Miller were here he could tell. I do not think the Central Pacific has ever guaranteed any bonds.

GUARANTEE OF BONDS OF CALIFORNIA PACIFIC.

Q. How is it about the California Pacific bonds?—A. The California Pacific is a short line of road between here and Sacramento, and it was a competing line to our 137 miles, and in the process of time it passed into and under our control. We bought stock in the road. After operating it for a time we saw that it could not pay the interest on the bonded indebtedness. The road did not do well. It was washed out, and was unable to meet its requirements. Upon the Central Pacific agreeing to guarantee the interest, the bonded indebtedness was very much reduced, and a lower rate of interest was accepted. I cannot give you the exact amount, but the interest on the remaining bonds was reduced so as to make it much more easy to handle.

Q. What was the date of the guarantee; what was the year?—A. I cannot give you the year, but it was some years ago.

DIRECTORS AND EMPLOYEES' INTEREST IN OTHER COMPANIES.

"Question 17. Whether any of the directors, officers, or employes of said companies, respectively, have been, or are now, directly or indirectly interested, and to what amount or extent, in any other railroad, steamship, telegraph, express, mining, construction, or other business, company, or corporation, and with which any agreements, undertakings, or leases have been made or entered into."

INTEREST OWNED IN OTHER COMPANIES BY PRESIDENT STANFORD.

Answer 17. I may state that I have been and am interested in the following-named companies, and to the extent set opposite the respective name of each company. I know that some of the other directors of the company have been interested in some of these companies; and I believe, but do not know, that they are interested in all of them, the extent of their interest in which I am not prepared to state, as there is no joint ownership of the stock. As to the absolute correctness of the list that I am about to read, I am not prepared to say, because it was only furnished just as I was coming away, and I have not been over it, but I presume that it is correct, inasmuch as it has been furnished by the secretary.

1. California Pacific Railroad. I have 24,755 shares of stock in this company.

2. Southern Pacific of California. I had 70,936 shares of stock in this company until December 8, 1884, when I transferred it to the Southern Pacific Company in exchange for 42,561.6 shares of its stock.

3. Southern Pacific of Arizona. I had 49,987 shares of stock in this company until December 8, 1884, when I transferred it to the Southern Pacific Company in exchange for 29,992.2 shares of its stock.

4. Southern Pacific of New Mexico. I had 16,722 shares of stock in this company until December 8, 1884, when I transferred it to the Southern Pacific Company in exchange for 10,033.2 shares of its stock.

5. Southern Pacific of Kentucky. I have 150,233.3 shares of stock in this company.

6. Stockton and Copperopolis Railroad Company. I have 586 shares of stock in this company.

7. Berkeley Branch Railroad. I have 231 shares of stock in this company.

8. Amador Branch Railroad. I have 1,560 shares of stock in this company.

9. Los Angeles and San Diego Railroad. I have 370 shares of stock in this company.

10. California and Oregon Railroad. I had stock in this company, and took Central Pacific stock for it when it was consolidated with that company. Do not remember the number of shares.

11. San Joaquin Valley Railroad. Same answer as No. 10.

12. San Francisco, Oakland and Alameda. Same answer as No. 10.

13. Western Pacific Railroad. Same answer as No. 10.

14. Contract and Finance Company. I had 12,500 shares of stock in this company when it was discontinued in 1874.

15. Wells, Fargo and Company. I have 86 shares of stock in this company. Have had a larger number of shares, but do not remember how many.

16. Occidental and Oriental Steamship Company. I have 9,995 shares of stock in this company.

17. Western Development Company. I have 10,000 shares of stock in this company.

18. Pacific Improvement Company. I have 12,500 shares of stock in this company.

19. Lone Coal and Iron Company. I have 8,000 shares of stock in this company.

20. Rocky Mountain Coal and Iron Company. I have 1,817 shares of stock in this company.

21. Carbon Hill Coal Company. I have no stock in this company, but have an interest in it through my holding of Pacific Improvement stock, to which company this mine belongs.

LOANS TO OTHER COMPANIES.

"Question 18. What amounts of money or credit have been or are now loaned by any of said companies to any person or corporation?"

MONEY LOANED BY CENTRAL PACIFIC RAILROAD COMPANY.

Answer 18. The amount loaned any company, corporation, or individual by the Central Pacific Railroad Company, being the amount owing to the company June 30, 1887, is as follows:

Stockton and Copperopolis Railroad Company	\$115,653.80
G. H. Giddings, New York	92

B. E. Smith	\$100,000.00
T. J. Edmondson	8,000.00
J. H. Flagg	2,000.00
J. W. Young	35,165.34
Coos Bay Coal Company	4,048.30
Total	264,960.62

This statement gives only the present amount. The amounts in detail from the organization would be very voluminous. The accountants of the Commission are now examining the books of the company; if any statement in detail of amounts which have been loaned is desired, they will doubtless make it.

LOANS FROM OTHERS.

"Question 19. What amounts of money or credit have been or now are borrowed by any of said companies, giving names of lenders and the purposes for which said sums have been and now are required."

MONEY BORROWED BY CENTRAL PACIFIC RAILROAD.

Answer 19. The amounts of money or credit borrowed by the Central Pacific Railroad Company, being amount owing by the company June 30, 1887, is as follows:

C. J. Torbert, note	\$2,500.00
Southern Pacific Company balance of account	793,293.88
Company's operating ledger balance of account	5,630.87
Trustee's land grant mortgage	1,508,549.26
Land suspense account being payments made on lands sold, not yet conveyed	6,754.80
Total	2,316,719.81

This gives only the present amount; the amounts in detail from the organization would be very voluminous. The accountants of the Commission are examining the books of the company; if any statement in detail of amounts which have been borrowed is desired, they will doubtless make it up.

PAYMENTS WITHOUT SUFFICIENT VOUCHERS.

"Question 20. What amounts of money or other valuable consideration, such as stocks, bonds, passes, and so forth, have been expended or paid out by said companies, whether for lawful or unlawful purposes, but for which sufficient and detailed vouchers have not been given or filed with the records of said companies?"

PAYMENTS APPROVED BY DIRECTORS AND STOCKHOLDERS.

Answer 20. In answer to interrogatory No. 20 I have to say that the company in its settlement with the Government proposes to claim nothing as expenses in determining the amount of net earnings in which the Government has an interest for which the company does not furnish full and satisfactory vouchers. It is entirely immaterial to the Government and the Government can have no interest in knowing what amount of money may have been expended for which the vouchers on file are not sufficient in detail or otherwise. I would, however, remark

that all items of expenditure for which detailed vouchers are not on file have from time to time been approved by the directors and stockholders of the company.

INFLUENCING LEGISLATION.

"Question 21. And further, to inquire and report whether said companies, or either of them, or their officers or agents, have paid any money or other valuable consideration, or done any other act or thing for the purpose of influencing legislation."

Answer 21. In answer to interrogatory No. 21, I have to say in behalf of the Central Pacific Railroad Company that no deduction will be made from that portion of the net earnings belonging to the United States on account of any expenditure for which detailed and satisfactory vouchers are not furnished. We will account to the Government as if no such expenditures had been made.

By the CHAIRMAN:

Q. Do you omit entirely the question of legislation?—A. I have given my answer to that question.

CONSOLIDATION OF UNION PACIFIC RAILWAY.

"Question 22. And to investigate and report all the facts relating to an alleged consolidation of the Union Pacific Railroad Company, the Kansas Pacific Railroad Company, and the Denver Pacific and Telegraph Company, into an alleged corporation known as the Union Pacific Railway Company. Said investigation shall include the alleged sale of the stock of the Kansas Pacific Railroad Company to the Union Pacific Railroad Company, and all the circumstances and particulars pertaining to the said alleged sale."

Answer 22. This interrogatory relates to other corporations and requires no answer from me.

ASSETS AND OTHER ENTERPRISES.

"Question 23. And whether any of the Pacific railroad corporations which obtained bonds from the United States to aid in the construction of their railroads have expended any of their money or other assets in the construction, or to aid in the construction of other railroads, or invested of their moneys or other assets in the stocks or bonds of any manufacturing, mining, or commercial companies or corporations, or of other railroad corporations."

Answer 23. The Central Pacific Railroad Company has expended no money or assets in the construction or to aid in the construction of other railroads. It never had any interest in other roads except in the way of lease, or by consolidation. The company has invested a very limited amount of money in bonds and stocks of other corporations, the extent and character of which will be shown in my answer to the next question.

EXTENT OF INVESTED ASSETS.

"Question 24. And if any such expenditures or investments have been made, the extent and character thereof made by each of said corporations shall be inquired into."

Answer 24. The extent and character of such expenditures and investments are as follows:

Description.	Date of ownership.	Value.	Disposition.	Remaining on hand December 31, 1896.
Daily American Flag, newspaper stock.	1864.....	\$5,000.00	Charged to expense account, Dec. 10, 1868.	.....
California Central Railroad Company bonds.....	1866..... 1867..... 1868.....	48,937.50 28,738.37 8,630.50	July 29, 1868, sold for \$63,708.37.	.....
Georgetown Wagon Road stock.....	1867.....	1,000.00	Charged to profit and loss account, Aug. 31, 1868.	.....
Austin and Reiso River Transportation Company stock, 40 shares.	Feb. 8, 1872	1,000.00	Nov. 18, 1873, sold for \$900; dividends, 600; charged to profit and loss account, \$300.	.....
C. P. R. R. first mortgage bonds, 21.	June 14, 1873	21 735.00	Transferred to sinking funds, Aug. 19, 1879.	.....
N. J. Valley R. R. bonds, 1.....	Mar. 10, 1874	775.00		
S. J. Valley R. R. bonds, 1.....	Feb. 14, 1876	920.00		
W. P. R. R. bonds, 1.....	Feb. 11, 1875	832.50	May 17, 1877, sold for \$765; construction account, \$735.	.....
Green Point Dairy and Transportation Company stock, 30 shares.	June 12, 1874	1,500.00		
Nevada Company Narrow Gauge Railroad bonds, 7.	Mar. 1, 1877	6,303.00	Dec., 1878, sold for \$6,300.	.....
Coco Bay Coal Company:				
34,455 shares stock.....	Oct. 30, 1875	136,871.30	With assessments, &c.....	\$156,430.28
400 acres land.....	1876.....	19,878.98	With expenses.....	
Wells, Fargo & Co., stock, 8,250 shares.	Sept. 30, 1879	825,000.00		
Sold for.....		216,013.67	Sold June 30, 1880.....	.....
Do.....		132,124.51	Sold Dec. 31, 1880.....	.....
Do.....		88,854.50	Sold May 12, 1881.....	.....
Do.....		507,101.90	Sold June 12, 1881.....	.....
Sacramento Transportation Company stock.....	June 30, 1882	940,796.58 75,000.00 5,000.00		80,000.00
Notes of Fisk & Hatch (see note below).		830,665.46		
Secured by Chesapeake and Ohio Railroad bonds.	June 14, 1875			
Charged to:				
Chesapeake and Ohio bonds, 7 percent, 1,344.	June 26, 1884	830,665.46		
Chesapeake and Ohio stock, first preferred, 255 shares.	June 26, 1884			
Chesapeake and Ohio stock, second preferred, 11,586 shares.	June 26, 1884			
Chesapeake and Ohio stock, second preferred 405 shares.	Sept. 3, 1884			
		3,325.60		
		833,891.06		
Scalp, 1887.....			Sold Sept. 3, 1884.....	833,872.19
Forest Hill Commercial and Toll Road Company stock.....	Nov. 20, 1884	2,000.00		4,000.00
United States Government bonds remaining unsold.	June 20, 1885	2,000.00		120.00
Central Pacific Railroad capital stock, held in trust for company by C. F. Huntington, agent.	Last received Jan. 18, 1872	120.00		
	Dec. 31, 1886	724,500.00		724,500.00
				1,798,942.47

SETTLEMENTS WITH FISK & HATCH.

Fisk & Hatch, bankers of New York, acted as financial agents of the company, and at the time of their failure in 1874 gave their notes, amounting to \$830,665.46, in settlement of account, with bonds of Chesapeake and Ohio Railroad, amounting to \$1,457,000, as security. Fisk & Hatch suspended payment again in 1884, and in settlement for amount

of notes and interest the Central Pacific Railroad Company took Chesapeake and Ohio securities, as above shown, June 26, 1884. The 1,344 bonds were exchanged January 28, 1887, for 16,800 shares of stock of the Newport News and Mississippi Valley Railroad Company.

By Commissioner LITTLER:

Q. What is the total amount?—A. One million seven hundred and eighty-eight thousand nine hundred and forty-two dollars. The principal amount of that comes through the failure of Fisk & Hatch. On their failure, some years ago, they were indebted to our company. They were our financial agents at New York, and they gave us their note with the balance of securities. Then they failed again, and again we settled with them, and took what they had. Among other things we took these securities, and that Fisk & Hatch transaction makes the larger portion of this amount.

Q. Do you mean to say that you acquired all the securities mentioned on that paper in that way?—A. No, sir; but we so acquired the principal portion of them.

COOS BAY COAL COMPANY.

We became interested in the Coos Bay Coal Companies because we were largely at the mercy of the coal dealers, and had to pay extraordinary prices. For instance, we paid as high as \$8 per ton for local coal which can now be bought for \$4.50 per ton. In order to be independent we got this mine, and by so doing have been able to bring down the prices of outside coal. In this way we have secured a very large saving to the company.

We used to be very much at the mercy of the coal dealers at times. We buy coal in England, Australia, and in the British possessions.

INTEREST IN AUXILIARY ROADS.

"Question 25. And also the present interests of any of said corporations in the railroads auxiliary to their respective railroads."

Answer 25. The Central Pacific Railroad Company has no present interest in the railroads auxiliary to its lines, and never has had except through consolidations and leases, like the San Joaquin Valley, the California and Oregon, and the Oakland and Alameda connections, &c., which constitute the most valuable portions of the Company's property. The roads consolidated with the Central Pacific Railroad Company and those that have been leased by it are shown at length in the following statement:

THE CENTRAL PACIFIC RAILROAD COMPANY.

CONSOLIDATIONS.

California and Oregon Railroad Company and Marysville Railroad Company, January 16, 1892. Name, California and Oregon Railroad Company.

California and Oregon Railroad Company and Yuba Railroad Company, December 18, 1890. Name, California and Oregon Railroad Company.

The San Francisco and Alameda Railroad Company, and the San Francisco, Stockton and Alameda Railroad Company, October 15, 1893. Name, The San Francisco and Alameda Railroad Company.

The Western Pacific Railroad Company and San Francisco Bay Railroad Company, November 2, 1890. Name, The Western Pacific Railroad Company.

The Central Pacific Railroad Company of California and The Western Pacific Railroad Company, June 23, 1870. Name, Central Pacific Railroad Company.

The San Francisco and Oakland Railroad Company and The San Francisco and Alameda Railroad Company, June 29, 1870. Name, San Francisco, Oakland and Alameda Railroad Company.

Central Pacific Railroad Company, The California and Oregon Railroad Company, The San Francisco, Oakland and Alameda Railroad Company, and The San Joaquin Valley Railroad Company, August 22, 1870. Name, Central Pacific Railroad Company—the present name of the company under the above consolidations.

LEASES.

Roads once leased by the Central Pacific Railroad Company now leased by the Southern Pacific Company:

Berkeley Branch Railroad.
Northern Railway.
Stockton and Copperopolis Railroad.
San Pablo and Tulare Railroad.
Amador Branch Railroad.
California Pacific Railroad.
Southern Pacific Railroad (of California).
Southern Pacific Railroad (of Arizona).
Southern Pacific Railroad (of New Mexico).
Los Angeles and San Diego Railroad.
Los Angeles and Independence Railroad.

NAMES OF STOCKHOLDERS.

"Question 26. And said Commission shall also ascertain and report the names of all the stockholders in each of said companies from its organization to the date of the investigation herein provided for, as they appear upon the books of said companies at the date of its annual meeting in each year, and the amount of stock held by each."

Answer 26. In reply to this interrogatory I would say the accountants appointed by the Commission have in their possession the books of the company containing this information and are preparing the statement called for.

WHAT STOCKHOLDERS PAID FOR STOCK.

"Question 27. What consideration, if any, was paid by each stockholder to said company for his stock, and when and in what property such payment was made."

Answer 27. In answer to this question, the statement of Mr. E. H. Miller, jr., secretary of the company, marked "Exhibit 5," is submitted hereto, and made a part hereof, showing the consideration paid the company by each stockholder receiving stock, and when and in what property such payment was made. The dates of payment given in the subjoined list are the dates when the amounts subscribed were fully paid up. When the stock was transferred or forfeited, the date of the last payment of the person holding the stock is given.

DATE WHEN EACH STOCKHOLDER BECAME SUCH.

"Question 28. The date when each stockholder so appearing on the books became such."

Answer 28. This question has been fully answered in the answer to interrogatory No. 27.

By Commissioner ANDERSON:

Q. Does Mr. Miller's report represent that the stock has all been paid in full?—A. I think that all the stock has been paid for in full. At the beginning there was stock where the payments were not made in

full. We levied assessments and some of those assessments were never paid.

Q. I mean does Mr. Miller's report show stock issued to construction companies directly and consider that as a payment in full?—A. I presume so. I have never looked over the report.

Q. Have you his report here?—A. Yes, sir.

Q. And that is submitted with your paper?—A. Yes; and I presume that will show all that. The greater part of the stock was issued for construction purposes. We managed to obtain a subscription for ten shares here in San Francisco after our books had been open for some weeks and that was all. Money at that time was here worth from two to two and a half per cent. per month, and outside of ourselves there was hardly anybody who had faith in the ultimate success of the enterprise. They did not care to invest their money, which was worth two to two and a half per cent. in an enterprise in which they had no confidence and where, of course, there could be no returns until its completion.

STOCK HELD IN TRUST.

"Question 29. And whether stock is now held or has heretofore been held in the name of any person in trust for the benefit of any other, and the names of all such persons."

Answer 29. In answer to this interrogatory I will state that I am unable to say what stock has been held in trust, but the books being in the possession of, and under examination by, accountants appointed by the Commission, their report will undoubtedly contain the desired information.

TOTAL AMOUNT OF STOCK.

"Question 30. The total amount of stock in each company."

Answer 30. The total amount of stock in the Central Pacific Railroad Company is \$100,000,000, of which \$68,000,000 has been issued. This includes the Western Pacific as well as all other railroads consolidated with the Central Pacific. An analysis and distribution by roads of the capital stock will be found under question No. 27.

Q. You have skipped interrogatory 28.—A. That has been answered in answer to No. 27. You will remember what that answer is. I will state that we were organized under the laws of this State to build our railroad to the State line. At that time the estimate was \$8,500,000, probable cost, and the stock was made out accordingly. There is a law in our State, however, which provides that we cannot issue bonds to a greater amount than the capital stock of the company. We found, as we proceeded, that it would cost more than \$8,500,000 to build over the mountains, and that the Government aid and the first-mortgage bonds would amount to a great deal more. We therefore increased the capital stock to twenty millions which would be about the estimated cost. After that, when Congress passed a law allowing us to build east until we should meet the Union Pacific, we again increased the capital stock, not knowing where we would meet that road. We then made it a hundred millions. That accounts for the increase of capital stock from time to time.

By Commissioner LITTLE:

Q. In that connection let me ask you where is the residue of that stock?—A. It has never been issued. When we got through, nobody wanted that stock; but it was wonderful how the country developed,

for a time, especially in Nevada. If the promises of those early years had been continued we would have had a great property over there.

INCREASE OF STOCK.

"Question 31. And the dates and amount of any increase of such stock, and the reason for such increase."

Answer 31. The organization of the Central Pacific of California provided for \$8,500,000 of stock. It was soon ascertained that the road would cost more than that. Then upon the estimated cost the capital was increased to twenty millions, the principal reason being that under the laws of California the bonded indebtedness could not exceed the capital stock. Afterwards, by the act of Congress of July 3, 1866, it was provided that the Central Pacific might build eastward until it should meet the Union Pacific, and not knowing where that might be, the capital stock was again increased to one hundred millions.

SALARIES OVER \$5,000.

"Question 32. And the amount of the annual salaries or compensation that are now, or at any prior time have been paid to any officer or employé of said company, when such salary or compensation amounts to \$5,000 or more per annum."

Answer 32. In reply to this interrogatory, I submit a tabulated statement of annual salaries amounting to \$5,000 or more, paid by the Central Pacific Railroad Company since its organization to any officer or employé, and all bonuses or donations which have been given or paid to any such person.

The tabulated statement of annual salaries contains only the names of those employed and giving all of their time to the company. Those persons who have been employed by the company, giving their services only from time to time as they may be called upon by the company, are not included. Upon the consummation of the lease of the Central Pacific to the Southern Pacific Company, the services of the most of the employés were transferred to the Southern Pacific Company.

Statement of annual salaries amounting to \$5,000 or more paid by Central Pacific Railroad Company since its organization, to any officer or employé, and all bonuses or donations which have been given or paid to any such person.

Office.	Name of officer.	Annual salary.	From—	To—
President.....	Leland Stanford.....	\$10,000.00	June 28, 1861	Mar. 31, 1885
Vice-president.....	C. P. Huntington, salary and services.	12,500.00	June 28, 1861	July 1, 1863
Financial agent and attorney.....	do.....	25,000.00	July 1, 1863	July 1, 1864
	C. P. Huntington, salary.	10,000.00	July 1, 1864	Mar. 31, 1885
Treasurer.....	Mark Hopkins.....	10,000.00	July 1, 1863	Mar. 31, 1878
Agent and attorney.....	E. B. Crocker.....	10,000.00	Jan. 1, 1864	Dec. 31, 1869
Secretary and agent.....	James Bailey.....	10,000.00	Jan. 1, 1861	July 1, 1863
Superintendent and second vice-president.	Charles Crocker.....	10,000.00	Jan. 1, 1866	Mar. 31, 1885
Chief engineer.....	T. D. Judah.....	10,000.00	June 28, 1861	Nov. 2, 1863
Secretary.....	E. H. Miller, Jr.....	10,000.00	Jan. 1, 1867	July 1, 1878
	Do.....	12,000.00	July 1, 1878	Mar. 31, 1885
Assistant secretary.....	E. S. Miller.....	5,000.00	May 1, 1862	Mar. 31, 1885
Financial director.....	D. D. Colton.....	10,000.00	Oct. 1, 1874	Oct. 4, 1878
Treasurer.....	E. W. Hopkins.....	5,000.00	Aug. 1, 1876	Dec. 31, 1882
Treasurer.....	Timothy Hopkins.....	5,000.00	Jan. 1, 1883	Mar. 31, 1885
Chief engineer.....	S. S. Montague.....	5,000.00	Jan. 1, 1889	Dec. 31, 1889
	Do.....	6,000.00	Jan. 1, 1870	Dec. 31, 1871
	Do.....	8,000.00	Jan. 1, 1872	Sept. 30, 1882

Statement of annual salaries amounting to \$5,000 or more paid by, &c.—Continued.

Office.	Name of officer.	Annual salary.	From—	To—
General solicitor	S. W. Sanderson*	\$12,000.00	Jan. 10, 1870	Dec. 31, 1870
	Do	18,000.00	Jan. 1, 1871	Aug. 30, 1875
	Do	24,000.00	Sept. 1, 1875	Mar. 31, 1885
Attorney	Robert Robinson	8,000.00	Jan. 1, 1869	Dec. 31, 1871
	Do	8,000.00	Jan. 1, 1872	Dec. 31, 1874
	Do	10,000.00	Jan. 1, 1875	Sept. 30, 1881
Attorney	H. S. Brown	5,000.00	Jan. 1, 1873	Aug. 31, 1875
	Do	8,000.00	Sept. 1, 1875	Mar. 31, 1881
	Do	4,500.00	Sept. 1, 1875	Mar. 31, 1880
Assistant general solicitor	Creed Raymond	15,000.00	May 1, 1881	Mar. 31, 1885
Attorney	L. D. McKisick	8,000.00	Sept. 1, 1882	Dec. 31, 1883
	Do	8,000.00	Jan. 1, 1884	Mar. 31, 1885
	Do	1,000.00	Jan. 1, 1884	Dec. 31, 1885
Agent and assistant to president	S. T. Gage	\$6,000.00	Aug. 1, 1871	Oct. 31, 1882
	Do	5,000.00	Nov. 1, 1882	Mar. 31, 1885
Land agent	D. B. Redding	8,000.00	Jan. 1, 1871	Apr. 30, 1873
	Do	8,000.00	Feb. 1, 1874	Aug. 31, 1882
Attorney	C. H. Tweed	18,331.53	Jan. 12, 1883	Mar. 31, 1885
Agent	C. H. Sherrill	20,000.00	Mar. 1, 1870	Mar. 31, 1885
Attorney	Jas. H. Storrs	10,000.00	July 1, 1867	Oct. 30, 1882
Agent	Theophilus French	8,000.00	Apr. 1, 1862	Mar. 31, 1885
Agent	Richard Franchot	20,000.00	Jan. 1, 1868	Mar. 4, 1875
Land agent	W. H. Mills	5,000.00	Jan. 1, 1883	June 30, 1885
	Do	7,000.00	July 1, 1883	June 30, 1887
Attorney and agent	A. A. Cohen	10,000.00	Sept. 30, 1871	Sept. 30, 1876
Consulting engineer	George E. Gray	10,000.00	Mar. 1, 1867	Nov. 30, 1870
General superintendent and general manager	A. N. Towne	13,000.00	Sept. 1, 1869	July 31, 1879
	Do	18,000.00	Aug. 1, 1879	Apr. 30, 1882
	Do	25,000.00	May 1, 1882	Mar. 31, 1885
Assistant general superintendent	John Corning†	5,000.00	Aug. 1, 1871	Aug. 31, 1871
	Do	8,000.00	Sept. 1, 1871	Nov. 30, 1873
	Do	8,000.00	Dec. 1, 1873	July 31, 1874
Division superintendent, assistant general superintendent	E. C. Fellows	5,000.00	Oct. 1, 1873	Nov. 30, 1878
	Do	8,000.00	Dec. 1, 1878	Dec. 31, 1878
	Do	6,000.00	Jan. 1, 1879	Aug. 31, 1879
	Do	7,000.00	Sept. 1, 1879	July 31, 1880
General freight agent	C. W. Smith	5,000.00	Aug. 1, 1870	Aug. 31, 1871
	Do	6,000.00	Sept. 1, 1871	Nov. 30, 1871
Master of transportation	J. A. Fillmore	5,400.00	Dec. 1, 1878	July 31, 1880
Assistant general superintendent	do	6,000.00	Aug. 2, 1880	Apr. 30, 1882
General superintendent	do	8,400.00	May 1, 1882	Mar. 31, 1885
General freight agent	J. C. Stubbs	5,400.00	Aug. 1, 1878	Aug. 31, 1879
Freight traffic manager	do	6,000.00	Sept. 1, 1879	Apr. 30, 1882
	Do	8,400.00	May 1, 1882	Sept. 30, 1884
General traffic manager	do	10,000.00	Oct. 1, 1884	Mar. 31, 1885
General freight agent	Richard Gray	6,000.00	Jan. 1, 1885	Mar. 31, 1885
Assistant general superintendent	R. H. Pratt	5,400.00	Jan. 1, 1884	Mar. 31, 1885
Superintendent of track	L. M. Clement	5,400.00	July 1, 1877	Apr. 15, 1881
Superintendent of bridges and buildings	Arthur Brown	6,000.00	Oct. 1, 1870	Mar. 31, 1882
General auditor	W. H. Porter	6,000.00	Jan. 1, 1882	Mar. 31, 1885
Superintendent steamers	W. H. Moore	6,000.00	Aug. 1, 1874	Feb. 28, 1880
Agent Sacramento steamers	A. Redington	6,000.00	Aug. 1, 1874	Nov. 30, 1874
Master mechanics	A. J. Stevens	5,200.00	June 1, 1877	Dec. 31, 1883
	Do	5,400.00	Jan. 1, 1884	Mar. 31, 1885
Agent	R. P. Hammond	6,000.00	Oct. 1, 1877	June 30, 1884

* \$19,000 allowance for extra services Nov. 12, 1885.

† Extra allowance.

‡ \$2,355.00 donation to Mrs. Corning—services, August 1, 1878, to November 15, 1878. \$1,900 allowance to Mrs. Corning for one and one-half months' salary after decease.

As to this list I can say that the salaries of the principal directors and officers were fixed at an early day at \$10,000 apiece and continued until this time or until the lease to the Southern Pacific. Since that time the principal officers have had no salaries. There are others whose salaries in some cases amount to a much larger sum. The principal counsel, Judge Silas W. Sanderson, now deceased, received as high as \$24,000. The next one to that is Mr. Towne, the general manager, who received \$25,000. I think those are all. In some cases some of our employes who had bad luck may have received something, or, in case of

their death, contributions may have been made to their widows and families.

"Question 33. And the names of the persons now receiving or who have heretofore received such salaries or compensation."

Answer 33. This interrogatory will be found fully answered in reply to the preceding question.

BONUSES AND DONATIONS.

"Question 34. And all the bonuses or donations which may have been given or paid to any such person."

Answer 34. No bonuses or donations have been given or paid to any person except such as are stated in answer to question No. 32.

LEGAL EXPENSES.

"Question 35. And all payments made under the head of legal expenses, to whom made, and the amount paid to each, and for what specific services such payments were made."

Answer 35. The expert of the Commission, Mr. Stevens, has been given the books of the company, and he will prepare an answer to this interrogatory.

CONDITION OF COUNTRY AT COMMENCEMENT OF ROAD.

Now, as to question 36, it is a very broad question. When we commenced building our road there was but one white man between the Truckee and Bear Rivers, and he was a man that ventured to conduct a cattle ranch up there on the mountains. There was scarcely any settlement from the Missouri River to Utah except in Salt Lake City. It was a wilderness. All that country has been developed since. The railroad was not across Iowa until the Union Pacific commenced, and they did not commence until two years after we did on this side.

By Commissioner LITTLER:

Q. Do you undertake to answer that question?—A. Yes. I answer it, but its scope was so great that we could hardly embrace it. That question is:

INTERESTS OF COMMUNITIES.

"Question 36. Said Commission shall also inquire into and report upon the relations of said railroads to the interests of the communities through which they pass."

TESTIMONY OF PROMINENT CITIZENS.

Answer 36. The relations of the Central Pacific Railroad to the communities through which it passes is most intimate and important; one is indispensable to the other. As to these relations, I give the following testimony of prominent citizens of this State upon this subject, which is instructive and valuable:

VIEWS OF F. F. STROTHER.

City and County Auditor F. F. Strother, who came to San Francisco in 1864, and has been prominent in legal and political circles ever since, says:

I am generally considered an anti-railroad man, and so I am in the general acceptance of the term. I mean by this that I give the railroad no praise or credit to which

they are not plainly entitled. While this is true I can but agree with the great majority of the leading business men of the city that the remarkable era of prosperity which dawned on California and the Pacific Coast in 1869 was the direct result of the completion of the trans-continental railroad, known as the Central and Union Pacific. My knowledge of the benefits and advantages which have followed to the western country in general, and to California in particular, has been obtained more from a close observation of the growth and development going on everywhere around me than from actual commercial experience. The fact is, that but for the indomitable energy of the projectors of this great railroad enterprise, the condition of California would be pretty much the same to-day as it was in the sixties, for the final and successful consummation of this gigantic undertaking, operated as an incentive to other railroad builders and the other trans-continental lines are the result. I firmly believe that if the Union and Central Pacific people had failed or given up this work they had in hand, this State, to-day, would be without eastern railroad connection and our men of commerce and trade would still be shipping hides, wool, tallow, and wheat (the only commodities which was then possible for them to handle) to New York via Cape Horn with clipper ships.

ADVANTAGE TO CALIFORNIA.

The development of the State which set in immediately after the connection of the two roads was phenomenal. The people then saw for the first time that there was something else to California besides wool, hides, and wheat. Here was a market for their fruits and wines, and what was then an almost unknown industry began to expand until to-day it leads all others on the coast. Then came prosperity, commercial, and otherwise, and who can say where it will end. Branch lines of road, "feeder" I think they are called, have been built from end to end of the State, developing agricultural, viticultural and mining interests in localities where before they could not be carried on profitably. And all this, we may say, is the result of the enterprise of the pioneer railroad builders; it is the legitimate child of their courageous labors.

VIEWS OF JOHN H. WISE.

John H. Wise, one of San Francisco's principal business men, and who has been identified with her leading commercial interests for over thirty years, has this to say regarding the actual benefits which have resulted from the construction of the Union Pacific and Central Pacific Railroads:

The building of these roads has benefited this city, the State, and the Nation to an almost incalculable extent. When the scheme of putting through a line of railroad to connect us with the East was first broached, it was the great majority of our leading commercial men, myself included, who thought it impossible; that is, it was an enterprise of such gigantic proportions with seemingly insurmountable barriers in its way, that we had little hope of consummation. The primitive surveys of the engineers clearly showed that in carrying out the scheme demanded not only an outlay of a sum of money which would dampen the hopes of the projectors, but a degree of skill, perseverance, and energy, which had never been applied to a similar enterprise in this country. The lively desire of the people of this coast, however, to see a more desirable condition of things as regarded our commercial facilities, prevailed against fate. Our commercial situation prior to the completion of the roads was unpromising and altogether unsatisfactory. Our only facilities for trade to and from England, Germany, and eastern America were by means of clipper ships, and about the only articles of merchandise we could export were wool, hides, and tallow. Of course the shipping of any kind of fruit or other perishable goods was required, under the most favorable conditions, six months to reach the market out of the question. The growing of fruits on the Pacific coast was less than home consumption was, therefore, never thought of. The fruit and vineyard lands remained uncultivated, and the coast remained a dead end, with no hope of improvement.

REVOLUTIONARY EFFECT OF RAILROAD CONNECTION.

The railroad connection, when it was finally completed, revolutionized the coast. The clipper ships were abandoned, and the coast trade increased at a phenomenal rate; emigrants began to pour in from all quarters.

spring up, ranchers began cultivating the soil and planting vineyards, and for the first time markets were established in Chicago and New York for California fruits. A new era set in, and from that time dates the rapid development of the Pacific coast. I consider that the best stroke of business done by San Franciscans (and San Francisco was then pretty much all there was to California) was when they gave their mite of encouragement and aid toward the construction of this line of railroad. This mite was small indeed, almost inappreciable in fact, because, as I have said, there was so little faith in the ability of the builders to successfully surmount the many and great impediments in their way, and complete the work. Had there been a greater outlook for the enterprise, I do not doubt but that substantial aid would have been given.

VIEW OF MAYOR POND.

Mayor Pond gives the following impression of his views regarding the development of the Pacific coast and the cause thereof:

I consider the connection of the Union and Central Pacific Railroads, which first gave California a through line to the East, as having been the prime factor in bringing about the rapid development of the country and the subsequent prosperity this coast now enjoys. Prior to that time, you know, California, while her reputation as a section of unlimited possibilities had spread far and wide, was regarded almost as a foreign country. Immigration into the State had been limited, the whole volume of it being confined to the influx of the adventurous mining horde attracted by the gold fever of '49, and the '50's. These early pioneers were looked upon as explorers of a far-away and next to inaccessible country, and it was in those days considered that a man had seen a great deal of the world who had returned to his Eastern home in safety from a trip to California.

REVOLUTIONARY EFFECT OF RAILROAD CONNECTION.

Our commercial facilities were equally as bad, our dealings being confined to less than half a dozen articles of merchandise, because of the time required to reach marketing points. The effect of the final railroad completion was an instantaneous and complete revolution of everything. I cannot say that the immediate effect on the city of San Francisco was beneficial, though some hold that it was. Previously, you know, we had the handling of every article of merchandise destined to coast points. San Francisco and California had been synonymous terms with the railroad company. However, a new *modus operandi* was instituted, and freight and passengers were delivered directly to their respective destinations, leaving San Francisco to survive on her own merits. What little we lost in the way of transient patronage, however, was made up a thousand fold by the State and coast at large.

The truth is, the railroad builders made it possible for the outside points throughout the coast to enjoy the benefits of their own advantageous conditions of soil and climate without dividing up the profit with San Francisco.

"How much substantial encouragement did the railroad builders receive from the people of the coast?" the mayor was asked.

None at all; that is, none that I have heard of. You see we did not have much faith in the enterprise, and while we hoped for its success, it was generally a case of hands off, as far as contributions of money were concerned. My idea is [said the mayor in conclusion] that but for the perseverance of those who had this gigantic scheme in hand California and the Pacific coast would to-day be just about where they were fifteen years ago.

VIEW OF WILLIAM T. COLEMAN.

William T. Coleman, the organized head and front of San Francisco commercial business, one of the earliest pioneers who has been identified with the growth and development of the commerce of the city, State, and coast since 1849, voices the sentiments already expressed by the leading men of the city, that the construction of the Union Pacific and Central Pacific Railroads was the cause of which the general prosperity of the coast is the direct effect.

When you ask me [said he to a gentleman in his office on July 9] to enumerate some of the benefits which have flown from the final completion of the first through

railroad line between the East and the West, I can only point you to the evidence of the unequaled prosperity of the Pacific coast, and tell you that all this is comprised in the benefits brought about by the building of that railroad line. Before, we had next to nothing; now we have well-nigh everything that can be desired.

The project was a mammoth one, requiring an outlay of hundreds of millions of dollars. The capital controlled by the projectors was known to be comparatively insignificant, and no one could see how the enterprise could possibly succeed. We failed to calculate, however, on their capital of perseverance and pluck, and this it was that built the road.

LITTLE AID RECEIVED FROM THE PEOPLE.

"How much assistance did the road receive from the people?"

Next to none at all. That is, the contribution was so slight, and it was manipulated in such a way that costly litigation ensued, and it proved more of a shackle on the hands of the railroad builders than anything else. Some people call me an anti-railroad man, and perhaps I am partially deserving of the name, but while I am ready to plead guilty to having scored the railroad in general at different times when they seemed to merit it, I have generally been inclined to make an exception of the Union and Central Pacific, which roads are, to my mind, richly entitled to much more than they have ever received from the Government or the public.

VIEWS OF SENATOR L. J. ROSE.

Senator L. J. Rose, of Los Angeles, was at the Palace Hotel on Sunday, July 17. In conversation with a reporter regarding the development of the southern section of the State he said:

The railroads have made Southern California what it is to-day. Before the completion of the through line formed by the joining of the Union and Central Pacific roads the southern half of California, which is now famous the world over as the most favored quarter in America in point of climate and soil conditions, was no more nor less than a barren sheep pasture. In truth it hardly rose to the dignity of a pasture at all, for the whole country was almost as destitute of vegetation as a desert. There were no vineyards, no orchards, no agriculture—nothing. The only industries which any effort was made to prosecute were cattle and sheep raising, with here and there a sort of experiment in the way of growing cereals, mostly for home consumption. True, this last-named industry grew to some proportions after the institution of the clipper-ship line, by means of which wheat was sent to foreign and Eastern ports via Cape Horn; but the leading industries of to-day were not dreamed of, inasmuch as San Francisco was the only market known to us. Wine-making and fruit-raising for other than local consumption were out of the question entirely.

INDUSTRIAL REVOLUTION PRODUCED.

Our redemption came in 1869, when the railroad people completed that gigantic and wonderful work—the actual laying of a line of steel over, under, and through the granite Rockies, giving California a direct rail connection with the East. I say our redemption came then; so it did. The effect was marvelous and immediate. There was an industrial revolution. We beheld ourselves in a day, as it were, surrounded by possibilities which made us a new and different people, in a new and completely changed land. That day fortune smiled upon us, and the unequaled prosperity which terms on every hand to-day is the result. The desert indeed "blossomed as the rose;" where there had been barren and neglected wastes there sprang up orchards and vineyards as if by the hand of magic. Cattle and sheep ranges were transformed into fertile and productive farms and ranches. Hamlets sprang into villages, villages into towns, towns into cities. Life and activity took the place of indolence and sloth. Our reputation began to spread, and a different and better class of people began to settle among us. Our growth and development have been phenomenal during our life of thirty years; for we consider that we were born on the day the through railroad was completed. And to-day there is no more prosperous section on the face of the globe. Who can doubt that the railroads brought us all this prosperity which extends throughout the Pacific coast? And who can say that the dauntless projectors of the great enterprise which first gave us communication with the world are not entitled to all praise and all support?

INCREASE OF WEALTH CAUSED BY RAILROAD.

In connection with this subject there is one feature of the relation of the community through which it passes that I feel should not be over-

looked. I refer to the wealth-creating power of railroads. The potency of its influence has nowhere been better shown than in California.

INCREASE OF TAXABLE PROPERTY.

In 1870 the tax-roll of Los Angeles County showed the aggregate taxable property to be less than seven millions of dollars. In 1883 the tax-roll of that county was twenty-seven millions and one-half, an increase in twelve years of nearly 300 per cent., and the figures show that the larger per cent. of this increase should be credited to the past five years during which that county has had railroad facilities.

The same gratifying result is obtained by a comparison of the tax-rolls of other counties in this State, as will be shown by the following tabulation from the report of the State controller:

Counties.	1860.	1870.	1883.
Los Angeles.....	\$3,650,330	\$6,918,074	\$27,584,013
San Bernardino.....	417,238	1,202,482	5,679,029
San Joaquin.....	4,008,400	7,880,220	24,769,322
Merced.....	1,116,994	3,202,455	8,006,170
Stanislaus.....	969,870	3,423,808	14,562,262
Fresno.....	931,000	3,219,230	10,604,538
Tulare.....	1,589,529	3,436,766	8,306,476
Kern.....	No record.	1,974,656	5,005,095
Total.....	13,612,361	31,277,891	114,606,905

The increase from 1863 to 1870 was much less than the increase from 1870 to 1883. The taxable property of these eight counties in 1860 aggregated but thirteen and one-half millions of dollars, or nearly fourteen millions less than the taxable property in Los Angeles County to-day. The aggregate taxable property of these counties in 1870 amounted to less than thirty-one and one-half millions, while the present aggregate value of the taxable property in the same counties foots up \$114,606,905, an increase of about 270 per cent. These counties have gained since 1870, \$83,329,014, the increase being nearly three times the amount of the taxable property in 1870. Taking the counties composing the San Joaquin Valley, and I find that prior to the construction of the railroad most of the land was used for sheep-grazing and was practically of no value, whereas at the present time it is worth at least \$125,000,000, so that there has been an increase of at least a hundred million dollars in the value of the property in the San Joaquin Valley alone by the construction of the road.

Now, I would like to show you the effect which transportation has had upon this country. At that time the clipper ships were charging \$17 per ton and upward for freight from here to Liverpool. The year that the Southern Pacific was completed it immediately dropped to \$10 a ton, and I think it has never been above that point since. On the contrary, it has generally been a little below. That year we raised in this State about 1,000,000 tons of wheat for export, and the saving to the farmers in freight alone was the difference between \$10 and \$17 a ton. For first-class passage the Pacific Mail Steamship Company was charging \$300 by way of the Isthmus. When the road was completed it immediately dropped and came down to a reasonable figure.

TAXES.

"Question 37. To all questions concerning the payment of taxes, especially upon lands granted by Congress."

NO TAXES DUE ON LANDS.

Answer 37. There are no taxes due to the United States or upon lands granted by Congress.

Upon the subject of taxation I desire to submit the following statement from Mr. E. B. Ryan, our tax agent:

CENTRAL PACIFIC RAILROAD TAXES.

STATEMENT OF E. B. RYAN.—The Central Pacific Railroad Company of California was incorporated June 25, 1861. The Western Pacific Railroad was incorporated December 13, 1862. These two companies were consolidated June 23, 1870, under the name of the Central Pacific Railroad Company. From the date of their respective incorporations, and after their consolidation down to the year 1880, the Central Pacific Railroad Company paid as taxes in the State of California the sum of \$1,936,666.49. The same Company paid in taxes in the same time in the State of Nevada the sum of \$1,316,687.90, and in the Territory of Utah the sum of \$130,984.88, making a total of \$3,384,339.27. Prior to 1880 the county assessors assessed railroad property the same as property of individuals in their respective counties and boards of supervisors constituted boards of equalization for their respective counties. During this time there had never been any litigation, refusal, or delay in regard to tax matters, except in isolated cases where prejudice or mistake had through the action of the assessor or the county board of equalization raised the assessment in some county or counties out of all proportion to the assessment for valuation in other counties through which the railroad passed, and in one instance where several of the counties, instead of assessing the railroad at its cash value, as required by law, took into account its collections and the uses to which it was put thereby, fictitiously increasing the valuation. In all cases, however, where the payment of taxes was resisted both the Central and Western Pacific Railroad Companies, after judgment was rendered in their favor, paid the usual and just amount of taxes due from them.

HISTORY OF THE TAX LITIGATION.

The question of taxation in this State has been one of peculiar condition for several years past, involving a controversy between the transportation companies and the revenue department of the State government, and for the full understanding of the question by the Commission it will be necessary to review the origin, history, and present condition of this controversy at some length. The old constitution under which this company was organized provided, section 13 of article 11, that all taxation shall be equal and uniform throughout the State. "All property in this State shall be taxed in proportion to its value, to be ascertained as directed by law; but assessors and collectors of town, county, and State taxes shall be elected by the qualified electors of the district, county, or town in which the property taxed for State, county, or town purposes is situated."

EQUALITY OF OLD CONSTITUTION.

Equality and uniformity are the controlling principles to this section of the old constitution, and the laws passed by the legislature under the wise and judicious limitations therein contained were equal and uniform in their operation upon all persons and property in the State, including the property of railroads operated in more than one county. The property of railroads operated in more than one county of the State was assessed by the same assessor that assessed all other property in his assessment district. The taxes thereon were equalized by the same board and collected by the same collector that equalized and collected the taxes on all other property situated within the jurisdiction of such board and collector. Under this fair and uniform law there never was any difficulty between the railroad company and the people upon the subject of taxation, except in one or two isolated cases, due to purely local causes.

ASSESSMENTS TO RAILROADS PROMPTLY PAID WHEN ASSESSED AS OTHER PROPERTY.

Prior to that time, as already said, the Central Pacific Railroad lines operated by it paid fully and promptly, without protest assessed; assessments then being made upon railroads in all other private property. I say private property, because if private property it is not subject to taxation.

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TAX PROVISION OF NEW CONSTITUTION.

In 1879 a new constitution was adopted in California, under which was created a State board of equalization. In this new constitution the framers omitted the principles of equality and uniformity which form the basis of all taxation under the old instrument, and inserted in lieu thereof the following:

"All property in the State shall be taxed in proportion to its value, to be ascertained as provided by law." (Sec. 1, Art. XIII, Cons.)

Section 4 of the same article among other things provides:

"A mortgage, deed of trust, contract, or other obligation by which a debt is secured shall, for the purposes of assessment and taxation, be deemed and treated as an interest in the property affected thereby; except as to railroads and other quasi-public corporations, in case of debts so secured, the value of the property affected by such mortgage, deed of trust, contract or obligation, less the value of such security, shall be assessed and taxed to the owner thereof in the county, city, or district in which the property affected thereby is situated."

INEQUALITY OF NEW CONSTITUTION.

In other words, the owners of all kinds of property in this State except railroads and other quasi-public corporations have to pay only upon the value of their interest therein after deducting therefrom the value of the mortgages, &c., if any thereon, whereas the owners of railroad property have to pay taxes upon the full value thereof and are not allowed to make any deductions for the value of the mortgages, &c., thereon. By the same instrument, sec. 9, county boards of equalization were created with power to correct and equalize the entire assessment roll, to increase or lower it, or any assessment contained therein, so as to equalize the assessment of the property contained in said assessment-roll and make it uniform to the true value in money of the property so assessed; this board being a tribunal to which an appeal could be taken from the judgment and decision of the assessors. It was intended not only as a check against incompetency and dishonesty on the part of the assessor, but also, to give every property-owner his day in court, if he suffered in any way by the action or determination of the assessors. This beneficial and just provision of the constitution applies only to the owners of property as assessed by the county assessor, and does not apply to nor affect the owners of railroads operated in more than one county of the State. The owners of such property, if they have been ever assessed or wronged in any other manner in the assessment of property, have no board or officer to whom they can appeal or before whom they may appear to have their assessments equalized or their wrongs righted. The remedy provided for every other property-owner in the State is denied to them.

A SEPARATE SYSTEM OF ASSESSMENT FOR RAILROADS.

The new constitution, by section 10 of article 13, makes provision for an independent and separate system of assessment for railroads operated in more than one county in the State. They are assessed, not by the assessor, who assesses all other property, including railroads operated in one county, but by the State board of equalization. The operation of this law is discriminative against railroads operated in more counties than one, being burdensome and unjust and unequal. It is self-executing; it enables the board to assess the property at any place, at any time at which it in its pleasure may elect to meet without any notice given of any kind to any person to be affected by its action, and without an opportunity to be heard after its action; and its decision is declared to be final. The board may assess those at \$100,000 per mile, or it may assess them at \$1 per mile. Its action being final and conclusive, neither the railroad companies on one hand, even if power is exercised to confiscation, nor the people on the other hand, if the board should assess the property at \$1 per mile, could obtain relief.

ASSESSED MORE THAN ELSEWHERE IN UNITED STATES.

In the exercise of this power, the first State board of equalization made an assessment of railroad property. The valuations placed by this board upon a single-track railroad running chiefly through the thinly settled counties, many of which roads had never earned or paid a dividend, was more than double that placed upon any railroad of similar character within the United States. The locomotives of these roads, some of which had been in service nearly a quarter of a century, were assessed at 80 per

cent. more than new locomotives of the same pattern could be purchased for and placed upon the road, and this, too, in face of the fact that the value of the standard locomotive was certain and easy of ascertainment.

EFFORTS TO GET JUDGMENT ON THE MERITS OF THE CASE.

In the proceedings which have been had to determine the validity of this special system of taxation, in no case has the company for a moment endeavored to delay a final judgment. To determine this question as early as 1881 an action was commenced in the circuit court of the United States, in which the whole matter at issue between the companies and the State could be finally determined. The State took a technical objection to the jurisdiction of the court, and the case went off upon that ground and without reference to its merits. In 1882 the companies commenced proceedings in the superior court of San Francisco, on the equity side, to determine the question at issue, and tendered into court, without prejudice, 60 per cent. of the tax claimed, and offered to litigate the balance.

TECHNICAL OBJECTIONS BY STATE.

Again the State interposed technical objections, refused to receive part payment or let the question be heard upon the merits. The State then commenced suit to recover taxes. Those cases were taken to the Federal courts, which courts alone could finally determine the question at issue, and an agreed case known as the "San Mateo Case" was made up between the State and the company.

SAN MATEO TEST CASE.

This case was taken to the Supreme Court, advanced in the calendar, argued, and submitted for decision. In the meantime an election had occurred and a change in the State administration. It was asserted by the press and many able lawyers that the case was not a fair one. This was pressed upon the Supreme Court of the United States, and that tribunal directed that enough cases should be tried upon their merits to present all the questions, and that when such cases were brought up they would advance them in the calendar and hear them at once. This fact was publicly announced by the court at the commencement of the circuit court, last August, 1896. In pursuance of that announcement six cases were tried, but one of which has yet been appealed. The case was taken up and a motion made to advance it. The court refused.

PENDING LITIGATION 60 PER CENT. TENDERED.

It will be borne in mind that the companies, although denying their legal liability, tendered, on account, 60 per cent. of the amount claimed, which would make the tax very much greater than that ever levied upon any such property in the United States. The State board of equalization in 1882 reduced the assessments upon railroad property, leaving it yet largely in excess of that levied upon such property in any other State in the Union.

STATE BOARD ADMITS OVER-ASSESSMENT.

It was stated by the chairman of the board, at the time of this reduction, that the assessment of 1880 had been made in advance of the assessment of other property, and at a time when the board believed it had the full power to raise individual assessments up to the standard of value which they fixed upon railroad property, and they intended to do so, but owing to a decision of the supreme court of the State that power was denied them, and that the railroad property was left standing at its full value, while other property in the State had not been assessed at more than 44 per cent. This was a concession by the very tribunal to which the framers of the constitution had entrusted the power of valuation that the valuations of 1880 and 1881 were wrong.

FULL AMOUNT OF TAXES OFFERED TO STATE.

In view of the fact that the finances of the different counties had been ⁷ by the non-payment of those taxes in October, 1883, the railroad company to the governor of the State to pay the taxes, although they still believe too high, for the three years upon the basis of the assessment of 188

was refused by the governor in November, not upon the ground that it was not just, but upon the ground that he had no power to accept it. In the meantime the State authorities had the Spring Valley Water Company and the San Francisco Gas Company settled upon the basis of the tax as assessed, without interest or attorney's fees, although as against one or both companies the State had prevailed in litigation. The Southern Pacific Railroad Company made similar propositions to settle, which were rejected. Against this adjustment with the water and gas companies, which was a final one, and beyond which no power can go, no cry of unfairness was raised by any one; and from that hour to this, so far as I am advised, no one has questioned the propriety or justice of the settlement, although it is conceded that the property of the water company will sell in open market for 100 per cent. more than the assessment, while it is doubtful if the railroad company would bring in the market within 10 or 15 per cent. of the assessment.

STATEMENT ADVOCATED BY SAN FRANCISCO CHRONICLE.

After the refusal of the Governor to adjust matters with the railroad company, and after the settlement was made with the water company and the gas company on the 12th and 13th of November, the San Francisco Chronicle, in an article commenting on the railroad's proposition, took the ground that the governor had done right, but maintained that a fair settlement of the whole matter would be for the companies to pay the taxes "flat," as the water and gas companies had done. That paper claimed, with a great deal of force, that to satisfy the people that it was dealing fairly, and only wanted the principle decided, the railroad company could afford to pay the difference, which, taken in connection with the local tax levied upon ferry steamers, workshops, stations, houses, &c., on the Central Pacific main trunk line, amounts to \$351 per mile, a tax beyond the power of any single track railroad to pay.

STATE CONTROLLER REFUSED TO RECEIVE MONEY ON ACCOUNT.

Notwithstanding this, long before that tax became delinquent, the companies tendered to the State controller, who had been made the tax collector, 60 per cent. of the amount, with a stipulation in writing that the receipt by the controller of that sum should not affect any local rights of the State or counties to proceed for the balance. The controller refused to receive the money, and commenced suit against the company for the whole amount. The company has tendered the 60 per cent. of the amount claimed in open court without prejudice to any right to recover the balance, and by reason of the moral obligations resting upon it, offered to pay into the State and county treasuries nearly two million dollars in money.

TAXES PAID 1881-'86 AFTER JUDGMENT DECLARING IT VOID.

The Central Pacific Railroad Company for the years 1880, 1881, 1882, 1883, 1884, 1885, and 1886, in the State of California, paid for State, county, and municipal taxes \$1,408,299.91. The greater part of this sum was in litigation and was voluntarily paid by the company after judgment had been rendered declaring the tax void. The Supreme Court of the United States, when these cases came up before it, in each case affirmed the decision of the circuit court in favor of the company and against the legality of the tax.

TAXES PAID, OVER SIX MILLIONS.

The Central Pacific has paid in taxes in the—	
State of California.....	\$3,355,095.75
State of Nevada.....	2,411,227.60
Territory of Utah.....	264,316.33
Total.....	6,030,639.73

CENTRAL PACIFIC PAID MORE THAN ANY OTHER ROAD IN THE UNITED STATES.

It is my firm belief, and I think the facts herewith submitted will substantiate the statement, that since 1880 the Central Pacific Railroad Company has paid more taxes than any other company in the United States upon the same number of miles of road.

In substantiation of this I submit the following table, which shows the facts regarding taxes in those States from which I have been able to gather the necessary data. The inequality of the railroad tax in California and Nevada, compared with the re-

maining States, is suggested by the ratio shown in the last two columns between the taxes per miles of railroad and the population :

Assessments of railroads in the following States.

State.	Miles of railroad.	Assessed value, 1883.	Amount taxes, 1883.	Assessed value per mile.	Tax per mile.	Population to square mile.
Missouri	4,365.80	\$37,000,000	\$333,608.00	\$8,604.67	\$77.33	31.55
Alabama	1,865.00	17,764,620	204,744.00	9,525.26	100.77	24.50
South Carolina	1,465.00	15,227,000	10,393.85	10,393.85	.....	33.00
Colorado	2,910.00	19,972,134	6,803.27	6,803.27	.....	1.87
Ohio	7,518.00	92,325,966	1,445,355.00	12,387.00	192.25	78.46
Arkansas	1,525.00	5,102,270	86,276.32	3,353.91	56.57	13.13
Kansas	3,877.09	27,280,219	.....	7,036.42	.....	12.19
Massachusetts	1,033.25	26,891,867	806,567.76	13,767.75	443.55	231.74
Indiana	5,360.00	54,000,000	540,000.00	10,188.68	101.88	53.09
Illinois	7,900.00	61,304,000	.....	7,700.00	.....	51.96
Tennessee	2,035.61	31,197,200	218,380.40	15,325.00	107.28	36.91
Oregon	801.40	5,715,500	109,592.80	5,944.80	104.63	1.85
West Virginia	812.50	.....	148,800.00	.....	183.11	23.09
Iowa	6,800.00	26,000,000	870,000.00	4,117.64	127.91	29.29
Mississippi	1,002.00	.....	73,745.68	.....	75.59	21.42
Virginia	2,270.00	.....	.....	.....	.....	37.50
Texas	5,610.00	39,630,518	.....	7,064.10	.....	6.97
Florida	1,253.00	.....	133,160.43	.....	108.01	4.87
Louisiana	950.00	4,000,000	48,000.00	4,211.36	50.33	20.00
Nevada	450.27	5,911,680	157,960.00	13,079.00	330.62	2.00
California	2,187.28	41,297,184	734,578.05	18,877.94	335.37	5.34

TAXES PAID ON LANDS.

In reference to the latter clause of this question I herewith submit a statement of amounts paid by the Central Pacific Railroad Company in each year for taxes on lands granted by Congress, the date of each payment and the year for which such payment was made.

Year.	Location.		Date of payment.	Period.	Amount.
	State.	County.			
1868	California	El Dorado	Nov. 14, 1868	Year '68-'69	\$82.88
	Do.	Placer	Nov. 14, 1868		682.38
	Do.	El Dorado	May 25, 1869		458.75
1869	Nevada	Placer	Nov. 11, 1869	Year '69-'70	334.18
	Do.	Placer (District No. 2)	Nov. 27, 1869		765.51
	Do.	El Dorado	Dec. 1, 1869		524.79
	Do.	do	Dec. 1, 1869		74.40
	Do.	do	Dec. 18, 1869		82.35
1870	Do.	Placer	Dec. 3, 1869		504.60
	Do.	District No. 1	Nov. 9, 1869	Year '70-'71	236.57
	Do.	District No. 1	Nov. 10, 1870		172.07
	Do.	Nevada	Nov. 18, 1870		360.04
	Do.	Placer	Nov. 18, 1870		784.41
1871	Do.	District No. 2	Nov. 16, 1871	Year '71-'72	61.71
	Do.	District No. 1	Dec. 11, 1871		1,054.81
	Do.	District No. 2	Oct. 31, 1871		2,383.04
	Do.	Nevada	Nov. 13, 1871	Year '72-'73	1,271.80
	Do.	El Dorado	Dec. 11, 1872		1,070.03
1872	Do.	do	Dec. 13, 1872		2,183.83
	Do.	Nevada	Dec. 13, 1872		164.00
	Do.	Placer	Dec. 24, 1872		1,639.20
	Do.	District No. 1	Dec. 31, 1872		1,836.57
	Do.	District No. 2	Dec. 18, 1872		7.20
	Do.	Butte	Dec. 31, 1872		28.80
	Do.	Sutter	Dec. 31, 1872		171.45
	Do.	do	Dec. 31, 1872		30.72
	Do.	do	Dec. 31, 1872		139.00
	Do.	Sacramento	Dec. 31, 1872		185.20
	Do.	do	Dec. 31, 1872		22.80
	Do.	do	Dec. 31, 1872		25.75
	Do.	Yuba	Dec. 13, 1872		.....

Taxes paid on lands—Continued.

Year.	Location.		Date of payment.	Period.	Amount.
	State.	County.			
1873	California	El Dorado	Dec. 31, 1873	Year '73-74	\$939.85
	Do	Nevada	Dec. 31, 1873		2,404.00
	Do	Placer			
	Do	District No. 1	Dec. 31, 1873		74.11
	Do	District No. 2	Dec. 31, 1873		1,007.77
	Do	Butte	Dec. 31, 1873		4,510.74
	Do	Sutter	Dec. 31, 1873		439.16
	Do	Yuba	Dec. 31, 1873		1,686.75
	Do	Colusa	Dec. 31, 1873		
	Do	Sacramento	Dec. 31, 1873	Paid in '74	162.64
1874	Do	Colusa	Dec. 31, 1873		
	Do	do	Dec. 31, 1873		\$2,538.27
	Do	do	Feb. 21, 1874	\$5 p. c. 16.71	2,454.98
	Do	do	Dec. 28, 1874	Year '74-75	1,477.98
	Do	El Dorado	Dec. 28, 1874		856.70
	Do	Nevada	Dec. 28, 1874		2,242.08
	Do	Placer			
	Do	District No. 1	Dec. 31, 1874		1,238.76
	Do	District No. 2	Dec. 31, 1874		118.62
	Do	Butte	Dec. 30, 1874		1,791.08
1875	Do	Sutter	Dec. 29, 1874	Year '74-75	497.02
	Do	Yuba	Dec. 28, 1874		1,040.50
	Do	Sacramento	Dec. 31, 1874		71.70
	Do	El Dorado	Dec. 23, 1875	Year '75-76	618.31
	Do	Sierra	Dec. 23, 1875		240.75
	Do	Nevada	Dec. 27, 1875		2,250.71
	Do	Yuba	Dec. 24, 1875		1,979.90
	Do	Yolo	Dec. 17, 1875		52.27
	Do	Colusa	Dec. 23, 1875		8,505.64
	Do	Sutter	Dec. 24, 1875		274.07
1876	Do	Butte	Dec. 30, 1875		2,833.63
	Do	Placer			
	Do	District No. 1	Dec. 31, 1875		
	Do	District No. 2	Dec. 31, 1875		1,679.69
	Do	Tehama	Dec. 20, 1875		3,411.85
	Do	El Dorado	Dec. 20, 1876	Year '76-77	1,146.52
	Do	Colusa	Dec. 20, 1876		10,171.83
	Do	Yolo	Dec. 20, 1876		71.77
	Do	Sierra	Dec. 20, 1876		225.04
	Do	Nevada	Dec. 20, 1876		2,425.35
1877	Do	Placer			
	Do	District No. 1	Dec. 29, 1876		507.37
	Do	District No. 2	Dec. 29, 1876		1,259.25
	Do	Butte	Dec. 27, 1876		2,291.98
	Do	Tehama	Dec. 27, 1876		5,162.35
	Do	Sacramento	Dec. 30, 1876		49.10
	Do	Placer	Feb. 29, 1877	Misc. 90.67	
	Do	Colusa	Feb. 27, 1877	Misc. 21.67	
	Do	Yolo	Feb. 27, 1877	Misc. 7.98	
	Do	Sutter	Feb. 29, 1877	Misc. 44.08	
1878	Do	do	Mar. 1, 1877	Misc. 858.40	
	Do	Tehama	Mar. 6, 1877	Misc. 5.95	938.40
	Do	Sierra	Dec. 31, 1877	Years '77-78	237.47
	Do	Colusa	Dec. 31, 1877		1,117.76
	Do	do	Dec. 31, 1877	\$10,114.90	
	Do	Less taxes paid under protest.	Sept. 15, 1875	\$2,051.85	8,063.61
	Do	Sutter	Dec. 31, 1877		367.73
	Do	El Dorado	Dec. 31, 1877		1,024.15
	Do	Tehama	Dec. 31, 1877		4,667.34
	Do	Butte	Dec. 31, 1877		1,667.84
1878	Do	Yolo	Dec. 31, 1877		1,911.45
	Do	Placer			
	Do	District No. 1	Dec. 31, 1877		429
	Do	District No. 2	Dec. 31, 1877		857
	Do	Yolo	Dec. 31, 1877		66
	Do	Nevada	Dec. 31, 1877		2,197
	Do	Sacramento	Dec. 31, 1877		37
	Do	Churchill	Nov. 6, 1877		258
	Do	Elko	Nov. 14, 1877		7,290
	Do	Lander	Nov. 14, 1877	Years '77-78	1,311
1878	Do	Humboldt	Nov. 14, 1877		2,653
	Do	Lyon	Nov. 14, 1877		125
	Do	Washoe	Nov. 14, 1877		1,433
	Do	Sutter	Jan. 15, 1878	Misc. 640.50	
	Do	Tehama	Feb. 21, 1878	Misc. 2.30	
	Do	Butte	Feb. 29, 1878	Misc. 340.09	
	Do	Yolo	Feb. 29, 1878	Misc. 6.04	
	Do	Sacramento	Mar. 5, 1878	Misc. 3.65	
	Do	Washoe	Mar. 25, 1878	Misc. 29.19	

Taxes paid on lands—Continued.

Year.	Location.		Date of payment.	Period.	Amount.
	State.	County.			
1878	Nevada	Lander	Nov. 12, 1878	Years '78-'79	\$1,222.00
	Do	Churchill	Nov. 13, 1878		263.77
	Do	Elko	Nov. 14, 1878		4,403.77
	Do	Humboldt	Nov. 14, 1878		2,777.43
	Do	Washoe	Nov. 15, 1878		1,315.64
	Do	do	Nov. 19, 1878		310.80
	Do	Eureka	Nov. 12, 1878		384.00
	California	Sutter	Dec. 30, 1878		345.60
	Do	Sierra	Dec. 30, 1878		236.60
	Do	Butte	Dec. 31, 1878		3,259.98
	Do	Colusa	Dec. 31, 1878		2,716.61
	Do	El Dorado	Dec. 31, 1878		940.80
	Do	Tehama	Dec. 31, 1878		7,632.42
	Do	Yuba	Dec. 31, 1878		737.62
	Do	Nevada	Dec. 31, 1878		2,161.91
	Do	Placer			
	Do	District No. 1	Dec. 31, 1878		358.27
	Do	District No. 2	Dec. 31, 1878		850.61
	Do	Yolo	Dec. 31, 1878		35.27
	Do	Sacramento	Dec. 31, 1878		45.67
1879	Nevada	Churchill	Nov. 1, 1879	Years '79-'80	279.63
	Do	Lyon	Nov. 10, 1879		84.00
	Do	Eureka	Nov. 10, 1879		346.67
	Do	Storey	Nov. 11, 1879		157.34
	Do	Elko	Nov. 11, 1879		3,960.00
	Do	Humboldt	Nov. 12, 1879		8,629.49
	Do	Washoe	Nov. 12, 1879		1,447.61
	Do	Lander	Nov. 19, 1879		2,625.60
	California	Butte	Dec. 29, 1879		2,978.29
	Do	Sutter	Dec. 29, 1879		377.69
	Do	Colusa	Dec. 29, 1879		1,486.54
	Do	do	Dec. 29, 1879		1,696.08
	Do	El Dorado	Dec. 29, 1879		939.06
	Do	Yuba	Dec. 30, 1879		531.12
	Do	Yolo	Dec. 30, 1879		34.66
	Do	Nevada	Dec. 31, 1879		2,669.88
	Do	Placer			
	Do	District No. 1	Dec. 31, 1879		400.40
	Do	District No. 2	Dec. 31, 1879	Years '79-'80	804.60
	Do	Tehama	Dec. 31, 1879		19,346.34
	Do	Colusa	Dec. 31, 1879	Misc. \$19.26	
	Do	Sacramento	Dec. 31, 1879	Misc. 37.90	
	Do	Sutter	Feb. 20, 1879	Misc. 16.25	
	Do	Tehama	Feb. 24, 1879	Misc. 65.50	
	Do	Colusa	Feb. 27, 1879	Misc. 20.66	159.51
					357.24
1880	Do	Sierra	Dec. 26, 1879	Years '79-'80	
	Do	El Dorado	Jan. 28, 1880	Misc. \$9.54	
	Do	Sutter	Feb. 14, 1880	Misc. 9.82	
	Do	Butte	Feb. 14, 1880	Misc. 9.35	
	Do	Sacramento	Feb. 14, 1880	Misc. 8.50	
	Do	Yuba	Feb. 16, 1880	Misc. 119.38	
	Do	Sacramento	Feb. 17, 1880	Misc. 8.21	
	Do	Colusa	Feb. 18, 1880	Misc. 66.55	
	Do	Shasta	Feb. 21, 1880	Misc. 15.77	
	Do	Yuba	Feb. 24, 1880	Misc. 34.95	
	Do	Nevada	Feb. 25, 1880	Misc. 4.55	
	Do	Sutter	Feb. 28, 1880	Misc. 206.83	
	Do	Placer	June 4, 1880	Misc. 25.71	
		Less credit of	June 2, 1880	Misc. 518.26	311.45
				Misc. 206.80	
	Nevada	Churchill	Nov. 1, 1880	Years '80-'81	293.84
	Do	Eureka	Nov. 6, 1880		383.67
	Do	Elko	Nov. 9, 1880		3,882.08
	Do	Humboldt	Nov. 9, 1880		4,172.44
	Do	Washoe	Nov. 9, 1880		1,350.60
	Do	Lyon	Nov. 9, 1880		102.70
	Do	Storey	Nov. 9, 1880		67.30
	Do	Zumwalt School District	Nov. 19, 1880		8.65
	California	Butte	Dec. 15, 1880		4,890.30
	Do	El Dorado	Dec. 15, 1880		978.49
	Do	Nevada	Dec. 15, 1880		1,811.77
	Do	Placer			
	Do	District No. 1	Dec. 15, 1880		567.78
	Do	District No. 2	Dec. 15, 1880		812.56

Taxes paid on lands—Continued.

Year.	Location.		Date of payment.	Period.	Amount.
	State.	County.			
1880	California	Shasta	Dec. 15, 1880		\$6,773.71
	Do.	Sierra	Dec. 15, 1880		353.30
	Do.	Yuba	Dec. 15, 1880		1,527.89
	Do.	Colusa	Dec. 16, 1880		1,487.32
	Do.	do.	Dec. 16, 1880		1,194.02
	Do.	Sacramento	Dec. 16, 1880		83.99
	Do.	Tehama	Dec. 16, 1880		9,311.97
	Do.	Yolo	Dec. 16, 1880		60.24
1881	Do.	Butte	Feb. 19, 1881	Misc. \$59.16	
	Do.	Colusa	Feb. 16, 1881	Misc. 32.30	
	Do.	do.	Oct. 21, 1881	Misc. 283.68	
	Do.	do.	Dec. 23, 1881	Misc. 16.00	293.29
	Do.	Nevada	Feb. 18, 1881	Misc. 63.17	
	Do.	Yuba	Feb. 19, 1881	Misc. 18.25	
	Do.	Tehama	Mar. 4, 1881	Misc. 24.05	
	Do.	do.	Mar. 10, 1881	Misc. 66.80	
	Do.	do.	Mar. 23, 1881	Misc. 13.32	
	Do.	Yolo	Dec. 8, 1881	Misc. 43.23	
	Do.	Zamwalt School District	Dec. 23, 1881	Misc. 19.32	248.74
	Do.	Yolo	Dec. 8, 1881	Years '81-'82	43.23
	Do.	Sacramento	Dec. 10, 1881		53.28
	Do.	Colusa	Dec. 10, 1881		3,748.11
	Do.	El Dorado	Dec. 10, 1881		946.10
	Do.	Shasta	Dec. 12, 1881		5,843.28
	Do.	Sierra	Dec. 14, 1881		353.36
	Do.	Sutter	Dec. 14, 1881		270.62
	Do.	Tehama	Dec. 15, 1881		9,263.99
	Do.	Nevada	Dec. 15, 1881		1,724.56
	Do.	Placer			
	Do.	District No. 1	Dec. 19, 1881		400.16
	Do.	District No. 2	Dec. 19, 1881		313.64
	Do.	Plumas	Dec. 19, 1881		96.58
	Do.	Yuba	Dec. 19, 1881		2,432.80
	Do.	Butte	Dec. 19, 1881		4,903.60
Nevada	Do.	Churchill	Nov. 3, 1881		301.14
	Do.	Eureka	Nov. 10, 1881		481.25
	Do.	Lyon	Nov. 10, 1881		132.00
	Do.	Storey	Nov. 10, 1881		121.04
	Do.	Humboldt	Nov. 11, 1881		4,123.78
	Do.	Elko	Nov. 11, 1881		2,035.25
	Do.	Washoe	Nov. 11, 1881		1,557.56
1882	California	Tehama	Feb. 3, 1882	Misc. \$20.79	
	Do.	Butte	Feb. 11, 1882	Misc. 81.70	
	Do.	Nevada	Feb. 11, 1882	Misc. 60.45	
	Do.	El Dorado	Feb. 11, 1882	Misc. 25.81	
	Do.	Sutter	Feb. 11, 1882	Misc. 14.84	
	Do.	Yuba	Feb. 13, 1882	Misc. 21.43	
	Do.	Colusa	Feb. 14, 1882	Misc. 387.66	
	Do.	do.	Feb. 21, 1882	Misc. 202.29	
	Do.	do.	Mar. 31, 1882	Misc. 91.48	
	Do.	do.	Feb. 16, 1882	Misc. 42.84	
	Do.	Placer	Feb. 18, 1882	Misc. 9.96	
	Do.	do.	Feb. 27, 1882	Misc. 8.20	
	Do.	Tehama	Feb. 27, 1882	Misc. 20.63	
	Do.	do.	Mar. 27, 1882	Misc. 423.30	
	Do.	do.	Mar. 27, 1882	Misc. 56.93	
	Do.	Nevada	Feb. 27, 1882	Misc. 16.17	1,486.54
	Do.	Sacramento	Dec. 13, 1882	Years '82-'83	25.23
	Do.	Placer (District No. 1)	Dec. 15, 1882		349.40
	Do.	do.	Dec. 15, 1882	Years '82-'83	809.40
	Do.	Nevada	Dec. 13, 1882		1,050.15
	Do.	Sierra	Nov. 27, 1882		339.52
	Do.	Yuba	Dec. 13, 1882		2,434.76
	Do.	Sutter	Dec. 19, 1882		226.26
	Do.	Butte	Dec. 29, 1882		6,773.63
	Do.	Tehama	Dec. 23, 1882		7,861.13
	Do.	Shasta	Dec. 26, 1882		5,183.79
	Do.	El Dorado	Nov. 20, 1882		820.63
	Do.	Colusa	Dec. 13, 1882		3,774.18
	Do.	Yolo	Nov. 21, 1882		22.16
Nevada	Do.	Washoe	Nov. 20, 1882		1,483.60
	Do.	Lyon	Nov. 18, 1882		122.00
	Do.	Churchill	Nov. 6, 1882		301.14

Taxes paid on lands—Continued.

Year.	Location.		Date of payment.	Period.	Amount.
	State.	County.			
1882	Nevada	Storey	Nov. 15, 1882		\$124.78
	Do.	Humboldt	Nov. 15, 1882		4,252.09
	Do.	Lander	Nov. 16, 1882		1,784.40
	Do.	Eureka	Nov. 16, 1882		632.79
	Do.	Elko	Nov. 15, 1882		2,840.47
1883	California	Placer	Feb. 2, 1883	Miscs. \$70.00	
	Do.	Colusa	Feb. 10, 1883	Miscs. 65.01	
	Do.	do.	Mar. 4, 1883	Miscs. 308.60	
	Do.	do.	Mar. 20, 1883	Miscs. 97.08	
	Do.	Nevada	Feb. 16, 1883	Miscs. 65.34	
	Do.	Sacramento	Feb. 17, 1883	Miscs. 14.35	
	Do.	El Dorado	Feb. 27, 1883	Miscs. 5.00	
	Do.	Yuba	Mar. 1, 1883	Miscs. 30.51	
	Do.	Placer	Mar. 2, 1883	Miscs. 29.23	
	Do.	Butte	Mar. 20, 1883	Miscs. 13.00	638.72
	Do.	Sacramento	Dec. 31, 1882	Years '83-'84	14.08
	Do.	Placer:			
	Do.	District No. 1	Dec. 31, 1882		162.93
	Do.	District No. 2	Dec. 31, 1882		842.44
	Do.	Nevada	Dec. 31, 1882		1,001.48
	Do.	Sierra	Dec. 31, 1882		405.91
	Do.	Plumas	Dec. 31, 1882		190.07
	Do.	Yuba	Dec. 31, 1882		2,064.43
	Do.	Sutter	Dec. 31, 1882		218.44
	Do.	Butte	Dec. 31, 1882		5,630.91
	Do.	Tehama	Dec. 31, 1882		6,492.56
	Do.	Shasta	Dec. 31, 1882		4,635.65
	Do.	El Dorado	Dec. 31, 1882		889.94
	Do.	Colusa	Dec. 31, 1882		3,928.15
	Do.	Yolo	Dec. 31, 1882		22.03
	Nevada	Washoe	Dec. 31, 1882		1,380.00
	Do.	Lyon	Nov. 20, 1882		122.00
	Do.	Churchill	Nov. 20, 1882		301.16
	Do.	Storey	Nov. 20, 1883	Years '83-'84	68.15
	Do.	Humboldt	Nov. 20, 1883		3,963.79
	Do.	Lander	Nov. 20, 1883		1,710.34
	Do.	Eureka	Nov. 20, 1883		496.61
	Do.	Elko	Nov. 20, 1883		2,591.38
1884	California	El Dorado	Jan. 26, 1884	Miscs. \$12.92	
	Do.	Placer	Jan. 26, 1884	Miscs. 52.41	
	Do.	Butte	Jan. 26, 1884	Miscs. 31.34	
	Do.	Shasta	Jan. 26, 1884	Miscs. 31.30	
	Do.	Colusa	Feb. 23, 1884	Miscs. 70.23	
	Do.	El Dorado	Feb. 28, 1884	Miscs. 12.43	
	Do.	Zamwalt School District	Feb. 29, 1884	Miscs. 5.21	
	Do.	Tehama	Mar. 4, 1884	Miscs. 208.01	
	Do.	do.	Mar. 27, 1884	Miscs. 189.76	
	Do.	do.	Mar. 10, 1884	Miscs. 168.82	
	Do.	Colusa	Mar. 18, 1884	Miscs. 37.01	
	Do.	do.	Mar. 14, 1884	Miscs. 4.04	
	Do.	Yolo	Mar. 15, 1884	Miscs. 239.12	
	Do.	Shasta	Apr. 10, 1884	Miscs. 53.59	
	Do.	do.	Apr. 22, 1884	Miscs. 19.91	
	Do.	Yuba	Aug. 8, 1884	Miscs. 20.78	
	Do.	Placer	Nov. 26, 1884	Miscs. 4.00	1,132.91
	Nevada	Washoe			
	Do.	Eureka	Nov. 17, 1884	Years '84-'85	418.79
	Do.	Elko	Nov. 14, 1884		2,160.96
	Do.	Humboldt	Nov. 15, 1884		3,548.97
	Do.	Lander	Nov. 16, 1884		1,616.35
	Do.	Lyon	Nov. 15, 1884		122.00
	Do.	Storey	Nov. 15, 1884		75.00
	Do.	Washoe	Nov. 15, 1884		1,218.50
	California	Butte	Dec. 31, 1884		3,676.75
	Do.	Colusa	Dec. 31, 1884		60.48
	Do.	El Dorado	Dec. 31, 1884		1,401.44
	Do.	Nevada	Dec. 31, 1884		1,420.80
	Do.	Placer	Dec. 31, 1884		766.50
	Do.	Plumas	Dec. 31, 1884		237.79
	Do.	Sacramento	Dec. 31, 1884		14.18
	Do.	Sierra	Dec. 31, 1884		362.50
	Do.	Sutter	Dec. 31, 1884		138.59
	Do.	Shasta	Dec. 31, 1884		2,323.15
	Do.	Tehama	Dec. 31, 1884		4,014.00
	Do.	Yuba	Dec. 31, 1884		1,127.52
1885	Do.	Colusa	Feb. 26, 1885	Miscs. \$9.00	
	Do.	do.	Mar. 4, 1885	Miscs. 1.25	

Taxes paid on lands—Continued.

Year.	Location.		Date of payment.	Period.	Amount.
	State.	County.			
1885	California.	Colusa and Tehama	May 11, 1885	Miscs. \$61.36	
	Do.	Tehama	Mar. 5, 1885	Miscs. 44.85	
	Do.	do.	Mar. 24, 1885	Miscs. 74.51	
	Do.	do.	Apr. 1, 1885	Miscs. 23.36	
	Do.	do.	Apr. 9, 1885	Miscs. 2.50	
	Do.	do.	Apr. 9, 1885	Miscs. 18.46	
	Do.	Placer	Feb. 19, 1885	Miscs. 60.05	
					304.06
1885	Do.	Placer	Mar. 31, 1885	Miscs. 7.80	
	Do.	El Dorado	Mar. 9, 1885	Miscs. 5.22	
	Do.	Nevada	Mar. 11, 1885	Miscs. 7.56	
	Do.	Shasta	Mar. 24, 1885	Miscs. 54.26	
	Do.	do.	Apr. 6, 1885	Miscs. 15.00	
	Do.	do.	June 30, 1885	Miscs. 8.30	
	Do.	Butte	Mar. 27, 1885	Miscs. 217.62	
	Do.	Yuba	May 1, 1885	Miscs. 3.97	
					\$624.69
	Utah	Cache	Oct. 7, 1885	Year '85-'86	156.30
	Do.	Weber	Oct. 7, 1885		45.71
	Nevada	Churchill	Nov. 10, 1885		295.79
	Do.	Washoe	Nov. 20, 1885		767.23
	Do.	Lyon	Nov. 20, 1885		110.00
	Do.	Storey	Nov. 20, 1885		69.60
	Do.	Eureka	Nov. 20, 1885		427.07
	Do.	Elko	Nov. 20, 1885		1,844.93
	Do.	Humboldt	Nov. 20, 1885		2,236.91
	Do.	Lander	Nov. 27, 1885		1,520.82
	California	Placer	Dec. 21, 1885		1,133.11
	Do.	El Dorado	Dec. 21, 1885		1,226.68
	Do.	Yuba	Dec. 23, 1885		1,188.34
	Do.	Tehama	Dec. 23, 1885		3,322.22
	Do.	Nevada	Dec. 23, 1885		1,937.37
	Do.	Sierra	Dec. 25, 1885		294.26
	Do.	Butte	Dec. 25, 1885		3,751.54
	Do.	Shasta	Dec. 28, 1885		1,953.55
	Do.	Plumas	Dec. 30, 1885		216.58
	Do.	Colusa	Dec. 30, 1885		58.91
	Do.	Sutter	Dec. 31, 1885		111.14
	Do.	Sacramento	Dec. 31, 1885		13.37
1886	Do.	El Dorado	Jan. 15, 1886	Miscs. 37.11	
	Do.	do.	Feb. 13, 1886	Miscs. 60.04	
	Do.	do.	Mar. 3, 1886	Miscs. 21.53	
	Do.	Butte	Feb. 1, 1886	Miscs. 37.29	
	Do.	do.	Feb. 11, 1886	Miscs. 3.75	
	Do.	do.	Feb. 15, 1886	Miscs. 19.62	
	Do.	do.	June 1, 1886	Miscs. 77.34	
	Do.	Colusa	Feb. 13, 1886	Miscs. 12.78	
	Do.	Tehama	Feb. 13, 1886	Miscs. 287.56	
	Do.	Placer	Feb. 17, 1886	Miscs. 4.36	
	Do.	Shasta	Feb. 23, 1886	Miscs. 5.23	
	Do.	Nevada	Mar. 1, 1886	Miscs. 8.87	
	Nevada	Washoe	June 23, 1886	Miscs. \$3.45	
					575.15
	Utah	Weber	Oct. 11, 1886	Year '86-'87	33.54
	Do.	Box Elder	Oct. 12, 1886		280.82
	Do.	Cache	Oct. 14, 1886		29.70
	Nevada	Churchill	Nov. 8, 1886		295.73
	Do.	Lyon	Nov. 15, 1886		110.00
	Do.	Storey	Nov. 15, 1886		60.48
	Do.	Washoe	Nov. 15, 1886		741.39
	Do.	Humboldt	Nov. 15, 1886		1,198.17
	Do.	Elko	Nov. 17, 1886		1,539.63
	Do.	Eureka	Nov. 18, 1886		441.71
	Do.	Lander	Nov. 18, 1886		1,423.03
	California	Yuba	Dec. 11, 1886		1,451.16
	Do.	Sierra	Dec. 13, 1886		279.72
	Do.	Shasta	Dec. 13, 1886		1,645.10
	Do.	Tehama	Dec. 15, 1886		2,990.06
	Do.	El Dorado	Dec. 15, 1886		1,923.51
	Do.	Nevada	Dec. 15, 1886		1,565.61
	Do.	Placer			
	Do.	District No. 3.	Dec. 16, 1886		82.90
	Do.	District No. 1.	Dec. 16, 1886		56.14
	Do.	District No. 2.	Dec. 16, 1886		804.54
	Do.	Colusa	Dec. 17, 1886		117.64
	Do.	Butte	Dec. 17, 1886		30.30

Taxes paid on lands—Continued.

Year.	Location.		Date of payment.	Period.	Amount.
	State.	County.			
1886	California	Plumas	Dec. 17, 1886		\$200.53
	Do.	Sutter	Dec. 22, 1886		46.49
	Do.	Tehama	Dec. 30, 1886		80.41
	Do.	Butte	Dec. 31, 1886		2,028.73
1887	Do.	Colusa	Feb. 21, 1887	Misc. \$67.40	
	Do.	Yuba	Feb. 28, 1887	Misc. 22.39	
	Do.	Butte	Mar. 5, 1887	Misc. 89.09	
	Do.	Shasta	Mar. 6, 1887	Misc. 3.50	
	Do.	Placer	Mar. 9, 1887	Misc. 61.56	
	Do.	El Dorado	Mar. 14, 1887	Misc. 22.22	
	Do.	Do	Mar. 14, 1887	Misc. 66.72	
	Do.	Nevada	Mar. 14, 1887	Misc. 4.80	
	Do.	Shasta	Mar. 21, 1887	Misc. 7.50	
	Do.	Do	Mar. 26, 1887	Misc. 436.70	
	Do.	Butte	Mar. 26, 1887	Misc. 120.92	
	Do.	Placer	Mar. 28, 1887	Misc. 68.40	
	Do.	Sierra	Mar. 30, 1887	Misc. 10.02	
	Do.	Yuba	Apr. 6, 1887	Misc. 14.48	
	Do.	Tehama	Apr. 15, 1887	Misc. 121.61	2,118.01
Total to June 30, 1887					429,743.67

Respectfully submitted.

E. B. RYAN,
Tax Agent.

VOLUNTARY PAYMENT OF TAXES.

By the CHAIRMAN:

The sum of \$3,000,000 estimated there for payment of taxes was not paid upon land granted by Congress?—A. No; that was but a small portion of the railroad property. There is one thing to which I desire to call the particular attention of the Commission with regard to these facts; and that is, that after judgment had been rendered in our favor, and where there was no legal liability, we paid over a million dollars in taxes. We have always paid our taxes. Even after judgment in our favor we paid a fair amount.

By Commissioner LITTLE:

Q. Who determined that question of fairness?—A. Where there was no legal liability we paid as we had been accustomed to pay, and even then we paid a great deal more than any other railroad in the United States. I think that our assessment was over three times as much per mile as the New York Central assessment. I do not believe there is another example like it to be found anywhere, of a company, after a decision in its favor, paying over a million dollars voluntarily. I only allude to it here particularly to show that we have been willing to pay fair taxes.

DELAYS IN PATENTS FOR LANDS.

"Question 38. And the delay of said companies in taking out patents for such lands."

Answer 38. We have never been derelict in taking out patents for such lands. We have not received our patents properly, and at the present time there are applications for over one million acres of land pending before the United States Land Department.

AMOUNT SAVED TO GOVERNMENT ON TRANSPORTATION.

(2) That the Government saved \$47,763,178 in transportation between the time when the line was completed and the time when it might have been completed according to the contract, this company's proportion of which was, say, 46 per cent., or \$21,971,062.

AMOUNT DUE BY GOVERNMENT.

(3) That the Government now owes the company \$1,853,323.15 for transportation on unaided roads, the justness and legality of which claim has been decided by the Supreme Court of the United States.

I wish to say here that this matter was brought before Congress at various times; that the Departments—both the Postal Department and the War Department—sent down word that they needed so much money to meet these expenses; but Congress did not make appropriations.

By Commissioner ANDERSON:

Q. Can you refer us to the case in which the figure you have given was declared to be the figure that you were entitled to receive, \$1,853,323.15?—A. There is no dispute as to the amount. It arose on these non-aided roads. The question was whether it should belong to the sinking funds as the earnings of the aided road.

Commissioner ANDERSON. I am speaking more especially as to the accuracy of the figures to which you refer, because the difference as to the rate to be charged for different kinds of transportation, which was the subject of litigation for many years, and the difference as to the amounts ultimately awarded by the court and the amounts claimed by the company is very important; so that if you can refer us to the decision, we would like to see it.

The WITNESS. There is no dispute as to the amount between the Departments and the companies. The whole question with the Departments was whether or not we were entitled to take the earnings, and the Court of Claims decided unanimously that we were entitled to take them, and on appeal to the Supreme Court of the United States that court unanimously decided the same way.

Commissioner ANDERSON. That is the case to which we want you to refer.

The WITNESS. I will give you the reference.

By Commissioner LITTLE:

Q. Is there any dispute between this company and the Government as to other sums of money?—A. Not as to that particular sum now.

Q. Have you any controversy with the Government now?—A. There are some sums of a long time ago, concerning which I spoke yesterday, that have never been settled. They have not been allowed. I think that they would amount to three hundred thousand and odd dollars.

INTEREST LOST BY COMPANY.

(4) The amount of interest the company has lost upon the money which it would have received from the sale of its lands, if the Land Office of the Government had issued patents as fast as called for by the company. This amount can be approximately determined.

LOSS ON ACCOUNT OF SINKING-FUND PROVISION.

(5) That the company has lost \$1,612,966.72 in being a sinking fund established by Congress large

which it not only has not received any interest, but the company has not so much money now as it paid therein by over \$500,000. In other words, it has not only lost the interest on this money by reason of mismanagement of the fund, but has even lost a portion of the principal, and at the same time has been compelled to pay 6 per cent. per annum on this very amount so lost to it by reason of the purchase of the bonds placed in the sinking fund at a premium.

DIVERSION OF BUSINESS.

(6) The diversion of business to other lines, of which this company's proportion amounts to about \$17,000,000.

AMOUNT OF EQUITIES EXCEED AMOUNT DUE GOVERNMENT.

There can be no question in the mind of any candid person but what this company is entitled to have the foregoing specified equities allowed by the Government. If they are allowed, then all questions relative to the extension of time in which to pay the debt becomes immaterial, because the amount of these equities exceed very largely the amount of debt now due from the company to the Government. If, on the other hand, the Government is not willing to allow these claims, it will be exceedingly difficult to determine the conditions which should be imposed upon the company concerning the payment of the indebtedness. The ability of the company to pay must always be determined by the amount of business it does. This depends largely upon conditions changing from day to day, and over which the company has no control. As we have hereinbefore stated, the net earnings from local business of the State of Nevada amounts to nothing, and if the departments of the Government having control of Government transportation divert from this road and give to foreign and competing roads the business which this road is fairly entitled to, it is impossible to tell when the company can meet its obligations. About the only thing that can be done at this time will be to fix the rate of interest which the Government should charge. This should not be in any case more than the Government would have to pay for the use of the money, to wit, any more than 2 per cent. per annum.

There should be taken into consideration the amounts saved the Government in transportation, that is, based upon the business before the completion of the railroad. Since the completion of the road the efficiency of the service has been increased beyond comparison, of which we make no estimate. Probably thousands of millions of values were created by the construction of the road in the development of the country and making it suitable for homes. That and other benefits to the United States were anticipated at the passage of the law, and I believe in no single instance have the people or the Government been disappointed. If the Government does not allow the company the compensation for services contemplated by Congress at the time of the passage of the bill, and if they are not to be allowed for the diversion of business consequent upon the Government subsidizing competing roads, then the ability of the company to pay is manifestly unequal to the burden imposed.

LIQUIDATION OF DEBT ANTICIPATED BY PAYMENTS WHICH HAVE BEEN MADE UNDER ORIGINAL LAWS.

in it, however, proper to suggest to the Commission that it was contemplated by Congress that the liabilities of the company

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(5) That the company has lost \$1,612,966.72 in being forced to pay into a sinking fund established by Congress large amounts of money for

which it not only has not received any interest, but the company has not so much money now as it paid therein by over \$500,000. In other words, it has not only lost the interest on this money by reason of mismanagement of the fund, but has even lost a portion of the principal, and at the same time has been compelled to pay 6 per cent. per annum on this very amount so lost to it by reason of the purchase of the bonds placed in the sinking fund at a premium.

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LIQUIDATION OF DEBT ANTICIPATED BY PAYMENTS WHICH HAVE BEEN MADE UNDER ORIGINAL LAWS.

I deem it, however, proper to suggest to the Commission that it was originally contemplated by Congress that the liabilities of the company

were to be discharged by the compensation to be made by the Government to it for the services it might be called upon to perform for the Government, and the 5 per cent. of its net earnings reserved by law. The lien was only intended to secure such performance. In other words, it was contemplated that the services of the company, together with the 5 per cent., would liquidate its liabilities to the Government.

PROPERTY NOT SUBJECT TO UNITED STATES LIEN.

"Question 43. And the value of the property of such companies, and either of them, not included in such security?"

Answer 43. The Government lien only covers the Central Pacific from Ogden to Sacramento, and the Western Pacific from Sacramento to San José. No other property of the company is covered by the Government lien. As to the value of the property of the company not so covered by the Government lien, I am unable to estimate, but am informed that the engineers appointed by the Commission are making an estimate of all the property of the company, which will include this information.

A statement of these assets is given in the foregoing reply to interrogatories 11 and 12.

FURTHER SECURITY FOR UNITED STATES.

"Question 44. And what further security is it expedient that said companies shall be required to give?"

UNITED STATES HAS NO RIGHT TO CHANGE ITS CONTRACT.

Answer 44. In answer to question 44, I respectfully submit that the Government has no right to change its contract with the company and demand other security than that fixed in the original acts of Congress of 1862 and 1864. Nor is it expedient for the Government to ask further security. On the contrary, the best security that the Government can have will be a fair consideration of the equities we have already enumerated, and a fair and liberal settlement with the company upon the basis originally contemplated by Congress, to the end that the company may be able to discharge all its obligations and be able to assist in the development of the country and promote the general interests of the people. It should be borne in mind that the burden upon the company other than its obligations to the Government were vastly increased by the rapid completion of the road, both on account of the ruinous discount suffered in selling its first mortgage bonds, and the high price of material and great disadvantages under which the road was constructed in a country where a large portion of the transportation was necessary by teams, it being impossible to advance the constructed line of road on account of snow blockades in the Sierra Nevada Mountains, and the unequal character of the country through which the road passed necessitated transportation of supplies and of men frequently hundreds of miles.

DIFFICULTIES IN CROSSING THE MOUNTAINS.

The difficulties which we experienced in crossing those mountains can hardly be appreciated. We worked along in the heavy snow, and our supplies and material for the men and the horses had to be packed to them. We had to shovel snow, and in some places to pick it with

a pick for 75 feet deep in order to get to a place on which to put our embankments. Snow fell there one winter 63 feet in depth since we have been operating. Not that you would find that in a measurement by taking the falls of twenty-four hours and adding them together, but you would find drifts and places where 63 feet of snow was pressed down, perhaps, into not more than 18 feet, but packed as hard as ice, and requiring the pick and powder to make a passage. Then, in building the road out over that desert from Truckee to the Humboldt, for 40 miles, we had to haul water for our men and horses to drink, and we had to go some distance up to Humboldt before we struck water which was even fit to be used. We sent over three thousand men and four hundred horses in advance of our building lines to work up in the cañons of the Humboldt—those three cañons there—and all their food and supplies had to be hauled there. The springs were all a good ways from the road. Now we can get along very well, because water is brought there from springs, but at that time we had even to hunt for water. We laid the track of a little over 500 miles in five days less than ten months, and we laid a little over 10 miles in one day. There were a great many curves and a great many unforeseen difficulties which had to be surmounted.

A RACE WITH THE UNION PACIFIC.

By Commissioner LITTLER:

Q. There was a race between you and the Union Pacific, was there not, governor?—A. Well, yes. When we were working on the mountains our work was so tremendous that they thought we could not get over the mountains by two years as early as we did, and they were going to meet us at the end of the eastern side of the mountains. Of course our road would not be worth anything in that case. It was a difficult road to operate, and they could bring goods from the east and would be cutting off all our business over there. So we were forced to make the most extraordinary efforts in order to get out to Salt Lake and have something to say with regard to the future business and the supplies that might go into Nevada. After we got over the mountains we swarmed men along that mountain side, and we went over there faster than any one believed could be possible, aiding the men with a liberal use of powder. We hauled the iron for 40 miles over the mountains and built down on the Truckee in the winter season 40 miles of road, and hauled iron and engines and everything over, besides all our supplies. I paid 13 cents a pound for freight from the Summit out to Salt Lake City. Then we had to haul it out on the line of the road and then we paid 2 cents more. We accomplished 180 miles there with such help as we could get. Hay was worth \$100 a ton, and oats, I think, about fourteen or fifteen cents a pound. Everything was up in price; and those little teams over there would not haul much more than a wheel-barrow full of dirt.

Commissioner LITTLER. The first time I was at Leadville hay was worth there \$180 a ton.

The WITNESS. I sold one potato for \$2.50.

COMMISSIONERS TO REPORT BY DECEMBER 1, 1887.

"Question 46. And the said Commission shall report in full in regard to all such matters aforesaid, and in regard to any other matters which may be ascertained or come to their knowledge in regard to said

companies respectively, on or before December 1, 1887, to the President of the United States, who shall forward said report to Congress, with such recommendations or comments as he may see fit to make in the premises."

Answer 46. This question, relating as it does entirely to the duties of the Commission, does not require any answer from me.

COST OF UNITED STATES TRANSPORTATION PRIOR TO ROAD.

"Question 47. The Commission shall also ascertain the average cost per annum of Government transportation in the region now traversed by the Pacific railroads between the year 1850 and the completion of said roads."

UNITED STATES TRANSPORTATION \$8,000,000 A YEAR.

Answer 47. The average cost to the Government per annum for transportation in the region now traversed by the Pacific railroads, between the year 1850 and the completion of the road, was over \$8,000,000. This does not include the cost of maintenance of Government forts and military encampments and a large number of troops necessary to protect the border against the hostile Indians, which disappeared with the advent of the railroad. Nor does it include the expense incident to the carrying of the mails, munitions of war, and other matters required in the region beyond the line of the road, as in northern Montana, Dakota, Washington Territory, and other points now reached by railroads. The difference in the character of the service and other matters of interest will be found more fully set forth in the reply to question 52, which has, in a measure, to be treated in connection with this question.

SAVING TO UNITED STATES TO 1886 \$139,347,741.

The saving to the United States by the Central-Union line, in the item of transportation, has amounted to January 1, 1886, to the sum of \$139,347,741.

COST OF UNITED STATES TRANSPORTATION SINCE COMPLETION ONE-TENTH OF FORMER COST.

"Question 48. And also the average cost per annum since such completion."

Answer 48. As shown by the books of this company and the records of the Government, it appears that the average cost per annum for Government transportation over said roads is about one-tenth of the amount formerly paid, with a very superior service, all of which will be found set forth in detail in the answer to question 52.

ADDITIONAL FACILITIES FURNISHED BY ROADS.

"Question 49. And what additional facilities have been furnished to the Government and the people by said roads."

COST IN TIME AND MONEY OF FORMER METHODS OF TRANSPORTATION.

Answer 49. It is difficult to definitely state or to specifically point out each additional facility which has been furnished to the Government and

the people by the railroads. It is a matter of history that before the construction of the Central Pacific Railroad, all transportation between San Francisco and New York was done by water. The local transportation was done either by water or by wagons. The average time between New York and San Francisco was about six months by sailing vessel and from 30 to 40 days by steamer. The cost of transportation by any method in use, before the completion of the road, was very much more expensive in the direct charge than charges have ever been since the completion of the road. The absence of a railroad to connect with the Atlantic States of the American Union with the Pacific effected a loss to the people of the whole country, in time, in property, and in money, which each year equaled the annual expense of the Federal Government—a loss that in two years would, according to the figures of Representative James A. McDougall, cover the cost of a completed railroad to the Pacific. This was a tax upon the industry and enterprise of the people of every State of the Union. The old system of transportation was marked by two great features of disadvantage; one of them was prejudicial to the merchant, in that he was required to possess a larger command of capital, in order to have a sufficient quantity of stock on hand for his operations, while he waited for the long-coming ship to arrive, whose cargo also called for money to purchase. The other operated to the detriment of consumers, inasmuch as opportunities were afforded to persons having a ready command of money to buy up the whole stock of a necessary commodity existing in the market, for the purpose of creating a monopoly therein, and demanding a higher price therefor. Before the establishment of railway facilities, this was repeatedly accomplished with perfect safety to the speculator.

Two-thirds of the territory of the United States lies west of the Mississippi River, the greater portion of which at the time of the commencement of this road was wilderness. It has been opened up into settlements, into homes and general development. The values are not to be measured by hundreds of millions.

DISCOUNT ON UNITED STATES BONDS.

"Question 50. Also to inquire what discount the Pacific Railroad and its several branches were forced to make in disposing of the bonds guaranteed by the Government to obtain the gold coin which was the currency of the country through which the greater part of said roads pass."

COST OF ROAD PAID IN GOLD.

Answer 50. The Central and Western Pacific Railroads were compelled to pay gold coin during the progress of construction for all wages, supplies, fuel, materials, and contracts which were payable on the Pacific Coast, the gold always having been the currency of this region.

CURRENCY BONDS ISSUED BY UNITED STATES.

The bonds issued by the United States to aid the construction of the Pacific railroads were made payable thirty years from date with interest at 6 per cent., payable semi-annually, the principal and interest made payable in lawful money. This during the time of the construction of the road and for some years afterwards was United States currency. From these facts the bonds have always been known as "Currency Sixes," and they were the only bonds issued by the Government which could not be redeemed by it, at its option, at any time before maturity thereof. I have been informed, and I believe it to be true, that these

are the only bonds which the Government issued during the civil war upon which they did not sustain a discount. We direct your attention especially to the irredeemable character of the bonds, because, as we will hereinafter show, the company, on account of this character of bonds, has sustained a very great loss in being compelled to pay into the sinking fund a large sum of money from which it has received no interest whatever, and at the same time is compelled to pay interest on these outstanding bonds.

CENTRAL PACIFIC CHARGED WITH TWENTY MILLIONS FOR WHICH IT RECEIVED NOTHING.

During the time the company was constructing its road, and at a time when it was experiencing the greatest difficulty in getting the money to meet its obligations, the Government securities were very much depreciated because of the existence of the civil war. For example, the company was compelled to dispose of the bonds issued to it by the Government at a loss of \$7,120,073.55. The company is paying 6 per cent. on the bonds issued by the Government, so that at the maturity of the bonds the company will have to pay in round numbers \$20,000,000, for which it never received one farthing. This is one item which must be taken into consideration in estimating the cost of the road, and one which is rarely recognized. Again, the company in selling its own first-mortgage bonds was compelled, by reason of the impaired value of the Government securities, to sell its own bonds at about the same rate that it got for the Government bonds.

DEPRECIATED GOVERNMENT SECURITIES.

Commissioner ANDERSON. I do not understand your statement about the depreciation due to the war, especially in connection with this loss of \$7,000,000.

The WITNESS. There was a time when the Government securities were down to 40; but at the completion of the road the Government credit had been restored and its bonds were a little above par—

Commissioner ANDERSON (interrupting). I do not understand your statement that the bonds were depreciated by the war. I do not understand that any bonds were issued to the Central Pacific and Western Pacific Companies until two years after the close of the civil war.

The WITNESS. Yes; there were some issued in 1863.

Commissioner ANDERSON. But you got no bonds from the Government.

The WITNESS. Oh, yes; we got the bonds; we got those bonds. I do not know what time exactly, but it was during the war.

Commissioner ANDERSON. It was in 1866 when the first bonds were issued.

The WITNESS. In 1866?

Commissioner ANDERSON. Yes, sir.

The WITNESS. I think that you are mistaken.

Commissioner ANDERSON. We have got the United States reports.

The WITNESS. There is no chance for a dispute as to what year these bonds were issued. We got the bonds, I know; and they were sold in the market at the time, and we sold them for all that they were worth in the market.

Commissioner ANDERSON. I was only referring to your statement that they were depreciated by reason of the war.

The CHAIRMAN. The war was virtually over when you commenced, was it not?

SUPPLIES HAD TO BE ORDERED A YEAR IN ADVANCE.

The WITNESS. Not with us entirely. Our supplies had to be ordered fully a year in advance of their use. Supplies and materials required in the construction of the road had to be purchased at least a year before we needed them. We commenced the grading of the work, and work was going on in 1863, and at that time our orders were out in the East for everything that we required for a long time ahead, so that we could continue our work with as little interruption as possible.

Commissioner ANDERSON. I am talking about the depreciation in the bonds, and not about the commencement of the road.

The WITNESS. We sold those bonds at that depreciation. We had until 1876, by the contract, to complete the road. Had we waited for the expiration of the contract time before finishing the road, instead of building it seven years earlier than that time, we would not have had to suffer this loss. Had we waited, we would have had the advantage of the bonds at par, together with the premium at which they were selling, and as our own first mortgage bonds were depending very largely upon the assistance which the Government gave, they would have been above par also. By this rapid construction and completion of the road before the time required by the act of Congress, the depreciation was not merely on the Government bonds, but upon our own first mortgage bonds, so that what we were forced to lose in the sale of the two classes of bonds made a depreciation of \$7,000,000 on each class, and the interest on them from that time until maturity amounts to about \$40,000,000, which we will have to pay at maturity more than we would have had to pay otherwise had we realized par.

BONDS ISSUED.

The bonds issued to the Central and Western Pacific Railroads were, at their par value, as follows:

Central Pacific.....	\$25,835,120
Western Pacific.....	1,970,560
Total currency bonds.....	27,855,680

These bonds were issued as sections of the constructed road were accepted by the President of the United States, and so bore different dates from the years 1865 to 1869, inclusive, with the exception of a small number dated in 1870. During all this period the currency was greatly depreciated, sometimes selling as low as 42.66 cents on the dollar in January, 1865, to 83.68 cents on the dollar in December, 1869.

AVERAGE AMOUNT RECEIVED FOR EACH BOND, \$744.44.

In order to get the coin to pay for their construction, labor, and supplies the Central and Western Pacific Companies were forced to dispose of the currency bonds received from the Government at an average rate for gold of 1.34½. The amount received by the company for each bond of \$1,000 was therefore \$744.44. For the \$27,855,680 in United States bonds these companies received \$20,735,606.45. The discount they were forced to make was thus \$7,120,073.55. Interest is charged the companies on the full amount to the maturity of the bonds. The interest on the \$7,120,073.55 discount which the companies were forced to make is for thirty years, at 6 per cent., \$12,816,132.39.

LOSS FROM DISCOUNT, \$19,936,205.

The total principal and interest for discount lost by the companies is therefore \$19,936,205.94.

The following table shows the amounts and dates of the currency bonds issued to these companies, and the market value of currency at the current average premium on gold:

Statement showing dates and amounts of United States bonds, issued to Central and Western Pacific Railroad Companies (known as currency sizes), with value of same in United States gold at current average rates of premium for United States currency.

To what company issued.	Date issued.	Interest commenced.	Amount of bonds.	Premium on gold, average rate.	Value of bonds in United States gold.
Central Pacific Railroad Company.	May 12, 1865	Jan. 16, 1865	\$1,258,000	1.32	\$953,639.30
	Aug. 14, 1865	Aug. 14, 1865	384,000	1.47	279,422.53
	Oct. 16, 1865	Oct. 16, 1865	256,000	1.45	176,551.72
	Dec. 4, 1865	Nov. 29, 1865	464,000	1.45	329,809.00
	Mar. 6, 1866	Mar. 6, 1866	640,000	1.33	481,203.00
	July 10, 1866	July 10, 1866	640,000	1.50	428,666.66
	Oct. 29, 1866	Oct. 29, 1866	320,000	1.46	219,178.10
	Jan. 14, 1867	Jan. 14, 1867	640,000	1.35	474,074.07
	Oct. 25, 1867	Oct. 25, 1867	320,000	1.42	225,352.11
	Dec. 12, 1867	Dec. 12, 1867	1,152,000	1.34	859,761.49
	Jan. 19, 1868	June 9, 1868	946,000	1.40	675,714.28
	July 11, 1868	July 10, 1868	320,000	1.40	228,571.43
	Aug. 5, 1868	Aug. 4, 1868	640,000	1.48	432,432.43
	Aug. 14, 1868	Aug. 13, 1868	1,184,000	1.47	805,442.18
	Sept. 12, 1868	Sept. 11, 1868	1,280,000	1.44	888,888.88
	Sept. 29, 1868	Sept. 19, 1868	1,120,000	1.44	777,777.77
	Oct. 13, 1868	Oct. 12, 1868	1,280,000	1.38	927,536.23
	Oct. 26, 1868	Oct. 26, 1868	640,000	1.34	477,611.94
	Nov. 5, 1868	Nov. 3, 1868	640,000	1.32	484,848.48
	Nov. 12, 1868	Nov. 11, 1868	640,000	1.34	477,611.94
	Dec. 5, 1868	Dec. 5, 1868	640,000	1.36	470,588.24
	Dec. 7, 1868	Dec. 7, 1868	640,000	1.36	470,588.24
	Dec. 30, 1868	Dec. 29, 1868	640,000	1.34	477,611.94
	Jan. 13, 1869	Jan. 12, 1869	640,000	1.36	470,588.24
	Jan. 29, 1869	Jan. 28, 1869	540,000	1.37	407,153.29
	Feb. 17, 1869	Feb. 17, 1869	640,000	1.43	474,074.07
	Mar. 2, 1869	Feb. 17, 1869	1,000,000	1.32	807,575.76
	Mar. 3, 1869	Mar. 2, 1869	1,333,000	1.33	1,009,816.48
	May 26, 1869	May 27, 1869	1,780,000	1.40	1,275,714.28
	July 15, 1869	May 27, 1869	1,314,000	1.37	959,124.09
	July 15, 1869	July 15, 1869	268,000	1.37	195,620.44
	Dec. 31, 1869	July 16, 1869	1,510,000	1.29	1,258,333.33
	Jan. 2, 1872	Nov. 28, 1868	4,120	1.09	3,779.81
Western Pacific Railroad Company.	Jan. 24, 1867	Jan. 26, 1867	320,000	1.34	238,805.97
	Sept. 1, 1869	Sept. 3, 1869	320,000	1.35	240,601.50
	Oct. 29, 1869	Oct. 28, 1869	1,008,000	1.29	781,295.35
	Jan. 27, 1870	Jan. 22, 1870	322,000	1.23	263,934.42
	Jan. 8, 1872	Jan. 22, 1872	560	1.09	513.76
			27,855,680		20,448,406.75

The bonds were sold by the companies to some extent for a premium in currency, so that the above value of bonds in gold is not quite as much as the amount received by the companies, namely:

Total value of currency bonds.....	\$27,855,680.00
Value in United States gold.....	\$20,448,406.75
Premium added.....	257,139.70
	<u>20,735,606.45</u>

Discount company was forced to make in disposing of the bonds, being	
loss to company on principal.....	7,120,073.55
Interest thirty years at 6 per cent.....	<u>12,816,132.39</u>

Total amount on bonds Central Pacific Railroad Company is required to pay to the Government, for which it received nothing..... 19,936,205.94

BONDS BOUGHT FOR SINKING FUND.

Under the provisions of the act of May 7, 1878, the company has been forced to pay for these same bonds for the sinking fund in the United States Treasury a premium of about 35 per cent. It has thus suffered a loss in premium on the redemption of the bonds of an equal rate to the loss in discount on their issue. The sinking fund of the Central Pacific Railroad Company in the United States Treasury on June 1, 1887, contained \$2,548,000 United States Pacific Railroad bonds (currency sixes) and \$9,000 Central Pacific Railroad first-mortgage bonds; total, \$2,557,000.

PREMIUM AVERAGED 34.21 PER CENT.

To secure these bonds the Secretary of the Treasury, under the provisions of the acts of May 7, 1878, and March 3, 1887, has paid a premium averaging 34.21 per cent., or for each bond of \$1,000 he has paid \$1,342.10. As these bonds must be held in the fund till the maturity of the debt, when they will be redeemed by the Government at par, the premium paid is wholly lost.

LOSS RESULTING FROM PREMIUMS AND DISCOUNTS.

The resulting loss on account of premiums and discount for this \$2,548,000 in the sinking fund is as follows:

Received by Central Pacific Railroad Company in coin for \$2,548,000 United States currency bonds, at \$744.40 per \$1,000.....	\$1,896,731.20
Paid by Secretary of Treasury in coin belonging to Central Pacific Railroad Company for \$2,548,000 United States currency bonds, at \$1,342.10.....	3,419,670.80
Cost of \$2,548,000 bonds in excess of amount received by Central Pacific Railroad Company.....	1,522,939.60

The foregoing facts may be summarized as follows:

For each currency bond of \$1,000 issued the company received in coin....	\$744.40
And is required to pay:	
For principal for those in sinking fund	\$1,342.10
For interest on all for 30 years at 6 per cent., 180 per cent.....	1,800.00
	3,142.10
Thus for \$1,000 received in coin from the United States bonds the Central Pacific Railroad Company is charged with.....	4,200.76

LOSS ON BONDS AND INTEREST BY EARLY COMPLETION OF ROAD, FORTY MILLIONS.

As before stated the road was completed seven years before the expiration of the term limited by Congress. If the company had taken advantage of the time allowed by Congress for the completion of the road, they could not only have sold the Government bonds at par, but could also have disposed of their own first-mortgage bonds at their face value, which would have been a net gain, over and above what was actually received, of \$7,129,973.55, the interest on which for thirty years would have been \$12,816,132.39, which would make an aggregate saving on the Government bonds and the bonds issued by the company, principal and interest, in round numbers, of about \$40,000,000. The sacrifice was made to comply with the urgent demands of the United States

and people generally, for the early completion of the road, with the general understanding that the Government would make due allowance for the extra exertion put forth by the company.

RELATIVE PURCHASING POWER OF GOLD AND BONDS.

By Commissioner ANDERSON:

Q. Allow me to ask: Do you claim the purchasing power of your gold was any less than the purchasing power of your bonds?

The WITNESS. Dollar for dollar?

Commissioner ANDERSON. No, not dollar for dollar. Would the gold buy any more or less labor than the bonds would have bought?

The WITNESS. The gold would buy more labor than the bonds, because the bonds were not par in gold.

Q. Were not the twenty millions in gold worth just as much as the bonds were to the same amount?—A. No, sir; twenty millions in gold were worth as much as twenty-five or twenty-seven millions in Government bonds. If the bonds had been worth par when we received them we would have received \$27,000,000 for them; whereas we received only twenty millions. It was with our company as it was with the Government all through the war. The Government sold its bonds at a low rate. At one time they ran as low as 40 cents, I think. I remember that there was a time when it took \$3 in greenbacks to buy \$1 in gold.

Q. What is the first date of the issue of bonds in the table?—A. May 12, 1865.

CONSTRUCTION DONE BY CONTRACT AND FINANCE COMPANY.

Q. What company was referred to where you used the word "company"; was it the Central Pacific Railroad Company, or the Contract and Finance Company?—A. I have been speaking always of the Central Pacific Railroad Company.

Q. Do I not understand that all this construction was done by the Contract and Finance Company?—A. Yes, sir. But the Central Pacific Railroad Company had an interest. The expenses of that contract were a necessary part of the burden of the Central Pacific.

Q. But were not those prices fixed when the contract was entered into in 1867?

The WITNESS. What prices?

Commissioner ANDERSON. The prices to be paid per mile for the construction of the road.

The WITNESS. Yes, sir.

Q. So that these alterations referred to in your statement and tables would not affect these prices, would they? The contract with the Contract and Finance Company was made in 1867, and I presume that the value of your securities was considered when this contract was fixed at a specific sum per mile. If that was so, the circumstance alluded to does not affect the Central Pacific. The additional cost of labor and the cost of transportation by teams and the other circumstances could only have affected the profits of the Contract and Finance Company and could not have affected the Central Pacific Railroad Company.—A. Oh, yes; because these circumstances were all well known, and were fully considered at the time the contract was made.

Q. How could you have known all these things which happened afterwards?—A. Currency did not reach par, or at least these bonds did

not until about the time of (or after) the completion of the road. We received some bonds after the completion of the road and sold them some time afterwards, and those bonds, I think, were above par.

Q. I am speaking of the specialties of that work, the use of teams for sending out supplies in order to have the work done, and the other expenses which you have enumerated. What I want to know is, how they would affect the price to the Central Pacific if that price had been already determined?—A. We took the prices into consideration at the time these contracts were made.

Q. In 1867?—A. Yes, sir.

Commissioner ANDERSON. But these things occurred in 1868 and 1869.

The WITNESS. What time was that contract made?

Commissioner ANDERSON. October, 1867, according to the minutes of the company.

SACRIFICE OF BONDS ISSUED ON MOUNTAIN PORTION.

The WITNESS. It was based on the condition of things then. The great sacrifice was on the mountains. We received the largest amount from the Government for the line over the mountains, and we were allowed under the law to issue our own bonds a hundred miles in advance of completion. All those bonds were issued at that time and disposed of at a sacrifice. The sacrifice on these bonds was on the then existing prices.

Q. Was the mountain work done under the Crocker contract or under the Contract and Finance Company's contract?—A. A portion of the work was done under the Crocker contract and a portion was done under the Contract and Finance contract.

COST OF CONSTRUCTION.

"Question 51. Also to ascertain the comparative cost of construction of said roads as compared to what they would have cost with the prices of labor and commodities prevailing five years preceding or five years subsequent to the completion of said roads."

Answer 51. Absolute accuracy of statement as to the cost of completing the road as early as 1869, as compared with what would have been the cost if it had been completed five years later, cannot perhaps be made; but by comparing prices of labor and material at the time the road was completed with the prevailing prices seven years later (the time allowed for completion), and taking into consideration the obstacles encountered and sacrifices made for rapid construction, an approximation can be made.

THE CENTRAL PACIFIC COST MORE THAN DOUBLE BY EARLY COMPLETION.

It is safe to say that the road cost more than double what it would have cost if the company had taken the time allowed by the acts of Congress for its completion, by reason of the difference in price of labor and material, added to the sacrifices made by the company to hurry the completion of the road. All supplies had to be purchased in the East nearly a year in advance of the time when they would be needed, in order to get them here when required. The company also, by reason of the great demand that was made upon them by the Government and the people, sent parties ahead of the construction train, in order that

the road might be in course of construction in several different places at the same period of time. Of course, in all these cases where parties were organized and sent out in advance of the construction trains, everything used by them in the construction of the road or in supplying food and clothing for the men and food for the teams had to be hauled in wagons, sometimes as far as 350 miles or more, at a very great expense to the company. In many instances the company even had to build the wagon-roads before their teams could reach their destination, and in some cases they were compelled to haul water for the men and teams over 40 miles.

For the actual cost of the road, as compared to what it would have been had the road been constructed five years earlier or five years later, I would refer you to the reports of L. M. Clement, assistant engineer; William Hood, chief engineer; J. H. Strobbridge, superintendent of construction; and Arthur Brown, superintendent of bridges and buildings, numbered, respectively, Exhibits 8, 9, 10, and 11.

BEFORE COMPLETION OF ROAD PACIFIC MAIL STOCK WORTH \$330.

The WITNESS. Here I will say something that may be of interest. Before this road was completed the Pacific Mail stock was selling for \$330 a share. After the completion of the road it went down rapidly, and reached as low a figure, I think, as \$30. They, therefore, had some reason to oppose us and throw in our way all the obstacles that they could.

Commissioner ANDERSON. Perhaps that company will put in some claim against the Government for compensation because of the loss inflicted by your competition.

The WITNESS. Perhaps so; but I am inclined to think that the Government would not feel disposed to recognize any such claim.

By the CHAIRMAN:

Q. Are these gentlemen you have just named in San Francisco?—A. They are either here or off attending to their business; but any of them can be had at any time.

BENEFIT TO UNITED STATES BY EARLY COMPLETION OF ROAD.

"Question 52. Also to inquire whether or not the Pacific Railroad was completed in less time than was allowed by law, and, if so, how much less time, and if the United States was benefited thereby."

ROAD COMPLETED SEVEN YEARS BEFORE TIME FIXED.

Answer 52. The act required that the road should be completed July 1, 1876; the road was in fact completed May 9, 1869, more than seven years in advance of the time allowed by law. In thus hastening its completion its cost largely exceeded what it would have been if it had not been constructed so rapidly, and by this completion the Government has been largely benefited.

THE GOVERNMENT BENEFITED FORTY-SEVEN MILLION.

Before the expiration of the time allowed for the construction of the Central and Union Pacific roads by contract the Government had been directly benefited to the extent of more than \$47,000,000 saved upon freights, mails, and transportation of troops alone.

PAYMENTS UNDER ORIGINAL ACTS TO LIQUIDATE DEBT AND INTEREST.

At the time Congress made the loan to aid in the construction of the roads every one expected that the transportation furnished by the Government to the road would much more than pay the interest on the bonds and probably furnish a sinking fund sufficient to extinguish the debt at maturity. This conclusion was reached by taking the cost to the Government of transportation at the time the loans were made as the basis of computation. Since the railroads were constructed the amount of Government transportation has very largely exceeded the calculations of the promoters of the enterprise, but the service has been performed at so greatly reduced cost, that the receipts from this source have fallen far below what it was expected they would be. This has been disappointing to us, but a great gain to the Government.

TESTIMONY OF UNITED STATES COMMISSIONER OF RAILROADS.

Aside from what the Government saved directly in the cost of transportation of mails, supplies, and troops, it has also saved an enormous amount indirectly in various ways, as will be seen by reference to the report of the United States Commissioner of Railroads for 1883, an extract from which I herewith submit. The Commissioner, at page 16 of said report, says:

The construction of these roads has been pronounced by the Supreme Court of the United States to have been a national necessity so urgent as to admit of no delay, and confessedly involving the integrity of the Union. The energy with which they were built is well illustrated in the fact that they were completed in seven years less time than the limit established by law, and at a time when the currency bonds issued to the companies realized an average of only about 75 per cent. in gold. And they must be repaid at par. It was doubtless expected that the compensation for Government transportation would equal the current interest; that it has not, has been a disappointment as well to the companies as to the Government, but had the charges for transportation continued at the rate prior to their construction it would greatly have exceeded the interest. The Government has the advantage, and is entitled to it, of the reduced expenses of transportation which has resulted from their construction, and in this view the saving to the Government has greatly exceeded the current interest it has paid. It is also fairly to be considered that the national purposes have all been more than realized in the increased sales of public lands, the extension of civilization, the suppression of Indian wars and the consequent great diminution of expenses, the establishment of States, and the strengthening of the ties which have bound the States of the Pacific coast indissolubly to the Union.

PUBLIC BENEFITS.

But the benefits to the public are even greater than those to the Government. When we began to build the railroad the merchants of San Francisco had absolute control over the other merchants of this coast, and they could, and frequently did, combine to arbitrarily increase the price of provisions and all other articles of commerce. Sometimes they would advance the price of a single article 100 per cent. in a single day. They kept a record of all in-bound vessels with their cargoes, and whenever they found that there was a limited supply of any given commodity in the market, they went out and bought up all in the market and all *in transitu*, and no further supplies could be furnished until orders from here could be filled in the East, which would take fully six months.

TRADE MONOPOLIES PRIOR TO ROAD.

In the mean time these men who had secured all there was of the article on which they wished to create a monopoly fixed on it their own

price. It was no uncommon thing to have a necessary of life advance 100 per cent. in a day. The construction of the railroad prevented all this, and is so far a direct benefit to the consumer. Again, under the old system, when all merchandise had to be brought in ships around Cape Horn, every merchant, every importer, every business man, and every jobber, had to carry at least six months' stock in his store and an equal amount afloat, involving in the transaction of his business a very large capital, idle for the most of the time, the interest on which became a burden on the people. Now, one or two months' stock is sufficient, and a man can do as much business with \$50,000 capital as he could under the old condition of things with half a million. The carrying trade then was largely in the hands of foreigners, and a large percentage of the moneys paid for freight was sent to Europe. Since the construction of these roads over 65 per cent. of the money received by us has been paid out in California and adjacent regions in operating and other expenses, and a large proportion of the balance not required to be sent abroad to pay the interest upon the bonds has been invested here in developing the resources of the State and in making it productive. The railroad company has paid out along the line of its road in this State in wages alone more than \$100,000,000, most of which would have gone out of the country if the road had not been constructed.

The benefit to the Government by the early completion of the line is more fully shown by the report of E. H. Miller, jr., secretary of this company, upon the subject, which report is attached hereto, marked Exhibit No. 11½. The report, in reply to other questions, also shows the saving in transportation charges by the construction of the road, as well as other information collateral to this general subject, all of which is compiled from official documents.

SAVING TO UNITED STATES IN TRANSPORTATION IN SEVEN YEARS, FORTY-SEVEN MILLIONS.

By reference to this report it will be seen that the United States has saved in transportation charges alone by the completion of the Central Union Pacific line—

To June 30, 1876.....	\$47,763,178.00
To December 31, 1885.....	139,347,741.25
At the same rate, continued to the maturity of the bonds, the Government will have saved	259,040,430.00

That was not such a very bad investment upon the part of the Government after all.

ANTAGONISTIC LEGISLATION.

"Question 53. Also to inquire if either of the Pacific Railroad Companies has been embarrassed and its earning capacity impaired by antagonistic local or State legislation?"

Answer 53. The Central Pacific Railroad Company has been embarrassed and its earning capacity impaired by antagonistic local and State legislation. While we were trying to make financial negotiations, one claim that we made was based upon the fact that the State of California allowed us 15 cents a ton per mile. Another was that the United States laws allowed us to charge any rate we pleased up to 10 per cent. dividends, then only interfering in case our rates were extortionate. When the agitation against rates commenced we had only 31 miles of road built, and efforts were made in the legislature to pass bills materially affecting our rates. This damaged us before the public. It not

only indicated that we might have to reduce our rates, but made the future very uncertain.

CENTRAL PACIFIC ANTAGONIZED FROM THE FIRST.

From the very first we were strongly antagonized. Congress required that we should build a telegraph line as well as a railroad. The consequence was that we encountered the antagonism of the existing telegraph companies. We were to build a railroad to San Francisco, consequently we encountered the antagonism of the Steam Navigation Company and clipper-ship owners. We were to build a railroad across the mountains, and so antagonized the Pacific Mail Steamship Company and the Sacramento Valley Railway Company, which operated a railroad from Sacramento eastward about 40 miles. Upon the construction of the road their stock sustained a serious injury. A line across the continent was also antagonized by the stage companies and express companies. The pony-express line and the toll roads, all of which had to give way before it, also opposed us. It also seriously affected contractors for the Government at the various posts and Indian agencies, and antagonized many other interests of wealth, power, and influence.

POLITICAL OPPOSITION BY CONFLICTING INTERESTS.

All these interests combined and influenced the press and politicians, and antagonized us in the money centers of the East, Germany, France, and England, with a view of injuring our credit and preventing the fruition of our hopes. As there was a feeling extant not only in Europe, but in this country as well, that the effort to cross the Sierra Nevada Mountains by a practical railroad would prove a failure, these influences did injure us to a very great extent. Even the Sitka Ice Company, which was charging the people of San Francisco 5 cents a pound for ice, antagonized us from a selfish motive, as we saved the people in this direction alone, \$600,000 a year. The Overland Stage Company, which received from the Government of the United States \$1,800,000 per annum for carrying the mail, brought their influence to bear against us. All these interests combined to influence legislative bodies against us to injure our credit, and, as the journals of all the legislatures would indicate, annoyed and hampered us in every possible manner.

CONTINUED HOSTILE LEGISLATION PROPOSED.

Hostile legislation has been proposed at every session of the legislature since the commencement of the road. It has assumed various forms and often of so serious a character that if successful it would have been impossible to operate the road under its restrictions.

CALIFORNIA RAILROAD COMMISSION UNDER NEW CONSTITUTION.

By the CHAIRMAN:

Q. Has any actual, local or general, hostile or antagonistic legislation been enacted?—A. All those bills we were able to defeat. Every one of them helped to defeat itself. They were generally gotten up in malignity and by men who did not understand the subject, and wherever we could get such bills before a committee composed of fair-minded men, to whom we could explain the true nature and the necessary effect of such legislation, the bills helped to defeat themselves. Finally, how-

ever, there was a new constitution adopted by the people of this State, which created a board of railroad commissioners with absolute powers, executive, judicial, and legislative, and without appeal. If they were so inclined they could make rates that would practically confiscate the property of the company, under this constitution, and we could not help ourselves. Our redress, of course, would be to go to the Supreme Court of the United States for a final decision of the question in the event of any such action by this board. My idea is that the whole thing is unconstitutional, inasmuch as it vests those three powers in one body, and it would not be sustained by the United States courts if the subject ever goes before them. We have not cared, however, to raise the question, but have got along the best that we could. At the same time this new constitution has interfered a good deal with the company. It will not allow us to charge less, for instance, to Los Angeles, which is a competitive point, than to intermediate non-competitive points. The result is that we cannot make a rate from here to Los Angeles which will compete successfully with the coast steamers and along the rivers. This legislation, under the new constitution, interferes with the companies in a good many ways, but the commissioners have not done all the damage that is in their power.

HOSTILE SENTIMENT DURING GRANGER EXCITEMENT.

Q. What was the general character of the hostile legislation introduced?—A. It was generally in the shape of bills providing for the reduction of freights and fares. I think that every one of the bills, if carried into effect, would have rendered us unable to operate the road.

Q. Was there a general sentiment in the State in favor of such bills?

A. The noisy and demagogic element was very strong at one time, and influenced others. The feeling engendered by these men existed very largely in the State at one time, and made the people think that we were actually overcharging them for fares and freights, but gradually we have been able to explain, until to-day I think that the feeling in the State is as good towards us as could be expected, we doing business with so many people. The general public has a good deal of confidence in this State, and I think that we have been able to satisfy them that we are doing and have always done all in our power to develop its resources. It was only for a little time that the interests adverse to us were able to swing things their own way. At about that time you will remember that there was a general howl all over the country against the railroads. It was during the time of the Granger excitement, which you will remember existed so generally in your own country.

AVERAGE FREIGHT LOWER THAN IN 1878 AND 1879.

By Commissioner ANDERSON:

Q. How does your average rate per ton per mile compare to-day with the rate in 1878 and 1879?—A. It is very much less. We are now doing a class of business which requires lower rates. While we were allowed 15 cents per ton per mile by the law, I think that there was scarcely 1 per cent. of our business which was done at that rate, and that rate was charged only upon very high-class goods in very small quantities. For instance, we might charge that for short haul from the end of Oakland wharf into Oakland, a distance, say, of 3 miles, and 45 cents per ton, which is the highest we could charge, did not pay for the handling. We also charged high rates on some costly articles, and upon certain classes

of machinery, for instance, which were carried to Nevada in the early days. Some of this machinery was large and heavy, and one piece would frequently occupy a whole car. In some instances we had to build cars especially for such machinery, and perhaps they would be required only occasionally. On such shipments we charged 15 cents a ton per mile, and even this would not pay, chiefly from the fact that we had such little use for such a car. It was only at such times and under such circumstances that we charged the maximum rate of 15 cents per ton per mile.

REDUCTION OF NEVADA AND UTAH THROUGH FREIGHTS.

Q. The rates, then, have been largely reduced?—A. Yes, sir; I think that our last report will show it. The serious thing to us was the reduction in the through freights that passed through Nevada and Utah. As you came across that country you saw that there was no local business there. There is not a station business in that country which amounts to enough to sustain business. We depended upon the business originating in California and east of Salt Lake, which passed to and through Nevada and Utah, and when these other lines of railroads not only cut down the rates, but divided the business with us, the rates went so low and the business fell off so much that it has not paid. The value of that road was from the through business and the good rates which it could command. There being no competition, such prices were fixed as were remunerative, and which were fair as between the shipper and the carrier.

EXTREME LEGISLATION DEFEATING ITSELF.

By the CHAIRMAN:

Q. I understand you, then, to say that at no time has there been any hostile local or State legislation?—A. Excepting the State constitution. There have been many efforts at hostile legislation made. For instance, the law taxing our railroad. You saw yesterday a statement showing the extraordinary burden placed upon us in that way. All other very obnoxious propositions, however, were defeated.

Q. Were these bills largely supported in the legislature?—A. Yes; at one time there was a legislature very largely elected because of its hostility to the railroad, and on that account we paid no particular attention to it. I made up my mind that in a legislature forty men would be fair, and out of the forty there will be always twenty men who would be reasonable and just, and these twenty men would be able to defeat extreme legislation. If the legislation had not been so very extreme it is very likely that they would have passed some of it; but the extreme measures proposed defeated themselves.

THE ANTI-RAILROAD SENTIMENT.

Q. Did the members elected to the legislature largely represent the prevailing sentiment of the people throughout the State at that time?—A. I am not sure of that. The anti-railroad sentiment was very noisy and very clamorous. I remember that at the elections a well-known railroad man and a friend of the railroad ran away ahead of his ticket. I know a man who was a candidate for controller who was known as the bosom friend of the railroad, and who believed in railroads, and he ran ahead of his entire ticket. And in the senate, the railroad men, as they used to be called, were, as a rule, a good class of

men and they were the strongest. My impression is that the anti-rail-road sentiment of the State which appeared to have existed at one time was more on the surface than otherwise.

THE SO-CALLED "DUTCH FLAT SWINDLE."

Q. What year was that?—A. I cannot tell the date. I am not very good at remembering dates. It was a good while ago; I think about 1870 or 1872. During the early days we had a great deal of antagonism from the various interests opposed to this road. At one time we found it necessary, in order to carry on our work with the greatest speed and economy, to build a wagon road over the mountains, beginning at a place called Dutch Flat, and our opponents represented that we were building this railroad for the benefit of the wagon road, and the whole thing was called the "Dutch Flat Swindle," because the wagon road commenced at Dutch Flat. The local business at that time was very good. It was in the midst of the excitement in Nevada, the great mining excitement of that State, and a vast amount of machinery and supplies was constantly going forward, and the earnings from that source cut a very important figure in our earnings.

INJURY BY COMPETING AIDED LINES.

"Question 54. Also to inquire if the United States, since the Union and Central Pacific Railroad Companies accepted the terms proposed by Congress for the construction of the Pacific railroads, has granted aid in lands for building competing parallel railroads to said Pacific railroads, and, if so, how many such roads, and to what extent such competing lines have impaired the earning capacity of the Pacific railroads."

EARNINGS OF PACIFIC RAILROADS IMPAIRED BY UNITED STATES AID TO OTHER LINES \$37,000,000.

Answer 54. Congress has granted aid in lands for building competing parallel roads to the Pacific railroads. The number of which and the extent to which such competing lines have impaired the earning capacity of said Pacific railroads is hereinafter fully set out in the statement of J. C. Stubbs, general traffic manager, annexed hereto, marked "Exhibit 12," and made part hereof; the actual business diverted being upwards of \$37,000,000.

SERVICE OF NON-AIDED ROADS REMAINING UNPAID.

"Question 55. Also to inquire if the United States have contracts with branch roads controlled by either of said Pacific roads for carrying United States mails, and, if so, what service has been performed by them, and what money, if any, has been paid for such service, and what remains due and unpaid."

PAYMENT ON LEASED LINES WITHHELD BY UNITED STATES.

Answer 55. The United States Government had contracts with branch roads controlled by the Central Pacific railroads for carrying United States mail. The Central Pacific Railroad Company controlled by lease a number of branch lines prior to April 1, 1885, from which date the lines were leased to the Southern Pacific Company. Mails were carried by them

lines for the United States under the rules and orders of the Post-Office Department. No payments have been made for such service since 1883, at which time but partial payments were made. The payments were withheld prior to April 1, 1885, because the Central Pacific Railroad Company leased the lines, and they have been withheld since that date because the Central Pacific Railroad Company had formerly leased the lines.

CASH DUE UNDER SUPREME COURT DECISION \$1,853,323.15.

The United States Supreme Court has decided that compensation for transportation on non-aided and leased lines was payable to the company in cash. From and including the year 1882 to the present time there has been annually a balance due the non-aided lines for transportation services performed. The amount thus due from the Government in cash in excess of all requirements of law to December 31, 1886, is \$1,853,323.15. The service that has been performed, the amount of money which has been paid for such service, and what remains unpaid are fully shown by the reports of Mr. E. H. Miller, jr., secretary of the company, hereto attached, marked "Exhibit 13," and made part hereof.

By Commissioner ANDERSON:

Q. Does that report contain any statement from the office of the Commissioner of Railroads, or from the United States Treasury Department, showing any agreement on that figure?—A. Yes, sir; Mr. Miller's report gives such a reference. Each of these statements you will find sustained by the reports of the United States officers, and by the reports of the Railroad Commissioners.

EMBARRASSMENT TO COMPANIES BY UNITED STATES NOT PAYING AMOUNTS DUE.

"Question 56. And if the United States, by failing to pay for such mail services, has embarrassed said railroad companies, or either of them, in paying their indebtedness to the United States."

PRESENT ANNUAL INJURY ON THIS ACCOUNT, \$560,000.

Answer 56. The United States, by failing to pay for such mail service and other transportation, has caused an expenditure to the Central Pacific Railroad Company of amounts equal to interest on the sums retained at the rate of 6 per cent. per annum; that being the rate of interest paid during the period on floating debt of the company, which debt would have been decreased by the payment of the sums due from the United States. The annual interest on this balance due the roads in question to December 31, 1886, of \$1,853,323.15, at 6 per cent. is \$111,199.39. This is the present annual injury to the roads by the Government on account of the item of transportation charges unpaid. The current charges also, in excess of the requirements, amount, as shown by the foregoing statement, to about \$450,000 a year. This amount with the interest on the balance makes the accruing annual sum of \$560,000 due for transportation on non-aided lines and remaining unpaid.

HAVE ROADS COMPLIED WITH THE LAWS?

"Question 57. Also to inquire if the several Pacific railroad companies have complied with the provisions of 'An act to alter and amend

the act entitled "An act to aid in the construction of a railroad and telegraph line from the Missouri River to the Pacific Ocean, and to secure to the Government the use of the same for postal, military, and other purposes," approved July 1, 1862, and also to alter and amend the act of Congress, approved July 2, 1864, in amendment of said first-named act, commonly known as the 'Thurman act,' and, if not, in what particulars they have failed to comply."

CENTRAL PACIFIC HAS FULLY COMPLIED WITH THE ACTS.

Answer 57. The Central Pacific Railroad Company has complied with all the acts enumerated in this interrogatory in letter and in spirit, to the satisfaction of the officers heretofore appointed under the several acts of Congress to examine into the affairs of this company. The first examination was made in 1879, and included everything from the completion of the road up to the date of that examination. Since that time annual examinations have been made and reported upon. In every case the report shows that the company has complied with all the obligations imposed upon it by Congress. All this fully appears in detail in my answer to interrogatory No. 2.

WHAT CAN BE PAID WITHOUT INJURY TO COUNTRY ALONG THE LINES.

"Question 58. Also to inquire what sums the Pacific railroads and their branches can severally pay annually on account their indebtedness to the United States without imposing such burdens upon the people, and practically upon the localities through which the roads pass, as to retard the development of the country."

INJURY TO NEVADA AND UTAH BY DEMANDING EARLY PAYMENT.

Answer 58. It has been shown in answer to interrogatory No. 3 (c) that the present net earnings of the aided lines, over which the Government lien extends, after paying the current charges which are paid in lien to that of the United States, amount to about \$740,000 per annum. The annual accruing interest on the United States bonds is \$1,671,340.80. The whole amount of net earnings therefore lacks \$930,000 of meeting the accruing interest, even if every available dollar were used for that purpose. The net earnings of the aided road alone available for the payment of the debt to the Government. Thus the available funds can only be increased by increasing these earnings. This can only be done by increasing the rates through Nevada and Utah, and so fixing the burden of the debt upon the communities through which the road runs. To whatever extent this means should be employed, it would retard the development of the country and impose a burden upon a comparatively few people along its line, for benefits which have been shared by the country at large and particularly by the several Departments of the Government. The local rates would wholly have to stand such a charge; as, on account of competition of other trans-continental lines which were also aided in their construction by United States land grants, through rates cannot be raised. The earning from local traffic for the aided line during the month of May, 1886, was—

Freight.....	\$161,37	0.08
Passenger.....	87,35	6.10
Total.....	248,62	6.18

This month is a fair average for the year, and would give an annual amount of \$2,984,000. A considerable amount of these earnings is from traffic, the rates on which are controlled by competition, although it is local. This is the case with most of that over the aided line in California. In case the rates should be raised then to pay the Government bonds, the burden would fall almost entirely on the communities in Nevada and Utah.

INCREASE OF LOCAL RATES REQUIRED.

To pay the balance of \$930,000 necessary to meet the accruing interest on the United States bonds, without making any provision whatever for the principal, would require an increase in local rates in Nevada and Utah of over 33 per cent.

The foregoing statements, together with the exhibits herewith presented in connection therewith, substantiate the averment made on pages 20 and 21 hereof, that an equitable adjustment of the accounts between this company and the United States would allow the company's claims against the Government to the amount of \$62,873,557.81.

All of which is respectfully submitted.

LELAND STANFORD,
President.

STATE OF CALIFORNIA,

City and County of San Francisco, ss :

Leland Stanford, being duly sworn, deposes and says, that the facts stated in the foregoing answers to the 58 interrogatories propounded to him by the United States Pacific Railway Commissioners are true, to the best of his knowledge and belief.

LELAND STANFORD.

Subscribed and sworn to before me this 28th day of July, A. D. 1887.

E. B. RYAN,
*Notary Public in and for said City and County of
San Francisco, State of California.*

EXHIBIT No. 1.—Affidavit of E. H. Miller, jr., secretary, that the Central Pacific Railroad Company has complied with all obligations of the laws.

E. H. Miller, jr., being duly sworn, deposes and says:

I am a citizen of the United States and of the State of California, over twenty-one years of age, and am competent to testify in this matter.

On the 29th day of September, 1863, I was elected secretary of the Central Pacific Railroad Company, and ever since then have been and now am the duly appointed and acting secretary of said company; that as such secretary I have had charge of and have kept, and now have charge of and keep, all the books, of account, papers, and vouchers pertaining to its business; that as such secretary I have had occasion to and have examined all the laws of the United States heretofore passed with reference to aiding said company with bonds; that as such secretary I have had occasion to and familiarized myself with the obligations of such laws, so far as they relate to the Central Pacific Railroad Company, and the company has promptly observed all such obligations to the best of my knowledge and belief.

E. H. MILLER, JR.

Subscribed and sworn to before me this 26th day of July, A. D. 1887.

[SEAL.]

E. B. RYAN,
Notary Public in and for the City and County of San Francisco, Cal.

EXHIBIT NO. 2.—*Statement of A. N. Towne, general manager, relative to diversion of business to non-aided lines.*

SAN FRANCISCO, July 5, 1887.

HON. LELAND STANFORD,
President Central Pacific Railroad Co.:

DEAR SIR: In obedience to your instructions, I beg leave to report with respect to the question (No. 9) asked by the Pacific Railroad Commission, created by the act of Congress approved March 3, 1887: "Whether any traffic or business which could or should be done on the aided lines of said company has been diverted to the lines of any other company or to non-aided lines," as follows:

DIVERSIONS TO THE LINES OF OTHER COMPANIES.

(1) *Through traffic.*—It is a matter of public knowledge that there are now several transcontinental lines. It is unnecessary to name them. All except the original Central and Union Pacific line have been completed since 1890. Each of those constructed since 1890 has diverted more or less traffic from the original Union and Central Pacific line. The aggregate of these diversions is equal to more than 50 per cent. of the total through freight and passenger traffic for the five years and nine months ending with December 31, 1896, the period which has elapsed since the opening of the first line competing with the Central and Union Pacific line for through traffic.

The responsibility for the construction of these opposing lines rests, in my judgment, with the Government of the United States. It follows that the United States Government is the instrumentality through which said diversions of through traffic from the Union and Central Pacific roads to the other later-built transcontinental lines was accomplished.

A part of each of said other lines received large grants of land from the United States Government, the grant being in each case, I believe, double the grant of lands made to the Union and Central Pacific companies. It was the Government grant of land which induced the building of these roads—at least it, if not the sole cause of their construction, was the inducement which facilitated their construction and caused their early completion. In each case the building of these roads has been in advance of the settlement of the country through which they run. In nearly every case the country has been settled since the completion of the road, in the main through the advertising agencies of the railroad managers whose motives were not only to develop traffic but to sell their lands. There has been no time when the original line made by the Union and Central Pacific roads could not and would not have provided facilities for and amply accommodated all the through traffic carried by the other lines; hence, the conclusion is inevitable that the United States Government, by granting large land subsidies in aid of roads which have been built, and which, since their completion, have competed for and taken a larger share of the through traffic from the Central and Union Pacific line, is directly responsible for the diversion of said traffic and the consequent loss in earnings to the Central Pacific Company and the Union Pacific Company. This loss would have been very much greater, but fortunately the Southern Pacific Railroad Company, organized in 1865 under the laws of California to build a railroad from San Francisco to San Diego, thence east to the boundary of the California State line, there to connect with railroads to be built to the Mississippi River, passed in 1870 under the control of the men who controlled the Central Pacific. The control of the Southern Pacific by the Central Pacific owners delayed the extensions of the former road, and after its extensions were made to connections with lines building westward from the Mississippi River, secured co-operation and harmony in working the traffic which was common to both the Central Pacific and Southern Pacific lines that would have been impossible under separate control, and which was of great advantage to the original or Central Pacific line.

There can be little questioning, in the minds of practical railroad men, of the proposition, that had the railroads following the 32d and 35th parallel routes, respectively, been wholly constructed and operated by men who were not interested in the Central Pacific line, the diversion of traffic to those lines would not only have been more rapid and greater in degree, but that the revenue of the Central Pacific and Union Pacific line would have been diminished in much greater ratio.

The extent of the damage to the Central and Union Pacific line by diversion of traffic to these other through trans-continental lines will be shown approximately by the general traffic manager in answer to the Commission's inquiry No. 54.

(2) *Local traffic.*—The traffic between San Francisco and other bay points, on the one hand, and the cities of Stockton, Sacramento, and Marysville, Cal., respectively, is shared by other carriers. This, however, scarcely comes under the head of a diversion from the Central Pacific aided lines. The other carriers sharing this traffic are, (a) vessels navigating the bays, Sacramento River, San Joaquin River, and Feather River, respectively—routes which were open and employed before the Cen-

tral Pacific line was built; (b) the California Pacific road, which was completed and in operation before the western division of the Central Pacific. Therefore, whatever amount of this business has been done via the western division of the Central Pacific is, in fact, a diversion from the other carriers named.

DIVERSIONS TO NON-AIDED LINES.

While the roads to which the diversions treated under this heading have been made were built and are owned by other companies than the Central Pacific, yet as they are controlled by those who have also controlled and managed the Central Pacific, I presume they illustrate the diversions to non-aided lines referred to in the Commission's interrogatory.

Traffic to and from points south of Lathrop interchanged with San Francisco and Oakland has, since the completion of the San Pablo and Tulare road, Tracy to Oakland via Martinez, been carried over that road instead of being carried via Niles and Livermore. The road from Tracy to Oakland, via Martinez, is 11 miles longer than the road from Tracy to Oakland via Livermore, but the former is a practically level road, its maximum grade being 10 feet to the mile, over which an ordinary engine can draw 50 cars, loaded with from 10 to 12 tons each, while the latter crosses the Contra Costa Range with a maximum grade of over 52 feet to the mile, which would require three engines to haul the same train. The longer line does not lose appreciably, if at all, in the matter of time when compared with the Livermore line, while it gains greatly in the matter of cost of operating.

Traffic on the western division of the Central Pacific east of Lathrop, to and from San Francisco and Oakland, has also been diverted from the "aided" line between Tracy and Niles in like manner and for the same reason as the traffic to and from points south of Lathrop.

Traffic interchanged by points east of Sacramento and north of Roseville Junction, with San Francisco and Oakland, has been diverted at Sacramento from the "aided" line, between Sacramento and Niles, to the California Pacific and Northern Railway, a non-aided line. The reasons for this diversion are—

(1) *Public convenience.*—The passenger train time between San Francisco and Sacramento, via the California Pacific line, is four hours against six hours via the Central Pacific, Stockton, and Livermore route. The public demands and is entitled to the best service we can give. We should be unable to justify sending passengers or even freight over the long and heavy line via Stockton against the shorter, easier, and much more attractive line via Benicia. Especially is this true of the through or trans-continental traffic, which is taken in competition with other trans-continental lines. The weight of this consideration with those whom the company serves is well illustrated by the fact that the United States Government chooses the short line for the transportation of its mails in consideration of (a) public convenience, (b) and the fact that it pays for the transportation of mails by the mile. By so doing it expedites the mails and saves money, secures the best service at the least expense to the Government.

(2) *Economy in operating.*—The line from Sacramento to Oakland wharf, via Stockton and Niles, is 126 miles, and crosses, as I have before explained, the Contra Costa Range at a maximum grade of over 52 feet to the mile, while the California Pacific line via Benicia makes but 86 miles between Sacramento and Oakland wharf, and is practically a level line. If we were to equate the two lines—that is to say, reduce the grades and curves of both lines to their equivalent in straight level lines, we would find the Stockton route to be more than double the length of the Benicia line. There is fully that difference in the cost of handling the traffic over the two routes, in view of which it would have been inexcusable to use the longer and more expensive route.

The Government did not assume the responsibility of constructing the Central Pacific road. It contributed thereto by a grant of land and a loan of credit, but its motives were selfish. It was not moved by a desire to benefit or enrich the promoters of these enterprises. The result, as will doubtless be shown before the Commission, has amply justified the wisdom of Congress in granting the aid. No government or individual ever made a better investment, or, if I may be allowed the expression, ever engaged in a more successful venture, even if it transpires that neither the principal nor the interest of the loan is ever repaid. Neither did the Government assume the responsibility of operating the road when it was completed. It was left in the control and management of its owners, and we must assume that this was the purpose of Congress. We may also fairly assume that Congress expected the road to be managed by practical business men upon established business principles, of itself a valuable promise, affording the best guaranty that sooner or later the company would be able to discharge its obligations to the Government. These shareholders found themselves engaged with the problem of making a support for nearly a thousand miles of road through a sparsely settled territory, which, for the most part, at the time

was regarded as incapable of producing anything in the way of traffic which a carrier could move with profit. It was a link in a trans-continental line connecting the Atlantic and Pacific coasts. California was the chief State on the Pacific coast, having a population in 1870, of but little over 560,000. It was known only as a mining State. Its agricultural resources were not only undeveloped but unknown, even undreamed of by the most sanguine. The chief value of the road was its value to the Government as a military road, as a strategic line, but the government assumed no responsibility for its management, provided no guaranty of earnings, no means of support. The owners of the road were left to their own resources and devices to develop traffic, and to make a support for it. The occasion called for the greatest skill and sagacity, untiring industry, and the utmost economy on the part of the owners and the agents they employed to assist in conducting the affairs of the company. The Government, which I here put in the place of the public, certainly understood this. It cannot be that at the time there was any warrant for interfering with the management of the road, or any thought of questioning the propriety of anything which the managers of the road might or should legally do in pursuit of the interest of the rail road company. Its interest was to secure the maximum of traffic and to move it at the minimum of cost. It is not to be supposed that the circumstances I have described ever (until after the passage of the Thurman act) suggested to the managers of the road, to its patrons, to Government officials, or to Representatives in Congress, that the question whether the company should or should not be restrained from adopting any method of conducting its traffic or any measure of economy in operating the road, or any device to conserve, increase, or promote its traffic, should turn upon the point whether or not it affected the earnings of a particular "aided" or "non-aided" portion of the road, so long as the method, measure, or device was lawful, and had for its object the welfare of the company. On the contrary, it is fair to assume that these circumstances not only warranted but required the employment of every measure of economy, every lawful device to defeat or meet competition, every means to increase the traffic and enlarge the revenue of the company, regardless of special considerations for a part of its road, whether "aided" or "non-aided," so long as the communities on every portion of the road were afforded reasonable service at a fair price.

Were we to examine into the ultimate cause which led to the acquirement or building of the "non-aided" lines to which traffic may be said to have been diverted, it will be found in every case to have had for its object the strengthening and protection of the Central Pacific line. They are all feeders of the main line. They occupy territory which sooner or later would have been seized by other railroad companies. They have developed the resources of that Territory and made it tributary to the main line of the Central Pacific. I venture to say that in each case the gain to the Central Pacific Company from contributions of traffic, the reduction of competition, the saving in cost of handling traffic by the acquirement of these "non-aided" competitive and tributary lines has more than equaled their cost. As a single example, take the California Pacific road. Suppose it had continued under separate and independent control from the Central Pacific, what its extensions might and would have been to the damage of the Central Pacific in its most productive territory is scarcely a matter of conjecture. It certainly would have been extended through the Sacramento Valley, and probably would have been constructed east and formed another through line. The control of the California Pacific was necessary to the Central Pacific. Having it, a reasonable regard for the public interest, as well as economy in conducting the traffic, compelled the Central Pacific managers to handle the traffic in the manner I have described. I need only suggest these considerations. They have doubtless been thought of and debated in your own mind to far greater length than in mine or than I would be authorized to treat them in this communication.

Very respectfully,

A. N. TOWNE.

SAN FRANCISCO, July 8, 1887.

HON. LELAND STANFORD,
President Central Pacific Railroad Co.:

DEAR SIR: In addition to what I said in my letter of the 5th relative to the diversion of business and the difficulty in operating the aided line between San Francisco and Sacramento as compared with the level and shorter line by the non-aided roads, I desire to call your attention to another important factor entering into the question, showing still further reasons why the company will not be able to meet its obligations to the Government at maturity, or even for many years to come.

Of the 845 miles (in round numbers) of the aided line between San José and the point of junction with the Union Pacific, 5 miles west of Ogden, 586 miles, or 67 per cent., is located in Nevada and Utah, through a section almost wholly devoid of the first element of prosperity in a country, namely, agricultural. All this vast region offers little inducement to the farmer—in fact, the country through which the

road passes is a vast area of unoccupied land, and the settlements along the road are small and unimportant, with few exceptions. I find in looking over the earnings for that portion of the line within the State of Nevada for the month of August, 1878 (which month showed the largest earnings of any month that year), it shows the entire receipts from both freight and passengers collected from our patrons for the pro rata proportion of the road operated within that State to have been as follows:

Freight forwarded from points in Nevada	\$48,620.64
Freight received at points in Nevada	74,715.06
Passengers both ways.....	27,974.00
Total.....	151,309.70

On the other hand, for this same month the taxes and amounts actually paid out to our own men, residents of that State, amounted to \$63,347.37; and we may add to this amount the cost of all such as rails, fastenings, timber, lumber and material for shops, fuel, &c., used in that State, which are not included in the above figure, together with proportion of interest, salaries, and other expenses; and we would find out that the amount so paid out was greater than the proportionate amount of earnings received from all traffic within the boundaries of that State.

There being no timber and but little cultivation, this vast territory may be classed as grazing and mineral lands, and the contributions to the road in the way of traffic are small and of far less value now than in the past, as will be seen by the following comparative statement of freight traffic to and from points in Nevada during the years 1876 and 1886:

	1876.		1886.	
	Pounds.	Earnings.	Pounds.	Earnings.
From Nevada points	121,712,636	\$519,796.63	166,909,636	\$543,257.80
To Nevada points	351,231,680	2,789,924.6	121,658,100	1,921,393.10
Total		3,309,721.23		1,674,650.90

Which shows for the "out" freight a gain in charges of 15 per cent. over 1876, and for "in" freight it shows a loss in charges in 1886, as against 1876, of over 63 per cent. On the total "in" and "out" it shows a loss in 1886, as compared with 1876, of \$1,635,100.30, or about 50 per cent.

The live-stock shipments are light, for the reason that the cattle-men drive much of their stock north through a good grazing country to shipping points for the East by the Union Pacific and Northern Pacific roads. And the great mining industries of Nevada, which once contributed a large and remunerative traffic to the road, now give us but a very limited amount.

From the Nevada State line westward, 138 miles, the road is constructed over the Sierra Nevada range of mountains, reaching an elevation of nearly 7,000 feet, where the traffic is light and the expense of operating very heavy. And since it is proper to judge all things by a standard of comparison, I may perhaps be permitted to point out a few of the difficulties incident to constructing and operating the Central Pacific road over this mountainous and sparsely-settled section as compared with the roads of the Eastern and Northwestern States: the latter were easily built, having straight lines, running through level and populous sections, many of them over inexhaustible beds of coal, with grades so favorable that eighty cars and upwards can be taken with safety in a train, while on the other hand, on the mountain section of the Central Pacific above mentioned, six cars is the limit for a train with a ten-wheel engine, with 15 by 24-inch cylinders, more than six cars requiring a second engine, and more than twelve or thirteen a third engine, or the train must be divided; this is on the portion of the road where we have to overcome an elevation of nearly 7,000 feet.

In passing, and in this connection, I will add that the nature of the country through which this road runs between San Francisco and Ogden is such that there is nearly 15,000 feet of ascending and nearly 11,000 of descending grades; making a total of about 26,000 feet. The total curvature is 45,000 degrees, equal to 125 complete circles, or to a 92-degree curve for the whole distance, thus necessitating a material increase of locomotive power.

Again referring to that portion of the line between the Nevada State boundary and Sacramento, I should not fail to remind you of the large and unavoidable ex-

pense in the construction and maintenance of snow sheds and galleries, in extent nearly forty miles, made necessary as a protection against the storms of the winter months in that region; then there is great cost in the maintenance and operation of the enormous snow plows, with a large force of men to work them, which force in the summer season has to be kept on water trains, fully equipped, to extinguish fires in the sheds and galleries. This is an expense that no other railroad in this country, or perhaps in the world, is subjected to.

All this is necessary to keep the line open for the movement of the traffic promptly and satisfactorily; and further, it is all-important that the line be ever kept open in order to meet the wants of the Government, as provided in the act requiring us to be prepared at all times to transport the mails, troops, munitions of war, supplies, and public stores whenever required to do so by any department of the Government, as they are to have preference in the use of the road in all cases and under all circumstances.

The line from Sacramento to San José is, in round numbers, 140 lineal miles; between Sacramento and San Joaquin River, 63 miles, the country is good, and devoted to agriculture and horticulture, the soil is productive and the traffic profitable to the road, although at Sacramento and Stockton we have active competition from the rivers, which makes traffic to and from those cities less desirable and profitable than we could wish.

From the San Joaquin River over the inner coast range of mountains to Livermore, 31 miles, is a section which pays little tribute to the road, but from Livermore to San José the line runs through a fine productive section of agriculture and horticulture, although that portion of it between Niles and San José, 17 miles, is subject to active competition from the South Pacific Coast Railroad, which not only divides up the traffic, but compels this company to take the remainder at very low rates. Further competition from this source is, however, happily now avoided by the acquisition of that company's property by the Southern Pacific Company.

In conclusion, I will add that notwithstanding the light traffic, the facilities and accommodations furnished our patrons are in all respects first class.

Yours, truly,

A. N. TOWNE.

EXHIBIT No. 3.—*Statement of J. A. Fillmore, general superintendent, relative to cost of operating mountain divisions.*

SAN FRANCISCO, July 25, 1887.

HON. LELAND STANFORD,
President Central Pacific Railroad Company:

DEAR SIR: As requested in yours of even date, I submit the following relative to the difficulties of and the difference in cost of operating the mountain division of the Central Pacific Railroad as compared with a road of ordinary grade:

(1) The engine service alone is nine times greater. For example, one engine can take a train of forty-five cars in the valley from Sacramento to Rocklin, from which point it requires five engines of the same class to take the same train over the mountain division. On the return these engines, not being required to pull the trains, are virtually "dead-headed," with the exception of one.

(2) The total cost of engine service per mile was much greater. Using the same fuel, wood, at the same price per cord, the cost per mile on the mountain division is 33²⁷/₁₀₀ cents; on a road of ordinary grade, 23³³/₁₀₀ cents, an increase of 42⁵⁴/₁₀₀ per cent.

(3) On account of the increased number of trains over the mountain division (five trains being required to do the work of one in the valley) there is a corresponding increase of expenses in the way of stations, telegraph operators, track-walkers, watchmen, wood-pilers, &c.

(4) The cost of keeping the mountain division open in heavy weather, especially during the winter months, is something beyond comparison with any other division or with any other road. I had charge of that division, as division superintendent, during the winter of 1873-4. The total fall of snow that winter was 63 feet. At times it was necessary to run five snow-plows, and nine engines were required to each plow, to insure against blockade. In addition to this we had to employ between four and five hundred shovelers during the storms, and most of them were required between the storms to shovel back the snow preparatory to another storm. During that winter, and indeed during every winter when we are troubled with snow in the mountains, all freight trains are put on sidings outside the snow-belt, their engines are placed on the snow-plows, and we only attempt to run passenger trains. We have had as many as thirteen engines on one passenger train of six cars. On that portion of the mountain division where the snow sheds are located, we have expended for repairs of the sheds in the nine years from 1878 to 1886, inclusive, \$384,974.23, an

average of \$42,637.23 per year. This is for ordinary repairs, and doesn't include betterments. In addition to the above expenses on repairs of the snow sheds, in order to guard against fire, we have three fire trains under steam day and night, ready to move at a moment's notice when an alarm of fire in the sheds is turned in. As a further precaution against fire, the sheds are watered twice a week for a distance of about 36 miles.

(5) We have over the Central Pacific Railroad one through express train each way per day, and during the summer months, for about six months of the year, for about two-thirds of the time, these trains are run in two sections, being too long and too heavy to be run as one solid train. Over the same road there is an average of three through freight trains per day each way; this is about the same daily number that have been run during my entire connection with the road, which began in 1871. It is only within the last few years, however, that second sections during the summer months have become of almost daily occurrence.

(6) Relative to where the business comes from that would maintain a road from the State of California through Nevada and Utah, will say: East-bound through freight originates in California, nearly all of it, and mostly west of the Sierra Nevada Mountains. Nearly all west-bound through freight originates east and south of Ogden, Utah.

Yours, &c.,

J. A. FILLMORE,
General Superintendent.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

J. A. Fillmore, being first duly sworn, saith: That he has read the foregoing statement; that the matter and things therein stated are true of his knowledge and belief, except as to those matters stated on his information and belief, and as to those he believes it to be true.

J. A. FILLMORE.

Subscribed and sworn to before me this 26th day of July, A. D. 1887.

[SEAL.]

E. B. RYAN,
Notary Public in and for said City and County.

EXHIBIT No. 4.—Statement of E. H. Miller, jr., secretary, relative to dividends paid.

Number.	Date.	Rate, per cent.	Amount.
1	Sept. 13, 1873	3	\$1,628,265
2	Aug. 4, 1874	5	2,713,775
3	April 1, 1875	6	8,256,530
4	Oct. 1, 1875	4	2,171,020
5	April 3, 1876	4	2,171,020
6	Oct. 2, 1876	4	2,171,020
7	April 2, 1877	4	2,171,020
8	Oct. 1, 1877	4	2,171,020
9	Feb. 1, 1880	3	1,678,265
10	Aug. 1, 1880	3	1,778,265
11	Feb. 1, 1881	3	1,778,265
12	Aug. 1, 1881	3	1,778,265
13	Feb. 1, 1882	3	1,778,265
14	Aug. 1, 1882	3	1,778,265
15	Feb. 1, 1883	3	1,778,265
16	Aug. 1, 1883	3	1,778,265
17	Jan. 15, 1884	3	1,778,265
			34,308,053

Central Pacific Railroad Company. Statement showing surplus profits available for dividends from organization to December 31, 1884.

1864 to June 30, 1878.

Income—receipts	\$124,283,017.46	
Land receipts to redeem bonds	1,136,000.00	
Interest on sinking funds	790,207.43	
	<hr/>	\$126,209,224.89
Expenses, &c	98,582,064.43	
Sinking funds of company	3,072,557.43	
United States Government:		
One-half transportation charges retained prior to 1873	758,639.80	
One-half transportation to June 30, 1878	1,021,249.85	
Five per cent. of net earnings to June 30, 1878 ..	1,871,430.00	
Land bonds redeemed	1,136,000.00	
	<hr/>	106,442,001.40
Surplus profits to date		19,767,223.49
Dividends Nos. 1 to 8, inclusive, September, 1873, to October, 1877 ..		18,453,670.00
		<hr/>
Balance surplus profits		1,313,563.49

July 1 to December 31, 1878.

Receipts:		
Earnings	\$9,798,477.33	
Lands	1,151,000.00	
Interest on sinking funds	118,702.29	
	<hr/>	11,068,179.62
Expenditures:		
Expenses, &c	7,916,723.13	
Land bonds redeemed	1,151,000.00	
Sinking funds of company	223,702.29	
United States requirement, 25 per cent. of net earnings	636,291.93	
	<hr/>	9,827,717.35
		<hr/>
		1,240,462.27

For the year 1879.

Receipts:		
Earnings	17,250,971.02	
Lands	433,000.00	
Interest on sinking funds	233,903.18	
	<hr/>	17,917,874.20
Expenditures:		
Expenses, &c	14,860,262.54	
Land bonds redeemed	433,000.00	
Sinking funds of company	772,403.18	
United States requirement, 25 per cent	800,563.92	
	<hr/>	16,865,229.64
		<hr/>
		952,644.56
Balance surplus profits to date		3,506,600.33

For the year 1880.

Receipts:		
Earnings	20,911,108.58	
Lands	200,000.00	
Interest on sinking funds	254,617.08	
	<hr/>	21,365,725.66

Expenditures:		
Expenses, &c.....	\$16,588,934.81	
Land bonds redeemed.....	200,000.00	
Sinking funds of company.....	1,008,117.08	
United States requirement.....	1,037,225.28	
	<u>18,834,277.17</u>	\$2,531,448.49
Surplus profits to date.....		6,038,108.81
Dividends Nos. 9 and 10.....		<u>3,406,530.00</u>
Receipts:	For the year 1881.	2,631,578.81
Earnings.....	\$24,094,100.95	
From investments.....	612,656.40	
From lands.....	420,000.00	
Interest on sinking funds.....	202,500.00	
	<u>25,329,257.35</u>	
Disbursements:		
Expenses, &c.....	18,087,719.98	
Land bonds redeemed.....	420,000.00	
Sinking funds of company.....	1,016,000.00	
United States requirements.....	1,038,935.24	
	<u>20,562,655.22</u>	4,826,602.13
Surplus profits to date.....		7,458,180.94
Dividends Nos. 11 and 12.....		<u>3,556,530.00</u>
Balance surplus profits.....		3,901,650.94
Receipts:	For the year 1882.	
Earnings.....	\$25,683,242.41	
Lands.....	711,000.00	
Interest on sinking funds.....	281,260.00	
	<u>26,675,502.41</u>	
Expenditures:		
Expenses, &c.....	20,545,180.24	
Land bonds redeemed.....	711,000.00	
Sinking funds of company.....	1,034,760.00	
United States requirement.....	792,920.24	
	<u>23,083,860.48</u>	3,591,641.93
Surplus profits to date.....		7,493,292.87
Dividends Nos. 13 and 14.....		<u>3,556,530.00</u>
Balance surplus profits.....		3,936,762.87
Receipts:	For the year 1883.	
Earnings.....	\$24,751,657.75	
Lands.....	574,000.00	
Interest on sinking funds.....	335,125.00	
	<u>25,660,782.75</u>	
Expenditures:		
Expenses, &c.....	20,196,863.42	
Land bonds redeemed.....	574,000.00	
Sinking funds of company.....	1,088,625.00	
United States requirement.....	641,530.00	
	<u>22,521,019.11</u>	3,139,763.64
Surplus profits to date.....		7,076,526.51
Dividends Nos. 15 and 16.....		<u>3,556,530.00</u>
Balance surplus profits.....		3,519,996.51

For the year 1884.

Receipts:

Earnings	\$22,182,030.86
Lands	472,000.00
Interest on sinking funds.....	373,000.00
Miscellaneous.....	234,211.83

23,261,242.79

Expenditures:

Expenses, &c.....	21,238,166.03
Land bonds redeemed.....	472,000.00
Sinking funds of company.....	1,126,500.00
United States requirement	538,851.52

Deficit.

23,375,517.55

\$114,274.76

Surplus profits to date	3,405,721.75
Dividend No. 17.....	1,778,265.00

Balance surplus profits to date 1,627,456.75

E. H. MILLER, Jr.,
Secretary.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

E. H. Miller, jr., being first duly sworn, saith: That he has read the forgoing statement consisting of the pages next preceding, marked "Exhibit No. 4," and knows the contents thereof; that the facts therein stated are true except as to those matters stated on his information or belief, and as to those he believes it to be true.

E. H. MILLER, Jr.

Subscribed and sworn to before me this 26th day of July, A. D. 1887.

[SEAL.]

E. B. RYAN,

Notary Public in and for the City and County of San Francisco, State of California.

EXHIBIT No. 5.—Statement of the consideration paid the company by each stockholder receiving stock, and when and in what property such payment was made.*

[The dates of payment herein given are the dates when amount subscribed was fully paid up. When stock was transferred or forfeited, the date of last payment by party holding stock is given.]

Names of stockholders.	No. of shares.	Dates of payment.	Amount paid.	In what property.	Transferred, &c.
<i>Central Pacific Railroad Company.</i>					
Avery, Sarah E.....	1	Oct. 10, 1864	\$100.00	Cash.....	
Avery, Melissa.....	1	Oct. 10, 1864	100.00	Cash.....	
Arnold, Jacob.....	2	Dec. 1, 1862	20.00	Cash.....	To Chas. Crocker.
Crocker, C.....		Mar. 21, 1870	180.00	Cash.....	
Adams, C. W.....	10	Mar. 11, 1864	1,000.00	Cash.....	
Brickell, B.....	20	Apr. 30, 1861	200.00	Cash.....	To C. C.
Crocker, C.....		Mar. 21, 1870	1,800.00	Cash.....	
Brickell, E. J.....	40	Apr. 30, 1861	400.00	Cash.....	To C. C.
Crocker, C.....		Mar. 21, 1870	3,600.00	Cash.....	
Booth, L. A.....	10	Jan. 17, 1867	1,000.00	Cash.....	
Bradley & Co., E. L.....	25	Apr. 30, 1861	250.00	Cash.....	Forfeited.
Beans, T. E.....	10	Apr. 30, 1861	100.00	Cash.....	Forfeited.
Bowstead & Co.....	10	Apr. 30, 1861	100.00	Cash.....	To D. W. Welty.
Welty, D. W.....				Cash.....	To C. C.
Crocker, C.....		June 21, 1870	900.00	Cash.....	
Bailey, James.....	150	Apr. 30, 1861	1,500.00	Cash.....	To A. P. Stanford.
Stanford, A. P.....		Sept. 28, 1863		Cash.....	To Leland Stanford.
Stanford, Leland.....		Apr. 4, 1870	15,500.00	Cash.....	
Blanchard, N. W.....	10	Apr. 30, 1861	100.00	Cash.....	To C. C.
Crocker, C.....		Dec. 14, 1866	900.00	Construction	
Burnham, W. C.....	10	Feb. 12, 1864	1,000.00	Cash.....	
Burt, B.....	5	Feb. 18, 1864	500.00	Cash.....	
Bell, T.....	2	Nov. 5, 1862	20.00	Cash.....	To C. C.
Crocker, C.....		June 21, 1870	180.00	Cash.....	
Bruner, Joseph.....	2	Feb. 9, 1863	40.00	Cash.....	To C. C.

* See answer to questions 27, 28, and 30.

EXHIBIT No. 5.—Statement of the consideration paid the company by each stockholder receiving stock, &c.—Continued.

Names of stockholders.	No. of shares.	Dates of payment.	Amount paid.	In what property.	Transferred, &c.
<i>Central Pacific Railroad Company—Con'd.</i>					
Crocker, C.		June 21, 1870	\$100.00	Cash	
Brown, Daniel	1	Nov. 6, 1862	10.00	Cash	Forfeited.
Bowman, Ida	2	Nov. 20, 1862	20.00	Cash	To C. C.
Crocker, C.		June 21, 1870	180.00	Cash	
Bowman, William J.	2	Nov. 20, 1862	20.00	Cash	To C. C.
Crocker, C.		June 21, 1870	180.00	Cash	
Bithell, James	20	Dec. 31, 1864	2,000.00	Cash	
Blum, E.	5	Mar. 30, 1863	150.00	Cash	To C. C.
Crocker, C.		June 21, 1870	250.00	Cash	
Beck, Robert	5	Dec. 12, 1862	50.00	Cash	To C. C.
Crocker, C.		June 21, 1870	450.00	Cash	
Belmer & Co., J.	3	Nov. 15, 1861	200.00	Cash	
Banquier, Joseph	5	Apr. 14, 1864	500.00	Cash	
Barnes, Charles	1	Dec. 15, 1862	10.00	Cash	Forfeited.
Brown, R. T.	10	Dec. 18, 1862	100.00	Cash	To C. C.
Crocker, C.		June 21, 1870	800.00	Cash	
Booth, Newton	25	Feb. 21, 1863	500.00	Cash	To L. S.
Stanford, Leland		Apr. 22, 1863			To C. C.
Crocker, C.		Jan. 4, 1866	2,000.00	Salary	
			5,000.00	Cash	
Bailey, James	500	July 4, 1863	20,000.00	Services	To A. P. S.
		Sept. 8, 1864	5,000.00	Services	
Stanford, A. P.		Nov. 30, 1864	18,000.00	Cash	To L. S.
Stanford, Leland		Apr. 4, 1870	4,000.00	Cash	
Reed & Co., H. W.	30	Sept. 8, 1864	3,000.00	Cash	
Bassett, George A.	20	July 1, 1863	2,000.00	Services	
Criss, Samuel	10	Nov. 3, 1864	1,000.00	Services and cash	
Cole, Cornelius	10	May 6, 1863	400.00	Cash	To C. P. Huntington.
Huntington, C. P.		Sept. 22, 1870	600.00	Cash	
Callahan, D. E.	10	May 1, 1862	100.00	Cash	To L. Upson.
Upton, L.		Sept. 5, 1864	900.00	Services	
Crocker, Charles	150	Dec. 1, 1864	15,000.00	Cash	
Cummings, C. H.	10	Jan. 4, 1864	1,000.00	Cash	
Cole, J. H.	2	Apr. 14, 1863	60.00	Cash	Forfeited.
Coffa, C. S.	1	Jan. 6, 1864	100.00	Cash	
Coburn, Martha T.	10	Oct. 31, 1862	100.00	Cash	To C. C.
Crocker, C.		June 21, 1870	800.00	Cash	
Cook, Henry	10	Feb. 27, 1864	1,000.00	Cash	
Crocker, H.	1	Nov. 5, 1862	10.00	Cash	Forfeited.
Chester, F.	2	Dec. 8, 1864	200.00	Cash	
Conrad, Marie	1	Mar. 12, 1863	30.00	Cash	To C. C.
Crocker, C.		June 21, 1870	70.00	Cash	
Conrad, John	1	Mar. 12, 1863	30.00	Cash	To C. C.
Crocker, C.		June 21, 1870	70.00	Cash	
Converse, C. H.	1	Nov. 10, 1862	10.00	Cash	Forfeited.
Cook, T. H.	5	Mar. 1, 1868	500.00	Cash	
Cool, A.	5	Feb. 10, 1864	500.00	Cash	
Cole, Cornelius	15	May 6, 1863	600.00	Cash	To C. P. H.
Huntington, C. P.		Sept. 22, 1870	800.00	Cash	
Crocker, E. B.	10	Dec. 23, 1863	100.00	Cash	
			900.00	Services	
Crocker, H. S.	5	Dec. 31, 1863	500.00	Cash	
Cummings, William	20	May 9, 1863	800.00	Cash	To J. Bithell.
Bithell, J.		June 10, 1865			To C. C.
Crocker, C.		Dec. 14, 1866	1,200.00	Construction	
Clark, D. W.	10	Jan. 8, 1863	100.00	Cash	To C. C.
Crocker, C.		June 21, 1870	900.00	Cash	
Crocker, B. R.	50	Feb. 3, 1864	5,000.00	Cash	
Crocker, Charles	500	Jan. 7, 1864	5,000.00	Cash	
			45,000.00	Construction	
Chamberlain, O. L.	250	May 12, 1864	25,000.00	Cash	
Drew, S. L.	5	May 10, 1864	500.00	Cash	
Dean, G. B.	5	May 30, 1864	500.00	Cash	
Duffy, James A.	5	Oct. 10, 1864	500.00	Cash	
Davis, E.	3	June 2, 1861	210.00	Cash	To C. C.
Crocker, C.		July 30, 1867	90.00	Construction	
Dreher, W.	5	Dec. 11, 1862	50.00	Cash	To C. C.
Crocker, C.		June 21, 1870	450.00	Cash	
Drew, D. K.	1	May 10, 1864	100.00	Cash	
Drew & Co., S. L.	40	May 10, 1864	4,000.00	Cash	
Doughlass, W. J.	1	Dec. 13, 1862	10.00	Cash	Forfeited.
Edglish, W. G.	10	May 1, 1861	100.00	Cash	Forfeited.
Evans, J. R.	2	Aug. 17, 1864	200.00	Cash	
Evans, C. & P.	20	Feb. 11, 1864	2,000.00	Cash	
Ezra, A.	1	Mar. 3, 1864	100.00	Cash	
Ezra, D. A.	10	Feb. 21, 1864	1,000.00	Cash	
Evarts, W. L.	2	Oct. 22, 1866	100.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	200.00	Construction	

EXHIBIT NO. 5.—Statement of the consideration paid the company by each stockholder receiving stock, &c.—Continued.

Names of stockholders.	No. of shares.	Dates of payment.	Amount paid.	In what property.	Transferred, &c.
<i>Central Pacific Railroad Company—Con'd.</i>					
Findley, Thomas W.	10	Nov. 1, 1864	\$100.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	900.00	Construction	
Forbes, J. F. H.	10	Oct. 22, 1862	100.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	900.00	Construction	
Frederick & Krebs	5	May 21, 1864	500.00	Cash	
Foye, W. H. S.	10	July 15, 1863	500.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	500.00	Construction	
Franklin, F.	2	May 22, 1863	60.00	Cash	To C. C.
Crocker, C.		June 21, 1870	140.00	Cash	
Floburg, J. S.	1	July 1, 1863	40.00	Cash	Forfeited.
Friend & Terry	20	Aug. 8, 1864	2,000.00	Cash	
Milliken Brothers	10	May 1, 1861	100.00	Cash	L. H. Foote.
Foote, L. H.					Forfeited.
Forney, J. W.	20	July 1, 1861	2,000.00	Services	
Griffing, Frederick	10	May 1, 1861	100.00	Cash	To L. Upson.
Upson, L.		Sept. 5, 1864	900.00	Services	
Gass, J. H.	10	May 1, 1861	100.00	Cash	To J. M. Frey.
Frey, J. M.		Apr. 27, 1870	900.00	Cash	
Gilling, John	50	June 23, 1865	5,000.00	Cash	
Gardner, Robert	10	Mar. 30, 1863	300.00	Cash	To C. C.
Crocker, C.		June 21, 1870	700.00	Cash	
Gallatin, Albert	10	July 15, 1863	500.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	500.00	Construction	
Greenlaw, A. S.	3	Feb. 9, 1864	300.00	Cash	
Gotthold, Gustave	1	May 30, 1864	30.00	Cash	Forfeited.
Gazert, Eugene	5	Mar. 17, 1863	100.00	Cash	To C. C.
Crocker, C.		June 21, 1870	400.00	Cash	
Gossmar, B.	5	Mar. 31, 1864	500.00	Cash	
Greenbaum, William	5	May 29, 1863	200.00	Cash	To C. C.
Crocker, C.		June 21, 1870	300.00	Cash	
Gates, Justin	10	Dec. 17, 1862	100.00	Cash	To Dr. D. W. Whitman
Whitmore, Dr. D. W.		Dec. 13, 1866	900.00	Cash	
Grubler, Christian	5	Jan. 7, 1863	50.00	Cash	To C. C.
Crocker, C.		June 21, 1870	450.00	Cash	
Grubler, Elias	5	Jan. 7, 1863	50.00	Cash	To C. C.
Crocker, C.		June 21, 1870	450.00	Cash	
Grubler, J.	10	Jan. 21, 1864	1,000.00	Cash	
Grimm, C. H.	10	July 30, 1863	500.00	Cash	Forfeited.
Goodman, Ira	25	July 1, 1863	2,500.00	Services	
Hooper, C. G.	10	May 1, 1861	100.00	Cash	To C. C.
Crocker, C.		June 21, 1870	900.00	Cash	
Hopkins, Mark	150	Dec. 31, 1865	15,000.00	Cash	
Huntington, C. F.	150	Dec. 31, 1865	15,000.00	Cash	
Hill, William H.	4	Mar. 15, 1864	400.00	Cash	
Harblson, J. S.	2	Mar. 27, 1864	200.00	Cash	
Hurley, Miss M. E.	10	Feb. 16, 1864	1,000.00	Cash	
Hartman, G. F.	4	Mar. 17, 1863	80.00	Cash	To C. C.
Crocker, C.		June 21, 1870	320.00	Cash	
Hector, J.	1	Nov. 3, 1862	10.00	Cash	Forfeited.
Hedbrun & Ben, A.	10	Dec. 17, 1863	600.00	Cash	To C. C.
Crocker, C.		June 21, 1870	400.00	Cash	
Hunt, W. B. (for E. Hunt.)	10	Sept. 4, 1862	500.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	500.00	Cash	
Holmes, H. T.	5	Dec. 11, 1862	50.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	450.00	Construction	
Hepkel, William	2	Dec. 11, 1862	20.00	Cash	To C. C.
Crocker, C.		Mar. 13, 1867	180.00	Construction	
Herrich, Charles	5	July 6, 1865	500.00	Cash	
Harmon, A. K. P.	20	Dec. 12, 1862	200.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	1,800.00	Construction	
Heppe, Jacob	2	Apr. 21, 1863	60.00	Cash	Forfeited.
Holmes, E.	5	Jan. 13, 1863	50.00	Cash	
Hull & Lohmann	100	Apr. 29, 1863	3,000.00	Cash	To E. H. Miller, Jr.
Miller, Jr., E. H.		July 20, 1867			To C. C.
Crocker, C.		July 20, 1867	7,000.00	Construction	
Heisch, August	2	Jan. 21, 1863	20.00	Cash	Forfeited.
Hopkins, Mark	500	Dec. 31, 1865	50,000.00	Cash	
Huntington, C. F.	500	Dec. 31, 1865	50,000.00	Cash	
Hemburn, George	25	July 1, 1863	2,500.00	Services	
Irwin, Jarel	5	Apr. 26, 1864	500.00	Cash	
			1,516.77		
Judah, T. D.	100	Sept. 22, 1863	12,016.55	Services	To C. C.
Crocker, C.		Dec. 20, 1863	600.00	Construction	
Jelly, Samuel	5	Mar. 20, 1868	500.00	Cash	
Jacobs, N. M.	2	Feb. 2, 1863	40.00	Cash	To C. C.
Crocker, C.		June 21, 1870	100.00	Cash	
Johnson, Peter	2	Jan. 30, 1864	200.00	Cash	

EXHIBIT No. 7.—Statement of the consideration paid the company by each stockholder receiving stock, &c.—Continued.

Names of stockholders.	No. of shares.	Dates of payment.	Amount paid.	In what property.	Transferred, &c.
<i>Central Pacific Railroad Company—Con'd.</i>					
Jacobs, Elias.....	10	Dec. 17, 1882	\$100.00	Cash.....	To C. C.
Crocker, C.....	.....	June 21, 1870	900.00	Cash.....	
Judah, T. D.....	450	July 1, 1883	45,000.00	Paid to sundry persons and charged to construction.	
Kelly, Mott & Co.....	10	May 1, 1881	100.00	Cash.....	To C. C.
Crocker, C.....	.....	Dec. 14, 1886	900.00	Construction.....	
Enox, W. F.....	5	Apr. 28, 1884	500.00	Cash.....	
Klink & Martfeld.....	5	June 30, 1883	500.00	Cash.....	
Kohler, H.....	5	Nov. 3, 1882	50.00	Cash.....	To C. C.
Crocker, C.....	.....	June 21, 1870	450.00	Cash.....	
Kahl, J. B.....	5	Nov. 6, 1882	50.00	Cash.....	To C. C.
Crocker, C.....	.....	June 21, 1870	450.00	Cash.....	
Krambach, L.....	3	Nov. 30, 1883	150.00	Cash.....	Forfeited.
Krales, Edward.....	10	Dec. 3, 1884	1,000.00	Cash.....	
Kimball, E.....	5	Dec. 18, 1883	500.00	Cash.....	
Keller, Frank.....	5	July 11, 1888	500.00	Cash.....	
Kendall, David.....	5	Oct. 20, 1888	500.00	Cash.....	
Kadel, Tobias.....	5	Dec. 11, 1882	50.00	Cash.....	Forfeited.
Kremble, E. C.....	10	July 1, 1883	1,000.00	Services.....	
Lindley, T. M.....	10	May 1, 1881	100.00	Cash.....	L. Upson.
Cason, L.....	.....	Sept. 5, 1884	900.00	Services.....	
Lord, Holbrook & Co.....	10	Aug. 10, 1884	1,000.00	Cash.....	
Loutzshier, W.....	5	May 1, 1881	50.00	Cash.....	To C. C.
Crocker, C.....	.....	Dec. 14, 1886	450.00	Construction.....	
Linsley, W. K.....	10	Feb. 16, 1884	1,000.00	Cash.....	
Larkin, H. W.....	50	Feb. 16, 1884	5,000.00	Cash.....	
Loomis, E. J.....	1	Apr. 24, 1883	30.00	Cash.....	Forfeited.
Littleton, M.....	2	Feb. 16, 1884	200.00	Cash.....	
Lewis, Isaac.....	1	Apr. 21, 1884	100.00	Cash.....	
Linton, C. B.....	1	Apr. 24, 1883	30.00	Cash.....	Forfeited.
Lyon & Son.....	10	July 12, 1885	1,000.00	Cash.....	
Locke & Lavenson.....	5	Aug. 22, 1885	500.00	Cash.....	
Locompt, M.....	10	June 18, 1883	500.00	Cash.....	To C. C.
Crocker, C.....	.....	June 22, 1888	500.00	Construction.....	
Lindley, T. M.....	50	July 11, 1885	5,000.00	Cash.....	
Lori, J. D.....	20	Aug. 10, 1884	2,000.00	Cash.....	
Marsh, Charles.....	50	Sept. 5, 1884	5,000.00	Cash.....	Forfeited.
Morse, John F.....	5	Feb. 28, 1884	500.00	Cash.....	
Moore, R. F.....	10	Feb. 2, 1883	200.00	Cash.....	Forfeited.
McLaughlin, E.....	10	May 1, 1881	100.00	Cash.....	To C. C.
Crocker, C.....	.....	Dec. 14, 1886	900.00	Construction.....	
Mathewson, J. T.....	5	Feb. 2, 1883	100.00	Cash.....	To C. C.
Crocker, C.....	.....	Dec. 14, 1886	400.00	Construction.....	
Morse, John F.....	15	Feb. 20, 1884	1,500.00	Cash.....	
McGuffee, James.....	5	Jan. 18, 1883	100.00	Cash.....	To C. C.
Crocker, C.....	.....	June 21, 1870	400.00	Cash.....	
Mier, F.....	10	May 20, 1884	1,000.00	Cash.....	
Mayer, Conrad.....	3	Nov. 8, 1882	30.00	Cash.....	Forfeited.
Mahlenfeld, F. H.....	2	Nov. 8, 1882	20.00	Cash.....	Forfeited.
Mosier, Samuel.....	5	Nov. 7, 1882	50.00	Cash.....	Forfeited.
Meister, John.....	2	Nov. 8, 1882	20.00	Cash.....	Forfeited.
Marvin, W. W.....	10	May 10, 1884	1,000.00	Cash.....	
McNeil, John.....	5	Sept. 5, 1888	500.00	Cash.....	
McDonald, R. H.....	20	June 8, 1888	2,000.00	Cash.....	
Myers, H.....	5	Dec. 8, 1884	500.00	Cash.....	
Mott, Jr., E. B.....	10	Feb. 5, 1886	1,000.00	Cash.....	
Moore, George R.....	10	Feb. 20, 1885	1,000.00	Cash.....	
Mangan, P. F.....	1	Feb. 15, 1884	100.00	Cash.....	
Mour, D. Z.....	25	June 19, 1883	2,250.00	Cash.....	To C. C.
Crocker, C.....	.....	June 21, 1870	250.00	Cash.....	
Mills & Co., D. O.....	50	Mar. 1, 1884	5,000.00	Cash.....	
Mahon, D. W.....	5	July 1, 1883	500.00	Services.....	
Nichols, N. S.....	10	Dec. 16, 1883	1,000.00	Cash.....	
Newman & Co., A.....	3	Nov. 6, 1882	30.00	Cash.....	To C. C.
Crocker, C.....	.....	June 21, 1870	270.00	Cash.....	
O'Neil, James.....	2	Oct. 25, 1882	20.00	Cash.....	To C. C.
Crocker, C.....	.....	June 21, 1870	100.00	Cash.....	
Outman, Ira.....	10	Nov. 1, 1882	100.00	Cash.....	Forfeited.
Ochs, George.....	2	Nov. 7, 1882	20.00	Cash.....	To C. C.
Crocker, C.....	.....	June 21, 1870	180.00	Cash.....	
Ostl, F.....	10	Dec. 11, 1882	100.00	Cash.....	Forfeited.
Pond, J. S.....	2	Jan. 30, 1883	40.00	Cash.....	To C. C.
Crocker, C.....	.....	June 21, 1870	160.00	Cash.....	
Pike, J. F.....	20	Mar. 20, 1886	2,000.00	Cash.....	
Russell, P. H.....	5	June 18, 1885	500.00	Cash.....	
Ross, C.....	10	April 6, 1883	800.00	Cash.....	To C. C.

EXHIBIT NO. 5.—Statement of the consideration paid the company by each stockholder receiving stock, &c.—Continued

Names of stockholders.	No. of shares.	Dates of payment.	Amount paid.	In what property.	Transferred, &c.
<i>Central Pacific Railroad Company—Con'd.</i>					
Crocker, C.		June 21, 1870	\$700.00	Cash	
Rosa, Thomas	10	April 11, 1863	200.00	Cash	To C. C.
Crocker, C.		June 21, 1870	200.00	Cash	
Remond, G.	10	July 11, 1866	1,000.00	Cash	
Ryan, John	5	April 28, 1864	500.00	Cash	
Ready, W. B. and R. F.	5	Oct. 31, 1862	50.00	Cash	To C. C.
Crocker, C.		June 21, 1870	450.00	Cash	
Rosa, Frank C.	1	June 17, 1861	50.00	Cash	To C. C.
Crocker, C.		June 21, 1870	50.00	Cash	
Russell, P. H.	10	June 19, 1865	1,000.00	Cash	
Robbins, S. B.	1	Feb. 4, 1863	20.00	Cash	Forfeited.
Ransich, Martin	3	July 5, 1864	300.00	Cash	
Reeves, J. W.	5	Mar. 19, 1864	500.00	Cash	
Redding, B. B.	2	Feb. 13, 1863	40.00	Cash	
			160.00	Salary	
Rice, H. B.	5	May 9, 1861	150.00	Cash	Forfeited.
Rowland, Geo.	10	June 8, 1863	300.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	700.00	Construction	
Stadcliff, W. M.	10	Jan. 4, 1863	1,000.00	Cash	
Robinson, Jno. E.	10	July 1, 1863	1,000.00	Services	
Ryan, Jas. T.	50	July 1, 1863	5,000.00	Services	
Strong, D. W.	50	Sept. 5, 1864	3,000.00	Cash	To C. C.
Crocker, C.		June 21, 1870	1,100.00	Cash	
Stockton, E.	20	May 1, 1861	200.00	Cash	To C. C.
Crocker, C.		June 21, 1870	1,800.00	Cash	
Sargent, A. A.	10	May 1, 1861	100.00	Cash	Forfeited.
Smith, C. W.	5	May 1, 1861	50.00	Cash	Forfeited.
Stanford, Leland	150	Dec. 31, 1865	15,000.00	Cash	
Somman, J. A.	1	Mar. 11, 1864	100.00	Cash	
Smith, John	1	Feb. 21, 1863	20.00	Cash	Forfeited.
Schuld, Philip	10	Jan. 26, 1864	1,000.00	Cash	
Stowbridge, F. W.	2	Nov. 1, 1862	20.00	Cash	To C. C.
Crocker, C.		June 21, 1870	180.00	Cash	
Scott, Mary	5	Jan. 19, 1864	500.00	Cash	
Soule, E.	4	Nov. 4, 1862	40.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	300.00	Construction	
Schaefer, Louis	1	Feb. 15, 1864	100.00	Cash	
Seilingen, Chas.	2	June 2, 1861	140.00	Cash	To C. C.
Crocker, C.		June 21, 1870	60.00	Cash	
Schade, John	3	April 5, 1864	300.00	Cash	
Scheld, Philip	10	Jan. 26, 1864	1,000.00	Cash	
Stanton, P.	5	Mar. 9, 1864	500.00	Cash	
Stevens, Joseph	1	Mar. 9, 1861	100.00	Cash	
Schroeder, H.	3	April 15, 1863	90.00	Cash	Forfeited.
Schroer, S. H.	1	Dec. 11, 1862	10.00	Cash	To C. C.
Crocker, C.		June 21, 1870	90.00	Cash	
Stremming, C.	5	Dec. 11, 1862	50.00	Cash	To C. C.
Crocker, C.		June 21, 1870	450.00	Cash	
Struts, Julius	10	Dec. 3, 1864	1,000.00	Cash	
Stewart, Geo. W.	10	May 17, 1864	1,000.00	Cash	
Stanley, Lee	3	Jan. 30, 1863	60.00	Cash	To C. C.
Crocker, C.		June 21, 1870	240.00	Cash	
Strong, W. R.	10	Feb. 10, 1864	1,000.00	Cash	
Schmeiser, Geo.	5	Aug. 12, 1865	500.00	Cash	
Spaulding, Wm. H.	20	Feb. 27, 1863	400.00	Cash	To C. C.
Crocker, C.		June 21, 1870	1,000.00	Cash	
Swinerton, Geo. H.	5	Oct. 21, 1865	500.00	Cash	
Stanford, Leland	500	Nov. 30, 1864	50,000.00	Cash	
Stanford, A. P.	10	Jan. 22, 1870	1,000.00	Cash	
Shaw, W. B.	20	July 1, 1863	2,000.00	Cash	
Sturgeon, K. B.	20	July 1, 1863	2,000.00	Cash	
Sherman, H. N.	5	July 1, 1863	500.00	Cash	
Sotter, Chas.	5	Nov. 5, 1862	50.00	Cash	Forfeited.
Turner, L. N.	10	May 5, 1861	100.00	Cash	Forfeited.
Truchler, Henry	5	Feb. 20, 1864	500.00	Cash	
Turon, S.	10	Sept. 22, 1866	1,000.00	Cash	
Thirlbahr, H.	3	Dec. 11, 1862	30.00	Cash	To C. C.
Crocker, C.		June 21, 1870	270.00	Cash	
Thirlbahr, Dorra	3	Dec. 11, 1862	30.00	Cash	To C. C.
Crocker, C.		June 21, 1870	270.00	Cash	
Upson, L.	10	Sept. 5, 1864	1,000.00	Cash	
Van Hensco, G. K.	2	Oct. 23, 1862	20.00	Cash	Forfeited.
Van Winkle, I. S.	20	Jan. 17, 1864	2,000.00	Cash	
Williams, John	10	May 1, 1861	100.00	Cash	To C. C.
Crocker, C.		Dec. 14, 1866	300.00	Construction	
Walte, E. G.	5	May 1, 1861	50.00	Cash	
Walte, D. W. (for Mrs. Baldwin).	3	Feb. 29, 1864	300.00	Cash	

EXHIBIT No. 5.—Statement of the consideration paid the company by each stockholder receiving stock, &c.—Continued.

Names of stockholders.	No. of shares.	Dates of payment.	Amount paid.	In what property.	Transferred, &c.
<i>Central Pacific Railroad Company—Con'd.</i>					
Wheeler, O. C. (in trust)	3	Nov. 23, 1865	\$300.00	Cash	
Wetzel, Julius	10	Dec. 3, 1864	800.00	Cash	Forfeited.
Williams, J. C.	25	Feb. 26, 1864	2,500.00	Cash	
Wachhorst, H.	5	Jan. 6, 1863	50.00	Cash	To C. C.
Crocker, C.	1	June 21, 1870	450.00	Cash	
Zunwalt, D. K.	1	Feb. 25, 1864	100.00	Cash	
Shew, Jacob	2	Sept. 5, 1863	20.00	Cash	Forfeited.
Wheeler, Cyrus T.	23	Oct. 18, 1865	2,500.00	Cash	
Menke, A.	2	Feb. 6, 1863	40.00	Cash	To J. Bellmer & Co.
Bellmer & Co., J.	1	Nov. 15, 1864	100.00	Cash	
Rippon & Hill.	5	Nov. 12, 1864	500.00	Cash	
Letto, Geo. J.	5	May 16, 1864	500.00	Cash	
Fitzpatrick, M.	1	Dec. 11, 1862	10.00	Cash	Forfeited.
Newburgh, L.	1	Jan. 10, 1863	10.00	Cash	To C. C.
Crocker, C.	1	June 21, 1870	90.00	Cash	
Lagoa, C.	1	Jan. 10, 1863	10.00	Cash	Forfeited.
Jacob, Enoch	10	..... 1865	1,000.00	Cash	
Stewart, Thos. K.	1	Jan. 8, 1864	100.00	Cash	
Jenks, C. C.	10	Dec. 8, 1862	100.00	Cash	To C. C.
Crocker, C.	1	Dec. 14, 1866	900.00	Construction	
Damant, Alphonsine.	15	Sept. 5, 1863	150.00	Cash	Forfeited.
Blod J. P. C.	5	Sept. 5, 1863	50.00	Cash	Forfeited.
	6,392		619,340.00		
Total number of shares as above, 6,392, at			639,340.00		
Paid in as above			619,340.00		
			19,800.00		
267 shares were declared forfeited, June 13, 1870, on which there had been paid \$6,840, which was			6,840.00		
Credited to profit and loss account			26,790.00		
Deduct 267, leaves 6,125 shares, at \$100			612,300.00		
Burke, E.	5	Mar. 24, 1864	500.00	Cash	
Weil, C.	3	Aug. 16, 1864	300.00	Cash	
Noeger, R.	3	Aug. 16, 1864	300.00	Cash	
Hill, W. H., for Jane E.	1	Mar. 15, 1864	100.00	Cash	
Hill, W. H., for Isabella	1	Mar. 15, 1864	100.00	Cash	
Miller, Jr., E. H.	10	Dec. 29, 1865	1,000.00	Cash	
Godchaux Bros. & Co.	10	Aug. 8, 1865	1,000.00	Cash	
McClatchy, J.	10	Aug. 10, 1863	1,000.00	Services	
Sacramento County	3,000	Jan. 25, 1864	300,000	Bonds	
Placer County	2,500	Jan. 12, 1864	250,000	Bonds	
Lombardi, C. A.	500	Aug. 4, 1863	50,000	Construction; materials.	
Lombardi, C. A.	600	Aug. 4, 1863	60,000	Construction; materials.	
Judah, T. D.	500	July 1, 1863	25,000	Services	To C. C.
Crocker, C.	1	Sept. 22, 1863	25,000	Salary	
Palmer, C.	5	July 20, 1863	500	Cash	
Williams, Mrs. E. L. M.	10	July 27, 1863	1,000	Construction; materials.	
Glidden, Mrs. C. C.	10	July 27, 1863	1,000	Construction; materials.	
Glidden, Mrs. E. M.	10	July 27, 1863	1,000	Construction; materials.	
Lynch, P.	7	July 27, 1863	700	Cash	
Rogers, J. J.	50	Dec. 12, 1863	5,000	Advertising and printing.	
Johnson, Joel.	1	Dec. 12, 1863	100	Cash	
Boruck, M. D.	5	Dec. 12, 1863	500	Services	
Chase, C. M.	5	Dec. 12, 1863	500	Services	
French, Walter H.	1	Dec. 14, 1863	100	Cash	
Costes, William.	1	Dec. 15, 1863	100	Right of way; release.	
Collins & Bro., C.	3	Jan. 14, 1864	300	Construction	
Smith, S. D.	76	Apr. 30, 1864	7,600	Construction	
Crocker, C.	116	Dec. 1, 1864	11,600	Construction	
Crocker, C.	658	Sept. 24, 1864	65,800	Construction	
Bates, C. D.	55	Apr. 28, 1864	5,500	Construction	
Turton, Knox & Ryan.	45	Apr. 28, 1864	4,500	Construction	
Sanders, Lewis.	3	Feb. 28, 1864	300	Real estate	
Domingos, John.	1	June 17, 1865	100	Cash	
Turton, William	5	Apr. 28, 1864	500	Cash	

EXHIBIT No. 5.—Statement of the consideration paid the company by each stockholder receiving stock, &c.—Continued.

Name of stockholders.	No. of shares.	Dates of payment.	Amount paid.	In what property.	Transferred, &
<i>Central Pacific Railroad Company—Con'd.</i>					
Foster, F.....	1	Apr. 30, 1864	\$100	Stationery and printing.	
Mason Mfg. Co.....	22	Apr. 30, 1864	2,200	Car trucks.....	
Huntington, C. P., agt.	300	Sept. 20, 1864	36,000	Paid for materials.	
Ross, Samuel.....	2	Nov. 9, 1864	200	Services and cash.	
Brannan, S.....	200	Dec. 1, 1864	20,000	Rolling stock....	
Crocker, C.....	202	Dec. 31, 1864	20,200	Construction.....	
Moore, George R.....	40	Feb. 29, 1865	4,000	Services.....	
Parker, J. E.....	3	Apr. 7, 1865	300	Real estate.....	
Crocker, Charles.....	3,377	June 24, 1865	337,700	Construction.....	
Ames, Henry.....	13	June 24, 1865	1,300	Real estate.....	
Estes, M. M.....	3	June 30, 1865	300	Services.....	
Haskell, D. H.....	20	June 30, 1865	2,000	Services.....	
Huntington, C. P., agt.	200	Aug. 26, 1865	20,000	Sold for cash....	
Robinson, Robert.....	10	Nov. 10, 1865	1,000	Services.....	
Stanford, Leland.....	30	Dec. 23, 1865	3,000	Salary.....	
Huntington, U. P.....	65	Dec. 23, 1865	6,500	Salary.....	
Crocker, E. B.....	141	Dec. 23, 1865	14,100	Salary.....	
Crocker, C.....	5,941	Dec. 12, 1865	594,100	Construction.....	
Crocker, C.....	6,584	Dec. 12, 1865	658,400	Construction.....	
Crocker, C.....	2,717	Dec. 15, 1865	271,700	Construction.....	
Crocker, C.....	55	Jan. 4, 1866	5,500	Salary.....	
Crocker, C.....	1,005	Jan. 12, 1866	100,500	Construction.....	
Crocker, C.....	2,210	Feb. 12, 1866	221,000	Construction.....	
Crocker, C.....	1,158	Mar. 7, 1866	115,800	Construction.....	
Crocker, C.....	2,109	Mar. 9, 1866	210,900	Construction.....	
Huntington, C. P., agt.	50	Mar. 9, 1866	5,000	Paid to sundry persons and charged expenses.	
Crocker, C.....	1,061	Apr. 19, 1866	106,100	Construction.....	
Huntington, C. P., agt.	25	May —, 1866	2,500	Expense.....	
Huntington, C. P., agt.	20	June 5, 1866	2,000	Expense.....	
Crocker, C.....	4,334	May 18, 1866	433,400	Construction.....	
Crocker, C.....	5,749	June 8, 1866	574,900	Construction.....	
Huntington, C. P., agt.	45	June 21, 1866	4,500	Sold for cash....	
Crocker, C.....	6,785	July 14, 1866	678,500	Construction.....	
Crocker, C.....	4,316	Aug. 14, 1866	431,600	Construction.....	
Huntington, C. P., agt.	50	Aug. 20, 1866	5,000	Expense.....	
Huntington, C. P., agt.	20	Aug. 31, 1866	2,000	Expense.....	
Crocker, C.....	5,585	Sept. 24, 1866	550,500	Construction.....	
Huntington, C. P., agt.	130	Dec. 7, 1866	13,000	Expense.....	
Huntington, C. P., agt.	20	Dec. 7, 1866	2,000	Sold for cash....	
Huntington, C. P., agt.	85	Dec. 7, 1866	8,500	Sold for cash....	
Huntington, C. P., agt.	295	Dec. 7, 1866	29,500	Expense.....	
Crocker, C.....	14,777	Dec. 12, 1866	1,477,700	Construction.....	
Crocker, C.....	1,429	Dec. 31, 1866	142,900	Construction.....	
Huntington, C. P., agt.	200	Feb. 22, 1867	20,000	Sold for cash....	
Huntington, C. P., agt.	605	Feb. 22, 1867	60,500	Sold for cash....	
Huntington, C. P., agt.	295	Feb. 22, 1867	29,500	Expense.....	
Crocker, C.....	1,906	Mar. 13, 1867	190,600	Construction.....	
Crocker, C.....	1,617	Mar. 22, 1867	161,700	Construction.....	
Huntington, C. P., agt.	50	Apr. 2, 1867	5,000	Sold for cash....	
Huntington, C. P., agt.	7	Apr. 2, 1867	700	Sold for cash....	
Huntington, C. P., agt.	30	July 4, 1867	3,000	Expense.....	
Crocker, C.....	6,940	July 16, 1867	694,000	Construction.....	
Crocker, C.....	10,976	July 26, 1867	1,097,600	Construction.....	
Crocker, C.....	21,822	July 30, 1867	2,182,200	Construction.....	
Crocker, C.....	9,125	Oct. 1, 1867	912,500	Construction.....	
Huntington, C. P., agt.	5	Oct. 14, 1867	500	Sold for cash....	
Crocker, C.....	7,209	Dec. 4, 1867	720,900	Construction.....	
Crocker, C.....	1,761	Dec. 24, 1867	176,100	Construction.....	
McClatchy, James.....	10	Feb. 2, 1868	1,000	Cash.....	
Huntington, C. P., agt.	50	June 4, 1868	5,000	Paid sundry persons and charged expenses.	
Huntington, C. P., agt.	4	June 10, 1868	400	Expense as above	
Contract & Finance Co.	8,600	July 2, 1868	860,000	Construction.....	
Huntington, C. P., agt.	55	Aug. 22, 1868	5,500	Expense.....	
Contract & Finance Co.	73,960	Sept. 25, 1868	7,396,000	Construction.....	
McDonald, R. H.....	7	Sept. 25, 1868	700	Real estate.....	
Crocker, C.....	14,381	Nov. 11, 1868	1,438,100	Construction.....	
Huntington, C. P., agt.	2	Jan. 5, 1869	200	Expense.....	
Contract & Finance Co.	86,000	Feb. 18, 1869	8,600,000	Construction.....	
Contract & Finance Co.	68,800	Oct. 1, 1869	6,880,000	Construction.....	

EXHIBIT NO. 5.—Statement of the consideration paid the company by each stockholder receiving stock, &c.—Continued.

Names of stockholders.	No. of shares.	Dates of payment.	Amount paid.	In what property.	Transferred, &c.
<i>Central Pacific Railroad Company—Con'd.</i>					
Huntington, C. P., agt.	50	Nov. 4, 1869	\$5,000	Expense	
Crocker, Charles	4,000	Apr. 6, 1870	400,000	Cash	
Huntington, C. P., agt.	50	May 19, 1870	5,000	.....
<i>Western Pacific Railroad Company (79,000).</i>					
Santa Clara County ...	1,500	June 30, 1870	150,000	Consolidation of June 30, 1870. (See supplementary statement W. P. R. R.)	
Stanford, A. P.	10	June 30, 1870	1,000	.....
Stanford, Leland	15,484	June 30, 1870	1,548,400	.....
Crocker, Charles	15,499	June 30, 1870	1,549,900	.....
Crocker, E. B.	15,499	June 30, 1870	1,549,900	.....
Hopkins, Mark	15,499	June 30, 1870	1,549,900	.....
Huntington, C. P.	15,499	June 30, 1870	1,549,900	.....
Miller, E. H., jr.	5	June 30, 1870	500	.....
Cummings, C. H.	5	June 30, 1870	500	.....
<i>California and Oregon Railroad Company (18,283).</i>					
Crocker, E. B.	3,659	Aug. 22, 1870	365,900	Consolidation of Aug. 22, 1870.	
Hopkins, Mark	3,658	Aug. 22, 1870	365,800	.....
Stanford, Leland	3,661	Aug. 22, 1870	366,100	.....
Stanford, A. P.	5	Aug. 22, 1870	500	.....
Miller, E. H., jr.	3	Aug. 22, 1870	300	.....
Redding, B. B.	5	Aug. 22, 1870	500	.....
Cummings, C. H.	5	Aug. 22, 1870	500	.....
Crocker, Charles	3,659	Aug. 22, 1870	365,900	.....
Huntington, C. P.	3,658	Aug. 22, 1870	365,800	.....
Madden, Jerome	5	Aug. 22, 1870	500	.....
Scudder, C. L.	5	Aug. 22, 1870	500	.....
Stanford, A. P. ....	.....	Aug. 22, 1870	.....	.....
Flint, James P.	20	Aug. 22, 1870	2,000	.....
Lauder, P. C.	20	Aug. 22, 1870	2,000	.....
Dana, Charles	20	Aug. 22, 1870	2,000	.....
<i>San Joaquin Valley R. R. Co. (3,050).</i>					
Crocker E. B.	600	Aug. 22, 1870	60,000	Consolidation of Aug. 22, 1870.	
Huntington, C. P.	600	Aug. 22, 1870	60,000	.....
Hopkins, Mark	600	Aug. 22, 1870	60,000	.....
Miller, Jr., E. H.	10	Aug. 22, 1870	1,000	.....
Crocker, C.	600	Aug. 22, 1870	60,000	.....
Bender, D. A.	10	Aug. 22, 1870	1,000	.....
Cummings, C. H.	10	Aug. 22, 1870	1,000	.....
Redding, B. B.	10	Aug. 22, 1870	1,000	.....
Stanford, Leland	600	Aug. 22, 1870	60,000	.....
Madden, Jerome	10	Aug. 22, 1870	1,000	.....
<i>San Francisco, Oakland and Alameda R. R. Co. (7,663).</i>					
Blake, G. M.	2	Aug. 22, 1870	200	Consolidation of Aug. 22, 1870.	
Blanchard, Wm.	20	Aug. 22, 1870	2,000	.....
Brooks, T. W.	20	Aug. 22, 1870	2,000	.....
Brown, J. M.	10	Aug. 22, 1870	1,000	.....
Brayton, Mrs. J. H.	5	Aug. 22, 1870	500	.....
Cannon, Adam	105	Aug. 22, 1870	10,500	.....
Garratt, W. T.	16	Aug. 22, 1870	1,600	.....
Hays, J. C.	5	Aug. 22, 1870	500	.....
Hardy, M. C.	3	Aug. 22, 1870	300	.....
Maller, H.	1	Aug. 22, 1870	100	.....
Macken, James	35	Aug. 22, 1870	3,500	.....
Raderich, L.	5	Aug. 22, 1870	500	.....
Sentchler, J. B.	5	Aug. 22, 1870	500	.....
Taylor, C.	2	Aug. 22, 1870	200	.....
Tubbs, Hiram	238	Aug. 22, 1870	23,800	.....
Tubbs, Hiram, trustee.	15	Aug. 22, 1870	1,500	.....

EXHIBIT No. 5.—Statement of the consideration paid the company by each stockholder receiving stock, &c.—Continued.

Names of stockholders.	No. of shares.	Dates of payment.	Amount paid.	In what property.	Transferred, &c.
<i>San Francisco, Oakland and Alameda H. R. Co.—Cont'd.</i>					
Woods, Samuel.....	10	Aug. 22, 1870	\$1,000		
Stanford, Leland, et al.)		Aug. 22, 1870			
Cohen, A. A.....	6,106	Aug. 22, 1870	610,600		
Crocker, Chas.....	200	Aug. 22, 1870	20,000		
Crocker, E. B.....	200	Aug. 22, 1870	20,000		
Hopkins, Mark.....	200	Aug. 22, 1870	20,000		
Huntington, C. P.....	200	Aug. 22, 1870	20,000		
Stanford, Leland.....	200	Aug. 22, 1870	20,000		
Contract & Finance Co	12,815	Feb. 24, 1871	1,281,500	Construction.	
Contract & Finance Co	20,000	Apr. 29, 1871	2,000,000	Construction.	
	545,585		54,558,500		
Deduct forfeited stock, 25 C. & O. div'n stock, 60 Old Yuba R. R.	85		8,500		
	545,500		54,550,000		
Deduct.....	2,745		274,500	Stock surrendered Aug. 22, 1870, S. J. V. R. R. Co.	
	542,755		54,275,500		
Pacific Improvement Co.	80,000	Dec. 31, 1886	8,000,000	Construction, C. & O. division.	
Stanford, Lel'd, trustee.....		June 5, 1871		In trust for Co., 53,333 shares.	
Stanford, Lel'd, trustee.....		Feb. 28, 1873		In trust for Co., 30,000 shares.	
Sold to various parties.	50,000	Jan. 29, 1880	{ 3,600,000 1,400,000	Cash. Charged to construction.	
Surrendered to Co.....		Apr. 27, 1887		26,988 shares.	
To Huntington, C. P.....	7,245	Apr. 27, 1887	724,500	In trust for Co.	
	680,000		68,000,000		

E. H. MILLER, JR., Secretary.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

E. H. Miller, jr., being first duly sworn, saith that he has read the foregoing statement, consisting of the pages next preceding, marked "Exhibit No. 5," and knows the contents thereof; that the facts therein stated are true except as to those matters stated on his information or belief, and as to those he believes it to be true.

E. H. MILLER, JR.

Subscribed and sworn to before me this 26th day of July, A. D. 1887.

E. B. RYAN,

[SEAL OF NOTARY.]

Notary Public in and for said City and County.

EXHIBIT No. 6.—Relative to lands of Central Pacific Railroad Company, by William H. Mills, land agent.*

OFFICE LAND DEPARTMENT,
CENTRAL PACIFIC RAILROAD COMPANY,
San Francisco, June 20, 1887.Hon. LELAND STANFORD,
President Central Pacific Railroad Company:

MY DEAR SIR: Answering the inquiries transmitted by you to this department of the Board of Commissioners to examine into the affairs of the Central Pacific Railroad Company, and touching the land grant to said railroad company, I have to respectfully report to you as follows: That the act of 1862 granted to the company for the purpose of aiding in the construction of a railroad and telegraph line:

"Every alternate section of public land designated by odd numbers to the amount of five sections per mile on each side of the said road on the line thereof, and within

* See answer to question No. 38.

the limits of ten miles on each side of said road, not already sold, reserved or otherwise disposed of by the United States, and to which a homestead or pre-emption claim may not have attached at the time the line of said road is definitely fixed."

The act further excepted from the operation of the grant all mineral lands, but where the same contained timber the timber thereon was granted. The provision relating to this subject is found in section 3 of the act approved July 1, 1862. By the passage of the act of 1864, entitled "An act to amend an act entitled: 'An act to aid in the construction of a railroad and telegraph line from the Missouri River to the Pacific Ocean, &c.,'" the third section of the act of 1862, above summarized and quoted, was amended by striking out the word "five" where it occurs and inserting in lieu thereof the word "ten," and by striking out the word "ten" where it occurs in the original section and inserting in lieu thereof the word "twenty."

Thus amended, the granting acts gave land in odd-numbered sections to the amount of twenty sections per mile on each side of the line of road.

The act approved July, 1864, amended and modified the mineral reservation by declaring that the term "mineral land," wherever the same occurs in the act, should not be construed to include coal and iron land. These provisions are found in section 4 of the act of 1864. The rights of the company under the grants of 1862 and 1864 attached to the land granted coincident with the time of the definite location of the road, and the filing of the map of definite location with the Secretary of the Interior. It should be observed that the date of the filing of the map of definite location of the road identifies the land granted, and initiates the definite rights of the company, suspending the operation of the homestead and pre-emption laws of the United States; but that the right of the company to select lands by lists of selections for the purpose of obtaining record title to the land by way of patents issued by the Government of the United States, accrued only at the date of the acceptance by the President of the United States of the road or section of the road when completed, to wit, November, 1874.

The provision of law above referred to is found in section 4 of the act of 1862, which reads:

"Whenever the said company shall have completed 40 consecutive miles of said railroad and telegraph line, ready for the service contemplated by this act, the President of the United States shall appoint three commissioners to examine the same and report to him in relation thereto; and if it shall appear to him that 40 consecutive miles of said railroad and telegraph line have been completed and equipped in all respects as required by this act, then upon the certificate of said commissioners to that effect, patents shall issue conveying the right and title to said lands to the company on each side of said road as far as the same is completed."

The right, then, of the company to select the land granted accrued on the date when the commissioners referred to in the law filed their certificate of acceptance by the President with the Interior Department of the Government. The date of the acceptance of the first 50 miles eastward from Sacramento is September 8, 1864, and the road between Promontory and Ogden was accepted by the President July 15, 1869, and the whole finally accepted in November, 1874.

It will be observed that the right of the company to select lands for the purpose of receiving record evidence of title by way of patents from the Government did not accrue prior to the dates above referred to, that it was a right which could not be exercised until the lands were surveyed and the plottings of surveys properly executed and filed in the local land offices of the United States, after first having been approved by the surveyors-general of the respective States and Territories through which the line runs. In addition to this, by rule of the Department, no selections are permitted until ninety days have expired after the date of filing and approval of the township plats by the surveyor-general. At the time the right of the company to ask for patents accrued by the acceptance of the various sections of the road by the President of the United States, but a very small proportion of the lands within the granted limits were surveyed and a still smaller proportion properly platted and the plats filed in the offices of the surveyors-general. An examination of the official plats reveals the fact that between the dates of the surveys and the dates of their final approval by the surveyors-general there is frequently a period of two or more years.

The act of 1864 added five alternate odd-numbered sections on each side of the road, and attached a new and important condition precedent to acquisition of record title. Section 12 of the act of 1864 provides:

"That before any land granted by this act shall be conveyed to any company or party entitled thereto under this act there shall first be paid into the Treasury of the United States the cost of surveying, selecting, and conveying the same by the said company or party in interest, as the title shall be required by the said company."

By this provision a new condition was imposed not found in the act of 1862, to wit, that requiring the company to pay the costs of surveying, selecting, and conveying the land. This new condition entailed a large additional expenditure of money by the cost of the items mentioned; but it, at the same time, defined the right of the company as to when such costs should be paid. In unequivocal language it declared

that the costs of surveying, selecting, and conveying the land should be paid by the company as the title should be required by it, thus vesting in the company the right of election as to when these fees should be paid and the record title obtained. The early occupancy and settlement of the region through which the railroad passed was obviously consistent with the highest interests of the company, that the Congress of the United States evidently depended upon this most obvious interest alone for the early disposition of the land. The subsequent action of the company proves that in entertaining this opinion the Congress of the United States was not mistaken. From the very outset the company inaugurated the policy of taking title to the lands as rapidly as such record evidence of title could be obtained from the Government, and even before the completion of the first section of 50 miles eastward from Sacramento, and in anticipation of its early completion, yourself as president of the Central Pacific Railroad Company, addressed a letter to Hon. John P. Usher, Secretary of the Interior, dated Sacramento, Cal., February 19, 1864, from which, as plainly showing forth the disposition of the company under this head, the following quotation is made:

AN URGENT LETTER.

"We expect to have 31 miles of railroad from Sacramento to Newcastle Gap completed and in running order about the 1st of April next, and it would be a great aid to the enterprise if the survey of 10 miles on each side of the road were completed immediately thereafter, as contemplated by the act of Congress."

Herein you urge upon the attention of the honorable Secretary the importance to the company of an early completion of the surveys of the lands granted to it. The records of the Land Office will show that upon the date at which your letter was written but six townships lying within the limits of the grant and opposite the 31 miles of road subject of your letter were surveyed, and of these six townships, embracing only about 70,000 acres of land *prima facie* granted to the company, there was but a small portion not accepted out of the grant by the operation of the homestead and pre-emption rights, reservations of mineral lands and land granted to the State as swamp and overflowed. Indeed, at the date of the grant itself approximately but 104,000 acres of the grant made to the road in California were surveyed, while the grant lying within the boundaries of the State of California was approximately 1,500,000 acres. It was presumably evident to your mind, as the chief executive officer of the company, that your company would exercise its right to select the land at the earliest possible moment, and your letter to the honorable Secretary of the Interior, even before the completion of the first section, urging the completion of the surveys is indisputable evidence of the very earliest disposition of your company in the premises. Whatever may have been the motive, however, in influencing the enactment of the provision above referred to, it is unequivocally provided in the terms of the granting act that the time of payment of the costs of surveying, selecting, and conveying the land should be a condition precedent to the receipt of record title and that the time of such payment and the formation of lists of selections should be left to the election of the company, or, to repeat the language of the act, should be paid, "as the company should require the title." In seeking for an interpretation of these words there is no ambiguity of language which leaves doubt as to their meaning. The cost of surveying, selecting, and conveying the land, and the issue of patents to follow the payment of such costs and selections were not made referable to or dependent upon the exigencies of State, county, or municipal government, but was relegated solely to the company itself. Notwithstanding, however, the absence of all legal requirements as to the time when the company should apply for and receive title to the lands granted, it from the first inaugurated the policy of paying the costs required by law of acquiring at the earliest practicable moment record evidence of title, and of promoting by every means in its power the settlement of the country through which its roads passed. As already indicated, the right of the company to acquire title did not mature until the various sections of the road had been examined and reported upon by the commissioners appointed by the President of the United States, and the road accepted by the President in pursuance of the recommendation contained in the report of such commissioners. The date at which the road was finally accepted is indicated by a letter from the Department of the Interior to the Commissioner of the General Land Office, dated Washington, November 3, 1869, in which the honorable Secretary informs the commissioners that the road has been accepted. Early in the year 1869 the Department of the Interior ordered an absolute suspension of the issuance of patents, as the following letter will show:

DEPARTMENT OF THE INTERIOR,
Washington, D. C., March 22, 1869.

SIR: You will withhold all action toward the issue of patents of lands to the Central Pacific Railroad Company of California and the Western Pacific Railroad Company until further advice from this Department.

Very respectfully, your obedient servant,
Hon. JOSEPH S. WILSON,
Commissioner of the General Land Office.

J. D. COX,
Secretary.

This suspension of patents placed an absolute embargo upon transactions under that head, an embargo which was not removed until March 26, 1870, a period of one year and four days. However, on the 3d day of November, the honorable Secretary of the Interior addressed the following letter to Hon. Joseph S. Wilson, Commissioner of the General Land Office:

DEPARTMENT OF THE INTERIOR,
Washington, D. C., November 3, 1869.

SIR: The Commission to examine the Union Pacific and Central Pacific Railroads having reported, and its report being accepted and made the basis of adjustment of the accounts between the United States and said railroad companies, you are hereby authorized to commence the patenting of such lands to the said companies under grants made by Congress, as follows: In addition to the bonds retained by the United States as security for the completion of said roads in the matters reported deficient or not up to the standard by the said Commission, one-half of the lands ready for patenting to the Union Pacific will have patents suspended until further direction from this Department. The other half may be patented to said company as fast as surveys and other preliminaries are completed—that is to say, beginning at Omaha and running westward—Sections 1, 5, 9, &c., will be patented, there being no valid claim found, and sections 3, 7, &c., will be withheld until further directions as above stated. Patents to the Central Pacific Railroad may, in like manner, issue, beginning at Sacramento and working eastward. It is my desire that the work be so systematized that it may be pushed forward as rapidly as possible.

Very respectfully, your obedient servant,

J. D. COX,
Secretary.

HON. JOSEPH S. WILSON,
Commissioner of the General Land Office.

Under the instructions contained in the foregoing, lists of selections were made. Some of these failed to observe the instructions of the Secretary of the Interior to omit one-half of the land in any township from the list of selections made. These lists having reached the Department of the Interior, the honorable Secretary, J. D. Cox, under date of March 8, 1870, in a letter addressed to the honorable Commissioner of the General Land Office, says:

"Under date of the 3d of November last you were directed to prepare for patenting one-half of the lands inuring to said company, namely: Sections 1, 5, 9, &c., and sections 3, 7, &c., should be withheld. I find that the lands thus to be withheld are in this list; therefore return the list, that a new one may be prepared, omitting those sections that are to be withheld from patenting."

Mr. Beard, attorney for the company at Washington, urged the issue of patents for the list, which embraced 116,000 acres, and in a letter addressed to Hon. Joseph S. Wilson, used the following language:

"In view of the fact that there has been patented heretofore to the company only 144,656 acres out of 1,700,000 acres, the surveys of odd-numbered sections along the 120 miles of road in California, in five years, this course appears to be but just."

Herein your attorney at Washington on the 26th day of March, 1870, was forced to plead the small number of acres listed and patented in the Central Pacific grant as an argument in favor of the issue of further patents.

It is plain from this plea of your attorney that there existed a strong desire on the part of the Government to withhold patents from the company, and an equally strong desire on the part of the company to urge the patenting of its lands as rapidly as that process could be achieved.

Certified copies of all the letters above set forth from the Interior Department at Washington are in possession of the land department of your company, to be exhibited when called for.

The road was, however, not finally accepted until late in the year 1874. The commissioners appointed to make the final examination were Eugene L. Sullivan, Calvin Brown, and J. W. Dwyer, and the report of these commissioners is dated Ogden, Utah, November 2, 1874. This report was certified by C. Delano, Secretary of the Interior, to the President, under date of the 12th of November, 1874; and at that date it may be said that the road was finally accepted. The time, then, at which the right to receive patents for lands granted may be placed approximately at January 1, 1875, at which date the company had applied for 304,196.38 acres, and had received patents for 271,165.85 acres.

At the very outset the adjustment of the grant to the Central Pacific Railroad was beset with difficulties and embarrassments unknown to the eastern division of the line connecting the Missouri River with the Pacific Ocean. The lands were not granted in specific sections. The sections could be identified only after the map of the route location of the line had been filed with the Secretary of the Interior. The limits of the grant could not then be delineated. Lands in the odd-numbered sections

within such limits were granted by categories only. Lands in certain other categories or relation with respect of the title of the Government were excepted, and among the latter mineral land was mentioned as an exception. The line of road from Sacramento eastward intersects at right angles the great mineral belt on the western flanks of the Sierra Nevada Mountains, and rules of practice in the General Land Office had to be established whereby the mineral or non-mineral character of the land could be ascertained. Decisions of questions of this character necessarily involve delay. The granting act did not specifically establish any court vested with power to hear and determine questions growing out of the physical facts by which lands granted or lands excepted out of the grant were to be identified. The act was turned over to the Executive Department of the Government for executive and ministerial administration, and the rules of practice by which determination was to be reached as to whether specific lands were granted or excepted were established by the Interior Department of the Government.

LISTS OF SELECTIONS FILED.

The first list of selections, completed May 19, 1865, and officially known as list No. 1, Marysville, embracing the listing of 55,259 acres. The first patent to the company granted in pursuance of this list of selections is dated January 4, 1866, and covered but 45,510 acres of lands listed in the original list, thus suspending for future examination 9,749 acres. This first list of selections, in the amount of 55,259 acres was, therefore, before the General Land Office at Washington eight months before any patents were issued. At the close of the year 1865 there was therefore due the company upon lists of selections of unpatented land the amount of 55,259 acres. The second list of selections is dated August 27, 1866, and embraced 41,804 acres. It is officially known as list No. 2, Marysville; and the third list, embracing 36,059 acres, known as list No. 3, Marysville, is dated November 6, 1866, and the receipt of patents to lands selected by this list is dated June 22, 1867, a period of seven months after the date of the listing. In each instance of lists of selections some of the land claimed by the company was suspended for further examination, an examination which, I regret to say, has not been made up to the present time.

Accompanying this letter to you will be found a tabulated statement.

This table shows the dates at which the listings were completed, and the date at which the patents in pursuance of such lists were received, and from it may be derived a full and complete exhibit of the status of the account between the Government and the company at any particular date. The tabulated summary of this statement is here introduced. This statement exhibits the total amount of acres for which the company had made application, and which applications were before the department at the end of each year—the number of acres patented in pursuance of such lists of selections—and the balance of acres listed and unpatented at the end of each year, from the end of the year 1865 to June 1, 1887. This table shows the smallest number of acres listed and unpatented before the General Land Office for examination to be at the end of the year 1875, and that they aggregated 17,131.97 acres, and also shows the largest balance of land listed and unpatented to be on the 1st day of June, 1887, and that they aggregate 622,612.54 acres. The tabular statement is subjoined, and its careful analysis is respectfully urged upon your thoughtful attention:

End of year.	Fees paid.	Acres listed.	Acres patented.	Balance of acres listed, unpatented.
1865.....	\$4,061.00	55,259.09	.....	55,259.09
1866.....	9,780.08	133,153.66	87,590.03	45,563.63
1867.....	10,177.65	161,733.67	144,380.63	17,353.04
1868.....	13,354.31	278,532.56	144,380.63	134,151.93
1870.....	14,863.89	296,910.21	261,625.33	35,284.88
1874.....	15,443.24	304,196.38	271,165.85	33,030.53
1875.....	18,961.84	358,628.00	341,496.03	17,131.97
1876.....	42,608.34	721,658.17	628,854.12	192,804.05
1877.....	43,543.18	735,234.33	694,158.99	41,075.34
1879.....	44,298.18	745,694.45	708,462.17	37,232.28
1882.....	51,646.35	871,625.73	721,494.68	150,131.05
1883.....	52,485.34	887,728.12	780,879.40	106,848.72
1884.....	63,440.01	1,077,737.50	889,945.09	187,792.41
1885.....	69,830.79	1,192,262.87	921,586.97	270,675.90
1886.....	90,484.17	1,566,519.07	1,030,710.59	535,808.48
June, 1887.....	95,498.64	1,162,323.13	1,030,710.59	622,612.54

DUE DILIGENCE TO SECURE PATENTS.

Your attention is respectfully called to the very significant fact that at the end of the year 1869, the date at which the road was completed, the company had made list application for 275,532 acres, all of which was made prior to the completion of the road itself, and that the Government had responded by issuing patents for but 144,356 acres, leaving a balance of acres listed and unpatented of 131,145. Thus, at the date of the completion of the road, the company was a petitioner for 134,145 acres of land in excess of the response of the Government to its petitions by way of patent. Your attention is further called to the fact that at the end of the year 1876, the approximate date at which under the act the company was to have completed the road, it had made application for 721,655 acres, to which the Government had responded by issuing patents for but 525,854, leaving a balance of acres listed and unpatented of 195,804. Following the table down to the close of the year 1883, a most significant exhibit should not escape your attention. At the close of that year the company had applied from the date of the first listing, in 1855 to the last listing completed in 1883, for 887,728 acres. From the acres so listed the Government had patented to the company 760,879 acres, leaving a balance of acres listed and unpatented of 106,848 acres. From the close of the year 1883 to the 1st of June of the current year the company has made application for 774,595 acres, an amount nearly equal in the three years and six months under observation to the gross amount of lands applied for in the twelve years preceding that period. The policy of increased activity in the application for patents was inaugurated in the hope that a corresponding activity in the examination of lists would be manifested by the Government. This, unfortunately, has not been the case, as the table herein above clearly exhibits. The only effect has been to increase disproportionately the figures in the column headed "Balance of acres listed and unpatented." Of the 887,728 acres in the aggregate listed at the close of the year 1883, but 106,808 acres remained unpatented; that is to say, about 12 per cent. of the acres presented to the Land Department at Washington in the lists of selections remained unpatented, while, on the other hand, of the 1,662,323 in the aggregate listed on July 1, 1887, 622,612 acres remained unpatented, the unpatented land bearing the percentage relation to the whole number of acres selected of about 38 per cent. Thus the percentage of the balance of acres listed and unpatented has increased since the close of the year 1883 from 12 per cent. to 38 per cent. The significance of this exhibit, as plainly tending to discourage the activity of the company in making lists of selections, will not escape the attention of any candid mind. The simple exhibit of facts themselves forces upon the company the conclusion that increased activity in the way of making lists of selections of lands for which patent is asked has not been met by a corresponding activity on the part of the Government in responding to the petitions of the company, but, on the contrary, has served only to increase disproportionately the balance of acres listed and unpatented. Your attention is called to the fact that the aggregate fees paid on account of lands selected by the company amount to \$35,465. Of this sum 38 per cent., or a sum in excess of \$37,000, was paid upon the lands for which patent is still withheld. The balance in favor of the company at the close of the business of 1883, which had been paid upon the lands selected and unpatented, was but slightly in excess of \$6,000. Increased activity in meeting the requirements of the granting act, by paying the costs of surveying, selecting, and conveying the land, has therefore resulted in the payment into the Treasury of the United States of a large sum of money, of the use of which the company is deprived, and which, by reason of the failure of the Government to respond with patents, lies useless in its Treasury. These facts present only discouraging features well calculated to deter the company from the policy of increased activity in the way of making lists of selection of the land granted.

The exhibit also shows clearly that from the date of the inauguration of the relations between the Government and the company under this head there has been no time at which the company has not had on deposit with the Treasury of the United States a considerable sum of money on account of the payment of the cost of surveying, selecting, and conveying the lands; that at all times from the date of the first list of selections to June 1, 1887, the Government itself has been the party delinquent, and that lists of selections upon which the fees had been paid largely in excess of the response of the Government by way of patents have been at all times and at all dates since the first list of selections was completed before the Land Department of the Government for examination.

THE GOVERNMENT FAILS TO SURVEY THE LAND.

Notwithstanding the requirement that the company shall pay the costs of surveys, the right to determine when such surveys may be made is vested by law in the Government of the United States. During the past two years the rates allowed by the Commissioner of the General Land Office for surveying have been so low as to amount

wholly arrest the progress of surveys within the limits of the grant. As fully illustrating the disposition of the existing administration in the premises, it may be here related that during the year 1886 the surveyor-general for the State of Nevada advertised for bids for surveys relating to three hundred and forty-five townships of land wholly within the limits of the grant to your company in that State. These three hundred and forty-five townships, embracing about one-half the area of the lands granted to your company in the State of Nevada, are still unsurveyed. Specifications for these surveys and the amount which would be allowed as fees for the surveys were advertised, and the bids were to have been opened, according to the advertisement, on the 1st day of November in that year. Upon the date at which these bids were to be opened not one bid had been received. The proposals had been rejected in their entirety by the surveyors. A like result has attended the offers of the Government for the completion of the surveys of land in California, and on the 1st of July, 1886, the surveyor-general of California returned to the Treasury of the United States the entire amount of the appropriation which had been made by Congress for the completion of the surveys of land in this State, notifying the Commissioner of the General Land Office at the same time that no responsible surveyor would enter into a contract for the completion of the surveys; that the rate of compensation offered by the honorable Commissioner of the General Land Office was entirely too low. In the Territory of Utah the efforts of the Commissioner to secure the completion of the surveys have been attended with a larger share of success, but there still remains in that Territory within the limits of your grant a very large area of unsurveyed land, while of the lands surveyed in that Territory within the limits of the grant, more than half of the surveys have been completed since the year 1880. According to the statements furnished by the honorable commission appointed to investigate the affairs of your road under this head, there was granted an aggregate of 8,000,000 of acres of land to your road. A very small proportion of this area was surveyed prior to 1850. Between the years 1870 and 1880 surveys were prosecuted very tardily. From 1880 to 1883 an increased activity in the surveys was observable, but even at the present date about one-half of the lands granted are still unsurveyed, but owing to the policy inaugurated and persisted in by the present honorable Commissioner of the General Land Office, surveying for the past two years has been almost wholly suspended.

DISCOURAGING AND UNREASONABLE REQUIREMENTS.

In addition to all the discouragements herein set forth, within the past three months, and in the exercise of his discretion, the honorable Commissioner of the General Land Office has departed from all the precedents established by his predecessors in office, and has attached to the requirements for disapproving the mineral character of land onerous and, to my mind, unreasonable rules of practice. These new rules are made applicable to the lists of selections which have been before the Department for more than two years. Among these rules may be mentioned that of requiring non-mineral affidavits as to land returned and denominated by the United States surveyors as agricultural. Heretofore such return by the surveyor was accepted as *prima facie* evidence of the agricultural character of the land. Under the existing regulations of the Land Department, which regulations have been announced only within the past three months, and made to relate to lists of selections which have been before the Department for more than two years, it is now required that an affidavit shall be made as relates to each 40 acres of land embraced within such list of selections by an individual "who has frequently passed over" each subdivision of 40 acres, and is therefore competent to testify that there are no mineral indications found upon the 40-acre tract subject of the affidavit; that the affidavit shall be made separately and specifically as relates to each particular 40 acres, and that a single affidavit embracing a number of these small Governmental subdivisions will not be competent; and that the individual who makes the affidavit shall be specifically authorized in each particular case to make such affidavit. This requirement is made to relate to large areas of grazing land in the State of Nevada and the Territory of Utah, notoriously free from all mineral indication. It is well known to you that large areas of lands, fit only for grazing purposes, in the State of Nevada and the Territory of Utah, are located in very sparsely settled regions, and that it will be most difficult, if not wholly impossible, to find individuals who have frequently passed over each particular and separate 40-acre tract embraced within the limit of your grant, and who therefore possess the necessary knowledge to qualify them to make the required affidavits in this behalf.

OBSTRUCTIVE MEASURES.

As to land interdicted as mineral by the field-notes of the United States surveyors, new, onerous, and to my mind, unreasonable requirements, are made in the recently adopted rules of practice. Under the rules of practice obtaining in 1865 and up to

the 1st of March, 1887, disproof as to the mineral character of land interdicted as mineral could be initiated upon lands unselected. This was obviously a reasonable rule. The lists of selections must first be submitted to the registers and receivers of the local land offices of the district wherein the lands are located. Upon lists so presented registers and receivers must first hear and determine upon all questions relating to the mineral character of the land before they can certify that it is agricultural in character, and therefore clear of the company, and subject to the terms of the grant. The practice has uniformly been to initiate proceedings prior to selections to disprove the mineral character of the land, which proof has been submitted under the rules established by the Interior Department itself for registers and receivers, and under the direction of these officers with respect to advertising the hearings of such testimony in disproof. Upon the testimony so presented, registers and receivers have determined the mineral or agricultural character of the land in question. The agricultural character of the land being established, it became subject to selection by the company, and land so selected could be certified as clear to the company by the registers and receivers of the district land office to the Commissioner of the General Land Office. In pursuance of this rule of practice, which was established by the Interior Department, and which had been maintained by all the Secretaries of the Interior until within the past few months, disproof as to the mineral character of the land was taken as relates to a large area of acreage. The proceeding is in the very nature of things costly, and after this cost had been borne by the company, &c., so much of the land as had been decided by the registers and receivers of the district land offices to be agricultural had been selected, the Commissioner of the General Land Office dismissed all the proceedings with reference to the non-mineral character of the land, not because of any allegation of irregularity of proceedings under the rules of practice which have obtained for the last twenty years, but upon the technical plea that the grant to the company does not of itself establish such right in the company with respect of lands selected as would entitle it to inaugurate proceedings in disproof, but that its rights to the land must first be inaugurated by a selection, and that disproof as to the mineral must follow and not preclude such selection. The order of the honorable Commissioner does not raise any question as to the adequacy of the proofs submitted. It simply declares that the proof, however adequate, was taken prior to the selection, and forces upon the company the expensive duty of reopening the proceedings in disproof, which are objected to not because of inadequacy, but solely on account of having been taken prior to selection.

By this ruling lists of selections long since completed were relegated to a condition of very indefinite delay as to the issue of patents. The extent to which the requirement relating to affidavits of non-mineral indication on each forty-acre tract of agricultural land within the limit of your grant will delay the future operations of the company in obtaining record title to its lands will readily be perceived. It should be remembered that at the date of the passage of the act the territory to be intersected by the line of road between the Missouri River and tide-water at the city of Sacramento was, with the exception of a small portion at the western terminus near the Missouri River, almost entirely uninhabited. The presumption was most natural that the construction of the road would be conducive to the settlement of this vast territory. At the date of the grant less than 5 per cent. of the lands granted were surveyed. No applications for patents could be made with respect to lands unsurveyed, and while one-half of the costs of the survey within the limits of the grant were chargeable to the company, the other half of the costs would have to be borne by the Government itself. The grant to the entire line from the Missouri River to the Pacific Ocean embraced approximately 20,000,000 acres of land, being at the date of the grant an unsurveyed and unappropriated portion of the national domain. The administrative task of surveying the lands was with the Government itself, a task which, after the lapse of a quarter of a century from the date of the granting act, is now only partially accomplished. The hearing and determination of evidence arising out of questions as to whether lands applied for were granted or excepted out of the grant added materially to the embarrassment of producing record evidence of title as rapidly as would meet the requirements of the company. As already noted, this embarrassment was further complicated by the exception of mineral land from the operations of the grant. There has never, therefore, been a time in the history of this transaction when the Government was able to meet the requirements of the company promptly by the issue of patents as rapidly as asked for.

GOVERNMENT UNABLE TO MEET THE DEMANDS OF THE COMPANY.

The Government has never been at any time, and it is not now, in a position to patent more than a small proportion of the land granted. The payment of the costs of surveying, selecting, and conveying, being a condition precedent to the issue of patents, would involve a large expenditure on the part of the company upon each list of

selections made. In the aggregate a very large sum of the company's money is now tied up by these payments, and in view of the tardiness of the governmental response to the demands of the company for patents, a delinquency which is clearly set forth in the accompanying documents, there is nothing to encourage, but rather everything to discourage, activity under this head. During every period of the administration of the land department of the company it has been apparent that the augmentation of lists of selections retarded rather than promoted the issuing of patents, and the completion of these lists and their presentation to the General Land Office at Washington involved a large expenditure of the company's money, which, while the company was deprived of its use, remained idle and useless in the Government Treasury.

The task of completing the surveys of the vast area of unsurveyed land, and the cost of making such surveys, which must be borne by the Government itself, were all difficulties which confronted the Government, and to which is referable the policy of vesting the company with the right to make demand for patent only as prompted by its own requirements, or the progress of settlement and consequent occupation and absorption of the lands granted. The provision of the granting act herein referred to was clearly suggested to the Congressional mind in the interest of the Government itself, and exactly supplemented the rights, conveniences, and interests of both the grantor and the grantees. In practice, however, it has conserved the interests of the Government more than those of the company. In all cases the delay in the issue of patents to the company has been a loss to the company's treasury. It has retarded the growth and development of the country tributary to the line of transportation constructed, and it has subjected the settler upon lands granted to the railroad company to inconvenience and loss arising out of delay in receiving title to his land. It has delayed the payment of money to the company for the purchase of such lands, and, beyond all this, it has been the occasion of much loss by reason of the extension of the discovery of mineral within the granted limits. This latter feature deserves more than passing notice. Under the decisions of the Supreme Court, lands patented to the company, and not known to be mineral at the time of the issuance of patents, pass the mineral with the title conveyed, while the discovery of valuable mineral deposits in the lands prior to the issue of patents excepts the land in which such mineral is discovered from the operation of the grant. Within a large section of the granted limits search for valuable mineral deposits has been arduous and constant. Mineral discoveries, therefore, have been constantly extending, and as they are extended, they operate to except out of the grant large quantities of valuable land which would have been patented by reason of the absence of mineral indications and mineral discoveries at the time application was made. Ascertainment of the quantity of land thus listed to the company would be a very tedious task. Approximations, however, have been made, and the result of such approximations justify the statement that at least 200,000 acres of land have been lost to the company in this way.

GOVERNMENTAL POLICY.

The policy of the Government with respect of the disposition of the even-numbered sections within the granted limits has been very injurious to the interests of your company. As soon as the granting act was passed the price fixed upon the even-numbered sections within the granted limits was raised to double minimum valuation, thus discouraging the operation of the pre-emption laws within the granted limits. The effect of the land policy of the Government as compared with the land policy of the railroad company is clearly shown by the fact that in townships of land where patents could be obtained, and where settlement has been made, settlement was begun and prosecuted upon railroad land alone. Recently prepared statistics concerning the disposition of the Government and railroad lands within the better settled portions of the grant show that more than twice the quantity of railroad land is being cultivated by actual settlers than of Government land within the same boundaries. Your company has addressed itself assiduously to the task of inducing settlement upon its lands, and by a liberal policy, embracing in its features low prices, long extensions of credit at low rates of interest, has largely accomplished its great mission of extending settlement and civilization along its line of road. On the contrary, the policy of the Government relating to the disposition of its lands, interspersed with the lands granted, has been rigid and many of its requirements not adapted to the development of the country. The unwisdom of its policy is particularly noticeable in the grazing areas of the great uplifted plateau lying between the Rocky and Sierra Nevada ranges of mountains. The limitations of acquiring only 160 acres to each actual settler, applicable only to such agricultural land as by reason of fertility makes that quantity suited to the industry of a single occupant, is not applicable to grazing lands. The general result of this has already been stated. Settlement has been chiefly upon lands granted to the railroad.

A SUMMARY OF POINTS.

To summarize briefly the points herein presented, it has been clearly shown:

(1) That by the terms of the granting act itself the cost of surveying, selecting, and conveying the land was made a condition precedent to the issue of patents, and that such cost was to be paid only as a title was required by the grantee.

(2) That the company has used due diligence in the payment of the costs of surveying, selecting, and conveying the lands, and that its diligence in this regard has resulted in a demand largely in excess of the response of the Government at every period in the history of this transaction.

(3) That all the apparent delay in the issue of record title to the lands granted to the Central Pacific Railroad Company is chargeable to the tardiness of the Government and not to the company.

(4) That the Government has at no time been in a position to grant patents conveying the title to large granted areas by reason of the absence of surveys and the unavoidable delays in determining questions of law and fact as to whether lands applied for were granted or excepted out of the grant.

(5) That the company has been subjected to great pecuniary loss growing out of the payment of costs of surveys and other attendant fees upon large lists of lands for which no patents have been granted and the loss of the use of moneys which would have been paid by the purchasers of lands had the response of the Government been commensurate with the legitimate demands of the company.

(6) That arbitrary and obstructive rules of practice have recently been devised, nullifying the efforts of the company to facilitate the completion of lists of selections and unnecessarily complicating the perfecting of such lists, whereby even greater tardiness in the response of the Government to the demands of the company than has heretofore been exhibited may be expected.

(7) That the delinquency of the Government and its tardiness in responding to the requirements of the company have at all times acted as discouragements to applications for patents; and

Generally. The exhibits presented prove conclusively that the grantee has been a party observant of all the duties made incumbent upon it by the terms of the grant itself, and that there has been no delinquency in contravention of the true intent and meaning of the granting act, except such as is chargeable to the grantor.

GENERAL LAND OFFICE HOPELESSLY IN ARREARS WITH WORK.

This statement would be incomplete without some consideration being given to the subject as to whether the Land Department of the Government is in position to examine the claims presented, and pass upon them with greater promptness than it has manifested in the past. The railroad division of the General Land Office is charged with the adjustment of the grants for railroads, wagon roads, and canals, and with the adjudication of claims of settlers and others within the limits of the grant. Under date of October 11, 1882, Hon. N. S. McFarland, Commissioner of the General Land Office, reported to Hon. Henry M. Teller, Secretary of the Interior, for the fiscal year ending June 30, 1882, that the work of the railroad division of his department was several years in arrears. As illustrating the difficulties with which that division is beset, it may be noted in the same report that Mr. McFarland declares that during the year 1882, 5,564 cases were presented for adjustment in the way of claims of settlers and others within the limits of the grants to railroads, and of this large number but 617 cases had received attention. Three thousand nine hundred and forty-seven, therefore, constituted the accumulation of the year. In the same report Commissioner McFarland submits a supplemental estimate in which he asks for 100 additional clerks and sufficient additional room for their accommodation.

Each successive administration has called attention to the delinquency of the various divisions of the Land Department. The present honorable Commissioner, W. A. J. Sparks, repeats the suggestions of his predecessor, Commissioner McFarland, and urges upon the attention of the Secretary of the Interior the importance of authorizing additional clerical force in the department. The volume of business in the railroad division, and the relative capacity of the division to pass upon the lists of selections presented, and the inadequacy of the force at hand of the Commissioner of the General Land Office, are most clearly illustrated in the following exhibit:

In 1882 lists of selections presented to the railroad division for patent by the land-grant railroads to the United States aggregated 1,958,392 acres. In 1883 the amount had risen to 3,070,453 acres. In 1884 the lists of selections had accumulated and aggregated in that year 11,891,068 acres. In 1885 the accumulation of business represented 14,273,057 acres. In 1886 the acres before the department awaiting its action were 16,571,299. Thus, in five years, the number of acres before the department awaiting its action had risen from 2,000,000 to over 16,000,000. The foregoing state-

ments are derived from the official reports over the signatures of the Commissioners themselves.

As more fully illustrating the extent of this incapacity of the department to examine and certify for patents lands before it for examination, the significance of the following statement will be apparent:

The railroad division of the General Land Office in 1881 examined 949,446 acres, and certified that quantity for patents. In 1882 it examined and certified for patents 176,406 acres; in 1883, 477,740 acres; in 1884, 647,162 acres; in 1885, 1,153,950; in 1886, 100,823 acres. The business transacted from June 30, 1885, to June 30, 1886, was the only full year under the administration of Commissioner Sparks; with 16,570,299 acres before the railroad division under his administration awaiting examination and determination by the division, it was able to examine and certify for patents but 100,000 acres. For the six years reported, to wit, from June 30, 1881, to June 30, 1886, there were examined and certified for patents 3,505,527 acres, being an average of 584,254 acres per annum, or, in round numbers, a half million acres per annum. If, therefore, no further lists of selections are presented to the department, and the average amount of business can be transacted in the railroad division in the future as in the past, as shown by the above exhibit, it will require thirty-two years to complete the examination of the land already selected by lists of selections now before the department for examination.

ONE HUNDRED AND SIXTY YEARS.

If, however, the volume of business transacted by the railroad division in the year 1886, the only full year under the existing administration, is to be taken as a criterion of the capacity of that department for the examination of the selections before it, one hundred and sixty years will be required to examine the selections now made and submitted. The capacity of the department under the existing administration having been tested by a full year of administrative effort, and found to be equal to the task of examining and certifying 100,000 acres per annum, the lists of selections now before the department from the Central Pacific Railroad alone will require six years in their examination should the department devote itself entirely to the business submitted by your company to the exclusion of all other lists. There is, of course, not the slightest reason to hope that the business of your company will receive this exclusive attention, and receipt of patents for lands now applied for is, therefore, relegated to the indefinite future. In the mean time settlers and occupants who have in good faith taken possession of the lands granted to your company and established homes thereon are clamorous for title. This delay with titles serves to obstruct and hinder the settlement and occupancy of the company's lands, and the result consequent is a loss on the transportation side of the account. The granting of patents upon the selections now before the department would place your company in a position to make lists of selections covering 1,000,000 acres within the next year and the sale of lands along the line of your road would augment the business of the line in the most signal manner.

THE USELESSNESS OF FURTHER SELECTIONS.

In view of the condition of things as reported by the Commissioner of the General Land Office, and of the further view of the manner in which lists of selections have been treated by the Government, the uselessness of making further lists of selections, and of devoting further sums of money to that purpose until the lists now before the Interior Department are disposed of, is altogether apparent. It is not the province of this report to you, nor within the purview of answers to the questions propounded, to suggest remedies for this state of things. It is, however, plain to the most casual glance that the Land Department of the Government is most hopelessly in arrears with its business, and to such an extent as to make it entirely beyond its power to extricate itself from existing complications. The department charged with the adjustment of these land grants and the ultimate final adjudication is vastly inadequate. The remedy is self-suggestive. Subsidiary departments in each State and Territory wherein these land grants are located should be vested with the power of hearing and of final determination of these cases. Their position on the ground would connect their knowledge more immediately with the nature of the question in controversy, and enable them to reach final determination with greater facility, and also to reach an adjudication of the various cases more nearly in accordance with the equities involved. With 16,500,000 acres before the department at Washington for examination, and the tested capacity to hear and determine as to but 100,000 acres per annum, it may be said with reason that the progress of the adjudication is practically arrested. If it is ever to be proceeded with in a manner consistent with the rights and interests of both the grantor and grantee, it is now plainly apparent that at least one hundred times the force at the command of the Commissioner of the General Land Office will be necessary to meet the requirements under this head. It is unreason-

able, if not wholly absurd, to suppose, in view of the existing state of things, that a single department of the Government, controlled and directed by a single head, can hear and determine within a reasonable time the vast number of cases submitted for its attention. In his report to the Secretary of the Interior, Commissioner Sparks declares that the number of contested cases awaiting final action at the close of the fiscal year was 6,331. Of these 1,227 had received some attention, but not final action, and 5,104 had received no attention and no action whatever. Of the *ex parte* cases before the department there remained for final action at the close of business 4,540, and of these 923 had received some attention, leaving 3,617 *ex parte* cases which had not been reached for examination.

CASES BEFORE THE DEPARTMENT.

At the close of the year, therefore, there were 8,791 cases before the department which had received no attention whatever. At the close of the business of the administration preceding the present one, viz, June 30, 1882, the aggregate of cases which had not been reached for examination was 3,947. In a period of four years, therefore, there has been an increase of 4,477 cases which had not been reached for examination, proving clearly that the arrears of the department under this head are constantly augmenting instead of diminishing. With the lapse of each fiscal year the reports of the Commissioner show that under every head the department is becoming more hopelessly and inextricably in arrears with its business.

In view of these facts the land department of the company is confronted with hopeless and discouraging circumstances that call loudly for remedial legislation at the hands of the national Congress.

RECENT AMENDMENTS TO THE LAW.

Frequent reference has been made in this report to section 21 of the act of 1864, which declared that before any land granted by the act should be conveyed, there should first be paid into the Treasury of the United States the cost of surveying, selecting, &c., as the title should be required by the company. In the foregoing, it has been clearly set forth that, notwithstanding the right was vested in the company to pay the cost of surveys, and to make lists of selections, as the title should be required by it, yet the company has at all times importuned the Government for the issue of patents. Your attention is now called to the fact that, by an act approved July 10, 1886, entitled "An act to provide for taxation of railroad land grants and for other purposes," section 21 of the act of 1864 was amended. The amendment is found in section 4 of the act of July 10, 1886, and reads as follows:

"Sec. 4. That section 21, chapter 216, approved July 2, 1864, is hereby amended so that the cost of surveying, selecting, and conveying therein required to be paid, shall become due and payable on demand therefor made by the Secretary of the Interior, as provided in section 2 of this act."

Notwithstanding the act last above quoted was approved July 10, 1886, no demand has been made on the company by the Secretary of the Interior, and until such demand is made the company cannot be delinquent or in default with respect of the payment of costs of surveying, selecting, and conveying, or the making of lists of selections.

CONCLUSION—THE LAND-GRANT MORTGAGE.

In conclusion, permit me to call your attention to the strictures that have been made upon the mortgage or trust deed, executed by the company on the 1st day of October, 1870, upon the lands granted in aid of the construction of the line. It has been contended that the mortgage was placed upon the land in evasion of a provision found in section 3 of the act of 1862. That provision reads as follows:

"And all such lands so granted by this section, which shall not be sold or disposed of by the said company within three years after the entire road shall have been completed, shall be subject to settlement and pre-emption like other lands at a price not exceeding \$1.25 per acre, to be paid to said company."

The trust deed, however, was decided by the Supreme Court of the United States to be a disposition of the land within the meaning of the grant.

But even if the trust deed above alluded to had not been executed the proceeds of the land grant would have passed to the company under the operation of this clause of section 3, which, in effect, would have established in the company a perpetual right to receive the proceeds of the sale of the land. The lands would thus have reverted to the public domain, and the proceeds of their sale would have been payable to the company. As Government land they would necessarily have been exempt from taxes by States, counties, and municipalities, but the proceeds of their sale have been the property of the company. The execution of the trust deed, thus

operated to create taxable property. Criticisms which have been made upon the execution of the trust deed have generally proceeded upon the theory that if such trust deed had not been executed, the lands would have reverted to the Government absolutely, and the rights of the company therein would have ceased and determined. The erroneous nature of this view is clearly shown by the words of the granting act.

WM. H. MILLS.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

William H. Mills, being first duly sworn, saith that he has read the foregoing statement consisting of pages next preceding, marked "Exhibit No. 6," and knows the contents thereof; that the facts therein stated are true, except as to those matters stated on his information or belief, and as to those he believes it to be true.

WM. H. MILLS.

Subscribed and sworn to before me this 26th day of July, A. D. 1887.

[SEAL.]

E. B. RYAN,

Notary Public in and for the City and County of San Francisco, State of California.

EXHIBIT NO. 7.—Statement of J. C. Stubbs, general traffic manager, relative to differentials, pools, &c.*

The rates of charge for freights and fares are just and reasonable. When considered in respect of circumstances and conditions affecting profit and loss, they afford the cheapest transportation service in the country. Among the circumstances and conditions affecting profit and loss are the physical characteristics of the road, such as the gradients and curvatures, which very largely determine the cost of building and also the cost of operating the road, and the volume of business which determines the earning power of the road. These, and other, if not equally important, certainly very important, circumstances and conditions, together with the rates of charge on the Central Pacific line when compared with similar circumstances and conditions of rates of charge on other railroad lines in the country, will inevitably lead to the conclusion that there is no cheaper transportation service in the United States.

RATES CHARGED.

The fare between San José and Sacramento (128 miles), where there is practically no competition, is at the rate of 2.6 cents per mile, and between intermediate stations for short distances at the rate of 4 cents per mile.

The freight charges for this line range from 1½ cents on the lowest class, to 3½ cents per ton per mile on the highest class.

This line crosses the Contra Costa range of mountains, rising from 88 to 740 feet above the sea-level in 25 miles, and has for 38 miles an average grade of 52.8 feet to the mile.

During the year 1885 the total number of passengers taken up and laid down, either or both, on this line was at the rate of 2,410 per mile.

The freight taken up and laid down, either or both, on this line during the year 1885, was at the rate of 3,197 tons per mile.

The rate of charge for fares between Sacramento and California State line (140 miles) is 5½ cents per mile. The rates of charge for freights range from 1½ cents on lumber, to 14 cents per ton per mile on the highest class.

PHYSICAL LOCATION OF ROAD AND TRAFFIC DONE.

The number of passengers taken up and laid down, either or both, on this line, during the year 1885, was at the rate of 534 per mile. The number of tons of freight taken up and laid down, either or both, on this line during the year 1885, was at the rate of 1,070 per mile. On this section the road crosses the Sierra Nevada Mountains, rising from 30 feet to over 7,000 feet above the sea-level. In a distance of 87 miles (between Roseville and Summit) the rise is over 6,800 feet, the average grade being over 80 feet to the mile, the maximum being 116 feet. Over 55 per cent. of the distance is curved line and about 40 miles of it is protected by snow sheds.

Between California-Nevada State line and Ogden (603 miles) the rate of fare locally for single trips is 7½ cents per mile, and for round trips 5½ cents per mile. The freight charges range from less than seven-tenths of a cent per ton per mile on lumber to 15 cents per ton per mile on the highest class of merchandise.

* See answer to question No. 10 and question No. 39.

For about 499 miles this line is through the comparatively desert and sparsely populated State of Nevada, which contains 112,090 square miles of territory, and had about 62,000 inhabitants in 1880, which declined to 58,000 in 1886, being about one inhabitant to each two square miles. This area is nearly equal to that of New York and the New England States (115,307 square miles), which in 1885 contained a population of 9,744,385, or an average of 169 inhabitants to each two square miles—a population 169 times greater than that of the State of Nevada.

The road through Eastern Nevada is heavy, having frequent grades, ranging from 32 to 79 feet to the mile.

In 1886, the number of passengers taken up and laid down, either or both, within the State of Nevada, was at the rate of 77 to the mile; and the number of tons of freight was 237 to the mile; from which it will be seen that the local travel on that line would not suffice to pay ordinary train expenses of one train per day. Except on extraordinary occasions, one train per day each way amply accommodates all the passenger travel, both through and local.

COMPARISON OF PASSENGER RATES WITH THOSE OF OTHER ROADS.

The fare between San Francisco and Sacramento (140 miles, 110 miles of which belongs to the bond-aided line) is \$3. Compare this with the rate between New York and Philadelphia (90 miles) which is \$2.50; or with the rates between Chicago and Union Grove, on the Chicago and Northwestern Railway, a distance of 128 miles, which is \$3.83, or at the rate of 3 cents a mile; or the fare between Chicago and Kewanee, on the Chicago, Burlington and Quincy Railroad, 131 miles, which is \$3.93, or at the rate of 3 cents per mile; or with the fare between Chicago and Wyanet, on the Chicago, Rock Island and Pacific Railway, 129 miles, which is \$3.74, or at the rate of 2.9 cents a mile; or with the fare between Chicago and Mount Carroll, on the Chicago, Milwaukee and Saint Paul Railway, 128 miles, which is \$3.83, or at the rate of 3 cents a mile; or with the fare between Chicago and Columbia, on the Pittsburg, Fort Wayne and Chicago Railway, 130 miles; or between Chicago and Sturges, on the Lake Shore and Michigan Southern road, 132 miles; or between Chicago and Mattowa, on the Michigan Central road, 139 miles, which was \$3.90, \$3.90, and \$3.65, respectively, or at the rate of 3 cents per mile.

As I have said, volume of traffic is one of the most important factors in the earning power of a road, and necessarily is a determining factor in the rate of charge. I have no means of determining the volume of traffic of the Eastern roads named above in comparison with the Central Pacific line, but from various statistical authority—principally the United States census report of 1880, cyclopedias, and standard geographies—I have collated the following information which bears directly on the question:

The line of the Chicago, Milwaukee and Saint Paul Railway, above referred to, runs through the counties of Cook, Du Page, Kane, De Kalb, Ogle, and Carroll, in Illinois.

The Chicago and Northwestern road runs through the counties of Cook, Du Page, Kane, De Kalb, Lee, and Whiteside.

The Chicago, Burlington and Quincy road runs through the counties of Cook, Du Page, Kendall, La Salle, and Bureau.

The Chicago, Rock Island and Pacific Railway runs through the counties of Cook, Will, Grundy, La Salle, and Bureau.

Of the counties through which the first-named (Chicago, Milwaukee and Saint Paul Railway) runs, the population is 210 per square mile; 88.49 per cent. of the total area is improved land; the value of the products in 1879 was \$4,631.44 per square mile; the value of manufactures in 1880 was \$74,436.70 per square mile.

The counties through which the Chicago and Northern Railway runs—the population is 188 per square mile; 84.36 per cent. of the land is improved; the value of products in 1879 was \$4,220.65 per square mile; the value of manufactures in 1880 was \$6,779.37 per square mile.

Of the counties through which the Chicago, Burlington and Quincy runs, the population is 210 per square mile; 87.82 per cent. of the land is improved; the value of products in 1879 was \$4,479.78 per square mile; the value of manufactures in 1880 was \$7,228.49 per square mile.

Of the counties through which the Chicago, Rock Island and Pacific runs, the population is 188 per square mile; 83.19 per cent. of the land is improved; the value of products in 1879 was \$4,309.54 per square mile; the value of manufactures in 1880 was \$6,053.96 per square mile.

The line between San José and Sacramento, Cal., runs through the counties of Alameda, San Joaquin, Santa Clara, and Sacramento. The population per square mile is 34; percentage of improved lands, 50.19 per cent.; value of products in 1879, \$2,473.33; value of manufactures in 1880, \$3,378.35 per square mile.

The Central Pacific line, between Sacramento and State line, runs through the counties of Nevada, Placer, and Sacramento. The population to the square mile is 20; the percentage of improved lands, 26.25 per cent.; value of products, \$993.13; manufactures, \$1,617.30.

The line of the Central Pacific road through Nevada runs through the counties of Washoe, Storey, Churchill, Humboldt, Lander, Eureka, and Elko, having a population of $\frac{1}{10}$ per square mile; $\frac{1}{10}$ of 1 per cent. of the land is improved; the value of products in 1879 was \$32.56; and the value of manufactures in 1880 was \$32.43.

The fare from San José to Reno (281½ miles), or from San Francisco to Reno (294 miles), is \$12.05. The fare between New York and Washington (236 miles) is \$6.50. The latter line is practically level, running between the metropolis and the capital of the United States, through Philadelphia and Baltimore, the tracks crowded with trains, and the trains crowded with passengers.

THROUGH RATES REGULATED BY COMPETITION.

The through rates of fare for business between California and points in the Eastern States are regulated by competition.

For unlimited first-class travel the rate is 3 cents per mile; for limited first-class 2½ cents per mile, and for third-class or emigrant 1½ cents per mile.

The rate for first-class travel over the great lines between Chicago and Council Bluffs is 2½ cents per mile; between Chicago and Pittsburg, 2½ cents per mile; between Chicago and Buffalo, 2.50 cents per mile; between Chicago and New York, 2 cents per mile.

The rates between San José and Ogden, over the whole line, range from 1½ cents on the lowest class of freight (merchandise) to 5½ cents per ton per mile on first-class, while we have taken coke from Oakland to Ogden at one-half cent per ton per mile.

The legal maximum rates for California and Nevada are 10 cents per mile for passengers, and 15 cents per ton per mile for freight. Probably less than 1 per cent. of the entire traffic has been carried at the maximum rate.

The through rates for freight between California and the Eastern States are governed by competition, and at present vary from day to day.

RATES IN CALIFORNIA APPROVED BY STATE BOARD.

Our freight and passenger charges in the State of California have been approved and published by the California State board of railroad commissioners. In the State of Nevada they are published and posted according to law. For interstate traffic they have been duly published and posted in accordance with the requirements of the interstate commerce act. They are by these means given a wider publicity, and are so reasonable that it is seldom that complaints are made. As an evidence of this, I beg leave to call your attention to the fact that in 1876 the legislature of California enacted a law under which a board of railroad commissioners was appointed by the Governor. This commission was popularly regarded as representing the anti-railroad sentiment of the State. In their first report to the legislature, dated December 1, 1877, the commissioners say:

"In October, 1876, we issued a circular which was addressed to many hundred citizens in various parts of the State whom we deemed likely to be able to furnish us with information or suggestions of value in connection with the subject of railroad transportation. A copy of it is as follows:

"BOARD OF RAILROAD COMMISSIONERS APPROVE THE MANAGEMENT.

"SACRAMENTO, October, 1876.

"Among the principal objects proposed by the legislature in creating the board of transportation commissioners is the compilation of facts and statistics connected with the building and operation of railroads in this State, and also the investigation of their management, especially as it affects the interest of their patrons.

"It is believed that an impartial investigation of this subject will result in substantial advantage to all concerned, and to this end this board desires to receive information and suggestions and statements from all who are interested.

"As your position has probably led you to give more than usual attention to the subject, there may be matters to which, in your opinion, the attention of the board should be called; in which event it is requested that you will communicate them to this board in writing.

"By order of the board.
(Signed)

"WALTER M. PHILLIPS,
"Secretary."

"This was transmitted to supervisors, county officers, members and ex-members of the legislature, judges, prominent merchants, storekeepers, editors, hotel keepers, patrons of husbandry, &c., and it led to some valuable communications, although not to contributions of public opinion or information on the subject as full or as extensive as we might have reasonably looked for.

"We have deemed it our duty to visit and inspect, so far as such inspection can be made in transit, every part of every railroad in the State, in order to acquaint ourselves so far as possible with the circumstances, local connections, situation, and conditions of the various roads.

"Without entering into unnecessary detail on this subject, we observed that generally the railroads of the State are in good order and their management wise and economical, and conducted with a view to the public convenience."

The communication addressed (as above stated by the railroad commissioners) to citizens of all classes and occupations whose position was presumed to have led them to give more than usual attention to the subject, was a bid for complaints, and resulted in a report, by a certainly not friendly commission, that, as quoted above, generally the railroads of California were in good order, their management wise and economical, and conducted with a view to the public convenience.

Since the date of said report the State of California has had several different boards of railroad commissioners to which complaints regarding the charges of this company have been rare. In nearly every case they have proved to have been without foundation or based on a misrepresentation of facts, and no case has failed of a satisfactory adjustment.

CENTRAL PACIFIC INTEREST IN POOLS.

With respect to pools: The traffic over the line between San José and Ogden, or any part of it, is not, and has not been since April 5, 1887, subject to any pooling contract. Previous to April 5th it was concerned with the Union Pacific and Denver and Rio Grande Companies in a pool of Utah traffic, the object of which was to secure uniform, reasonable, and stable rates of charge for freight to and from the Territory of Utah; conditions so necessary to successful trade as to be of equal value to both the public and the carrier. The balances received and paid under that pool were very small.

For several years previous to February, 1886, this line was also concerned with others in a pooling contract which covered through rates between points east of 97th meridian in the United States and the Pacific coast. The association of roads concerned in this pool was termed the Trans-continental Association. The object of this association was to make and maintain reasonable rates of transportation, afford mutual protection to the interest of the associated roads, and to fairly distribute the revenue from traffic which was naturally the subject of competition between them. The pool was very beneficial to the Central Pacific line. It was discontinued December 31, 1885, with the expectation of renewing it, but the parties could not agree upon the terms, so that on or about February 18, 1886, the Trans-continental Association was dissolved.

The result was a "war in rates" that was very destructive to revenue. Had the trans-continental pool been maintained during 1886 and the same amount of tonnage carried at the rate per ton per mile earned by the associated roads in 1885, the earnings of the Central Pacific line from freight subject to that pool during 1886 would have been increased by over a million dollars. It is only fair to say, however, in this connection, that doubtless the very low rates that obtained in 1885 diverted traffic from the water lines which would not have been carried by rail at the rates in force in 1885, and it also doubtless moved other tonnage which would not have moved at the rates of 1885. Nevertheless a continuation of the trans-continental pool on both freight and passengers would have benefited the Central Pacific line in a very large sum.

PACIFIC MAIL AGREEMENTS.

For many years the Central Pacific line, in connection with the Union Pacific Railway, was concerned in a contract with the Pacific Mail Steamship Company, whereunder a certain amount of space in the vessels of said steamship company was purchased by the railroad companies for a given sum, which varied from time to time as the contract was amended. Under the last contract the amount of space was 1,300 tons each way per month, and the sum paid was at the rate of \$95,000 per month. This space was filled by such freight as could be obtained for California at rates made and controlled by the railroad companies. The arrangement was of the nature of a joint purse arrangement, simply for the purpose of regulating the competition between the steamship company and the railroad lines. It was beneficial to both by securing stability and uniformity in rates, and was of great value to the public as

well as to the carriers." Upon the organization of the Trans-continental Association the roads joined in that organization assumed the obligations of the said contract with the Pacific Mail Steamship Company. In March, 1896, this contract was terminated by reason of the disorganization of the Trans-continental Association, since which time there has been unrestrained competition between the steamship company and the railroads, greatly to the detriment of both.

POOLS ARE PRODUCTIVE OF REASONABLE RATES AND BENEFICIAL.

The beneficial effects of pooling contracts to the Central Pacific interest is demonstrable by our experience and records.

No contracts to pool the earnings from traffic to which your companies have been parties since my connection with them have permitted the charging of unreasonable rates. On the other hand, they effected the minimum of discrimination, secured stability and uniformity in rates, and were of mutual benefit to the public and the carrier.

I take it that a reasonable rate is one which will, without diminution of the profits to the carrier, permit and encourage the largest increase and development of traffic; that it would be unfeasible on the part of any carrier to impose a charge for its service which would obstruct or diminish remunerative traffic; that it would be equally unreasonable to require a carrier to increase its traffic at the expense or diminution of profits. In other words, the law of supply and demand governs the carrying trade as it rules all other commerce, and a reasonable rate is what a writer on "The Natural Laws of Business" terms a "normal" rate, which he defines as "that point above which demand falls off so rapidly that profits diminish, and below which even a great increase of business would lessen them." The problem of railroad management is to make the nearest approximation to this "normal" rate. In my judgment this has been the constant aim and effort of the officers of your companies. Rates have constantly tended downwards, and that tendency will inevitably continue.

The pooling contracts referred to have not prevented nor interrupted the downward tendency of rates. They have simply regulated it by preventing a reckless competition which would have destroyed all profits. These pooling contracts have not destroyed competition. When they were in force each carrier party thereto continued in the field its soliciting and advertising agencies as active and earnest in the pursuit of business as though it had no guarantee of revenue from the pool. Each party had its own clientele, and was as jealous of the interests of that clientele as the shippers themselves could be. All tariffs required unanimous consent, and all rates and rules were uniform. The fact that these pools did not hinder the operation of the law of supply and demand on the traffic; did not destroy the competition between the carriers, and did not diminish the traffic, is sufficient proof that they did not permit the charging of unreasonable rates.

Again: It is seldom, if ever, that two or more carriers competing for the same traffic are equal in respect to physical characteristics of the line, terminal facilities, connections, or those features which determine preferences upon the part of the traveling or shipping public upon all the traffic pooled, and therefore their respective taking power differs. Those carriers having few advantages to offer in these respects cannot compete with others possessing numerous advantages upon equal terms; hence their rates must be lower. The better lines will not suffer the loss of business by permitting lower rates to be made by others, except there is a mutual agreement fixing the relations of the rates by the various routes. The result is the see-saw process, the working of one line against the other by the shipper, which causes not only constantly varying rates by the different lines but also different rates to different individuals. The pooling contract produces uniformity in the rates by all lines or fixes the degree of difference in the rates by the several lines, and by so doing effectually prevents the discrimination between individuals which invariably results from independent action. This uniformity and unanimity of action in making tariffs prevents frequent changes and requires changes, when made, to be duly considered and simultaneously published and applied by all the carriers. It also requires a reasonable notice to the public, as each carrier, jealous of the interests of its own patrons, insists upon time and opportunity to acquaint its patrons with said changes, thus securing a stability in rates which shippers as a rule regard as of the greatest value.

"DISCRIMINATIONS" AND "DIFFERENTIALS."

"Differential" rates as commonly used by practical railroad men, are not and have not been in use on your line.

The general passenger agent and general freight agent, who are charged with the details of the passenger and freight business, respectively, report that there are no unjust discriminations in the fares and freight charges of this company. I presume

it is understood that in transportation business discriminations are as necessary as in all other business; that is to say, different rates of charge are made for different classes of passengers, and for different classes and different quantities of freight. The rates of charge on the valley portions of the road are lower than on the mountain portion. The charges upon lines through comparatively thickly settled districts are lower than those made through sparsely settled and desert territory. Such discriminations, I believe, are recognized as necessary, legitimate, and judicious. Where competition is encountered, rates necessary to meet that competition are made. Where this competition is with water carriers, the charge is often lower for a longer than for a shorter and immediate service, but in no case is a lower charge made for a longer than for a shorter haul included in the longer except where competition compels it. There are not and have not been any discriminations in fares or freight charges having for their object or effect the prosperity of one locality or community against another locality or community, or the promotion of the interests of one person or any number of persons against the interests of any other person or persons.

In this connection I beg leave to quote further from the report dated December 1, 1877, of the railroad commissioners to the legislature of California, namely:

"Some few complaints of inequality or unfairness of charges and of lack of proper attention to the public convenience in the classification of goods and the charges for freight have reached us. These have, in all cases, been first referred to the companies concerned for remedy or explanation, and, in every instance, so far, the complaints have been responded to as promptly as if we possessed legal authority to command their answer or enforce redress. Some of the complaints made to us proved to be without foundation or made on a misapprehension of facts. In others, reasons for the course pursued have been adduced, not before known to the parties complaining."

DISCRIMINATION BETWEEN INDIVIDUALS.

"No instance of the occurrence of this abuse has been brought to our notice. There are rumors of its existence, and it is even said that the sufferers by it fear to complain lest they be punished by further and ruinous discrimination. Whilst it is possible that there may be some foundation for these suggestions, it is also probable that the instances, if they exist, are of rare occurrence, and in most, if not in all, cases explainable by circumstances unknown to or insufficiently considered by the parties who have felt aggrieved."

Upon the subject of inflexible railroad rates the railroad commissioner of Michigan says (Report, 1883):

It is certain that no rates can be made of universal application to all roads alike without working the grossest hardship and injustice. The consideration of cost of doing the business enters largely into the question of rates, while the condition of the road bed, gradients, and character of line generally have so much influence in determining that cost on each individual road, that it is not at all certain that the interests of the public and the corporations will not best be promoted by leaving the great principle of supply and demand to regulate the price of railroad transportation the same as it does that of the commodities carried. If left to regulate itself as does the question of rates on the high seas, only restricted by such reasonable limitations to maximum charges as are incident to the fact that a railroad is a public use, and the company that operates it in its corporate capacity derives its franchises upon such conditions as the legislature may impose, I have no doubt that railroad tariffs would soon become as uniform and rates as low throughout the country as the cost of building and operating, coupled with the amount of tonnage to be carried would justify commensurate with a fair return upon the capital invested in the road.

So far as the productive industries in this State are concerned it can in truth be said that as between production and transportation there is little, if any, friction, and that but for the fact of the question being a potent factor in politics we should hear no complaint from the consumers who after all pay all the freight charges on what is consumed.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

J. C. Stubbs, being first duly sworn, saith that he has read the foregoing statement consisting of the pages next preceding, marked Exhibit No. 7, and knows the contents thereof; that the facts therein stated are true, except as to those matters stated on his information or belief, and as to those he believes it to be true.

J. C. STUBBS.

Subscribed and sworn to before me this 20th day of July, A. D. 1887.

[SEAL.]

E. B. RYAN,

Notary Public in and for said City and County.

EXHIBIT No. 8.—*Statement of L. M. Clement, civil engineer, relative to cost of construction.**

SAN FRANCISCO, July 21, 1887.

HON. LELAND STANFORD,

President Central Pacific Railroad Company:

DEAR SIR: At the beginning of the construction, the company, knowing the political and commercial necessities demanding the rapid completion of the railroad, determined that nothing which was in their power to prevent should for a single day arrest its progress.

With this determination in view all energies were bent, fully realizing the physical obstacles and financial difficulties to be overcome.

The financial difficulties were not lessened by the opinions circulated to the effect that the obstacles were insurmountable; that the railroads then constructed in Europe were as bagatelles compared with the difficulties to be met in constructing the Central Pacific Railroad, and failure was clearly written on the rocky sides of the cañons and the bold granite walls of the Sierra Nevada Mountains.

Not only was it impossible to construct a railroad across the Sierras via Donner Pass, but owing to the great depth of snow, some years reaching an aggregate fall of nearly 50 feet, would be impracticable to operate, and if built must be closed to traffic in the winter months, which would have been the case had not the road been protected at great cost by snow sheds.

Against these utterances from men of railroad experience the company had to battle in financial circles, forcing them to show that they were not attempting an impossibility, though always realizing the great difficulties.

As soon as the company went into the American market for rail, for they were shut out from the other markets of the world by their charter, the prices raised 80 per cent., from \$41.75 to \$76.87½ per ton, nearly three (3) times the price of steel rails two years ago.

It must not be forgotten in discussing these questions that the Central Pacific Railroad was begun a quarter of a century ago and has been completed over eighteen (18) years. We should consider the state of affairs, circumstances, and conditions then existing. The average price of American iron rail during the building of the road (no steel rail was then made and think none till the last year of its construction) was \$91.70 per ton at the rolling mills.

This rail had to be transported to San Francisco via Cape Horn or the Isthmus of Panama, and lightered for transportation to Sacramento, Cal., the initial point of the Central Pacific Railroad.

Shipments via the Isthmus, as late as the year 1868, cost for transportation alone on rail, \$51.97 per ton, the rail costing, delivered at Sacramento, \$143.67, not including charges for transfer from ships at San Francisco to the lighter, nor for transportation up the Sacramento River. Delays and losses of ships and their cargo of railroad material via Cape Horn and unforeseen emergencies made it necessary to frequently use the Isthmus route, that there should be no detention in the progress of the railroad eastward.

During construction, by reason of high war risks, transportation rates advanced 275 per cent. per ton.

Via the Isthmus, for freight alone, there was paid as high as \$3,100 for one locomotive.

On a shipment by the latter route of eighteen locomotives the transportation charges were \$84,466.80, or \$4,692.50 each.

For two engines, twenty-two years ago, there was paid \$70,752 in the currency of the United States. This was an extreme case, but the power was absolutely necessary to supply materials needed for construction; without these engines there would be delay.

The first ten engines purchased by the Central Pacific Railroad Company cost upwards of \$191,000; the second ten upwards of \$215,000.

The demand for power after the first 25 miles of road were constructed was great was great, as then were met the high mountain gradients.

The freight via Cape Horn to San Francisco only, on the first locomotive purchased by the company, was \$2,282.25.

Not only was all the material for railroad construction commanding high prices, labor also shared in the advance in prices. California's laborers were mainly miners, accustomed to work in placer mines or not, as it suited them. Mining was more to their liking than the discipline of railroad work. They were indifferent, independent, and their labor high-priced, and to these difficulties the excitement of the great Comstock lode was upon us, where any able-bodied man commanded \$4 or more per diem.

* See answer to question No. 51.

Labor sufficient for the rapid construction of the Central Pacific Railroad was not then on the coast, and the labor as it existed could not be depended upon—the first mining excitement meant a complete stampede of every man, and a consequent abandonment of all work. This labor question as well as others were serious ones. Each day brought up propositions which must be solved without delay; the construction must advance.

As the snow line was reached the snow increased in depth toward the summit, from a few inches to over 15 feet on a level, from actual measurements. The ground was kept bare for the graders by shoveling, upwards of one-half of the labor and, after storms, the entire grading force being expended in removing snow. Not only was it necessary to remove the snow to permit excavation, but the space to be occupied by the embankments was cleared and kept clear of snow, otherwise the melting of the snow under the broad bases of the high embankments would have caused serious settlements, which, on ascending gradients already of 105 or 116 feet per mile, would in cases increase the gradient beyond the tractive power of the engine. There was a limit to this snow shoveling as the altitude increased, and this limit was reached when it required an army of men to clear away and keep clear after each storm, for a small gang of laborers. As we neared the summit of the Sierras winter was again upon us, granite tunnels to bore, deep rock cuttings to make, and retaining walls to construct.

Rock cutting could not be carried on under snow drifts varying in depth from 20 to 100 feet. It was decided, no matter what the cost, that the remaining tunnels should be bored during the winter. To reach the faces of the tunnels the snow drifts were tunneled and through these snow tunnels all rock was removed. Retaining walls in the cañons were built in domes excavated in the snow—the wall stones raised or lowered to their places into the dome through a shaft in the snow.

All the force, numbering thousands, could not be worked in the tunnels and on the retaining walls. The surplus men with their tools, luggage, &c., were hauled beyond the summit, skipping the line now covered with deep snow, and active work begun in the cañons of the Truckee River.

That no delay, even here, should result from the unfinished gap, 20 miles of rails with their fastenings, a locomotive, and cars sufficient for working, were, by oxen and horses, hauled over the summit and down into the cañon of the Truckee River.

It was deemed important to reduce some of the work in the lower mountains crossed by the railroad in Utah, so that when the track reached those points there should be no delay. About one car-load of tools and material was waggoned from Wadsworth to the Promontory Mountains, at a cost of \$5,400. Everything was expensive; barley and oats ranged from \$200 to \$250 per ton; hay \$120. All other supplies in Utah in the same ratio. Along the Humboldt River much of the line was constructed during the winter. Earthy material that could ordinarily be excavated by the pick and shovel was frozen to such a depth as to require blasting. This frozen material made expensive embankments, requiring constant attention when the frost was leaving it, to maintain the roadway in a condition for the transportation of material to the front. As early as it was possible, in the beginning of the following year, to again attack the work in the heavy snow-belt region, the forces were returned to the granite cliffs and cañons. This army of men shoveled off the snow to gain time; miles of the line were thus made ready for the drill and powder—\$67,500 worth of powder in a single month being used, a sum sufficient to construct and equip 3 miles of ordinary railroad at the present day. During the winter months there was constant danger from avalanches, and many laborers lost their lives. Where it was possible to reach the threatening combs of great masses of compact snow leaning over the granite bluffs they were removed by powder. To reach the overhanging snow required courage and determination, and the call for volunteers for this daring undertaking was always answered. When the forces were concentrated the progress in the solid granite ledges was slow but certain. The track was kept close up to the grading forces and never lagged when it was possible to provide track material, power, or rolling stock, either by steamships or sailing vessels.

For many days, owing to the hardness of the rock in the vicinity of Cisco, it seemed impossible to drill into it a sufficient depth for blasting purposes; shot after shot fired as if from a cannon. Perseverance alone conquered. That was before the powerful explosives were invented and many other improvements made for railroad construction purposes in the last twenty years. The company at the summit of the Sierras, Donner Pass, manufactured nitro-glycerine, but it was too dangerous for general use. Transportation of material, tools, &c., was then an important factor in construction; there were then no such powerful engines as of the present day, which could handle two of the then most powerful ones and their loads; no cars to carry 50,000 pounds of load.

All material for construction excepting timber, the greater portion of which came from the Sierra Nevadas and some from the coast counties of California and from Oregon, must come from the Atlantic States, via the Isthmus or Cape Horn to San

Francisco, there lightered for ascending the Sacramento River to Sacramento, and thence hauled over the Central Pacific so far as completed, and when needed wagoned beyond the end of the track. The trains returned empty—no return loads; there was not one inhabitant to 10 miles between the last crossing of the Truckee River and Bear River in Utah.

With the exception of a few cords of stunted pine and juniper trees, all the fuel was hauled from the Sierra Nevada Mountains. Not a coal bed on the line of the Central was then known, and the only one yet discovered is a poor quality of brown lignite.

Water was scarce after leaving the Truckee and Humboldt Rivers, and during the entire construction was hauled for steam and general use of the grading forces.

Thousands of dollars without result were expended in well boring; tunnels were bored into the mountains east of Wadsworth to develop small spriggs, and when water was found it was carefully protected and conveyed in some cases over 8 miles in pipes to the line of the road.

There was not a tree that would make a board on over 500 miles of the route, no satisfactory quality of building stone. The country afforded nothing entering into the construction of the superstructure of a railroad which could be made available. The maximum haul for ties was 600 miles, and of rails and other material and supplies, the entire length of the Central Pacific Railroad, or 740 miles.

Cars were transported on ship, in pieces, to San Francisco, and lightered for Sacramento, and there put together.

California had no means for manufacturing for railroads. Only fourteen years prior to the beginning of the construction of this railroad was any considerable emigration directed to this coast, either by wagon, requiring as many months as now days from the Missouri River, by sailing vessels via Cape Horn, a long and tedious voyage of months, or by steamship. Twenty-two days was a quick trip. It was a country new, and only known as a mining region. A quarter of a century has made great changes. Once the possibility of constructing a railroad across the mountain ranges and deserts proven and emigration started west, capital was less timid of the probable future of railroad enterprises, and means were furnished for constructing other transcontinental roads. By the aid of machinery, powerful explosives, and experience, railroads can now be constructed at comparatively light cost.

It is probable that had the road been constructed during the five years preceding it would not have cost more than 66 per cent. of what it actually did cost.

The principal elements—material, transportation, and labor—were very much cheaper. Rails averaged 51 per cent. less; transportation 63 per cent. less. Every element, excepting labor, was a large percentage less.

If constructed five years subsequent, it would have cost about 75 per cent. of the actual cost. Had the whole time allowed for construction of the Central Pacific Railroad been used, it is not an easy problem to determine for how much less the road could have been built.

Advantage of the markets could then have been taken; contractors would have been willing to undertake the work if a reasonable time for completion were allowed, so that they would not be required to perform any of the work during the winter months where mercury freezes and in deep snows; in fact, all the advantages of seven additional years.

Respectfully, yours,

LEWIS M. CLEMENT.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

L. M. Clement, being first duly sworn, saith: That he has read the foregoing statement, consisting of the pages next preceding, marked "Exhibit No. 8," and knows the contents thereof; that the facts therein stated are true, except as to those matters stated on his information or belief, and as to those he believes it to be true.

LEWIS M. CLEMENT.

Subscribed and sworn to before me, this 26th day of July, A. D. 1887.

[SEAL.

E. B. RYAN,
Notary Public in and for the City and County
of San Francisco, State of California.

EXHIBIT NO. 2.—*Statement of Wm. Hood, chief engineer, relative to cost of construction.**

SAN FRANCISCO, CAL., July 23, 1887.

HON. LELAND STANFORD,

President Central Pacific Railroad Company :

SIR: Referring to your letter of recent date in regard to the Central Pacific Railroad:

I was an assistant engineer on the road during the greater part of its construction, and have been chief engineer since October 10, 1883, and am familiar with its construction and subsequent operation.

The entire road was completed in May, 1869, or about seven years sooner than was required to comply with the act of Congress under which it was built.

This early completion of the railroad was accomplished only in the face of obstacles of the most formidable nature and such as were perhaps unprecedented in railroad construction. The Sierra Nevadas have a snowfall on the higher portions and a rainfall nearer their base such as would seem incredible to those not acquainted with the facts; and these climatic features were enough to have caused the suspension of the work each winter had attention been paid to cheapness of construction or to any considerations except the completion of the road in the least possible time and in the most substantial manner practicable with the available materials. Below the snow line in the winter of 1865 and 1866 the roads were practically impassable for wagons; and the large construction force was supplied mostly by pack trains, employing large numbers of animals to transport supplies of all kinds to the required points on the work.

The winter of 1866 and 1867 and the winter of 1867 and 1868 were long remembered as having had a snowfall heavier than has since been known on the mountains, and it was during these seasons that the railroad was built above the snow belt and over the summit. The annual snowfall was about 40 feet, which gave as much as 18 feet of snow on a level near the summit of the railroad pass, and as late as March, 1867, the average level depth of snow in Summit Valley was between 15 and 16 feet. These depths of snow, with the frequent storms, made any work except in tunnels impracticable during the winters in the region of the summit, and it was decided to send the force not engaged on tunnel work to build railroad in advance in Truckee River Cañon, where the less depth of snow rendered grading work possible. The supplying of this force in the Truckee Cañon, by means of sleds over the summit through deep snows and blinding storms, was exceedingly expensive, as was also the transportation by the same means of track material for 40 miles of road so built in Truckee Cañon and 3 locomotives and 40 cars. In this way, by working tunnel force in winter and moving back the remainder to do the outside work in summer, the summit work was finished, an incidental expense being the moving of from 10 to 12 feet of packed snow from the sites of the cuts and banks before grading could begin in the spring. When the road over the summit to Truckee was done, the rapid progress across the deserts began.

About 3,000 men were sent a distance of 300 miles in advance of the track to Palisade Cañon, and supplied by teams over the deserts, the haul without water being as much as 40 miles in places, and the remaining force brought up the work in advance of the track. Ties were hauled from the Sierra Nevadas hundreds of miles into the deserts. Rails for the rapid progress were brought by sail around Cape Horn, and when any delay was possible through non-arrival of ships, track material was sent at heavy expense by the quicker route via the Isthmus of Panama and steamers. In the winter of 1868 and 1869 the weather was most severe, and the earth was often frozen so deeply that it was blasted and handled as if rock, at considerable expense.

During the entire construction of this railroad all supplies were very high-priced. Rails were nearly three times as expensive as they were a few years afterwards, and freights via Cape Horn were high; and after reaching San Francisco all track material had to be rehandled and sent up the river to Sacramento before it could be loaded on the cars for the front. The same was true of all the rolling stock. With all these causes of extra expense to increase cost of building the road, it is my opinion that with more time spent in building, with entirely legitimate reduction of force in winter and in general with ordinary speed of construction, the entire road could have been built for fully 75 per cent. less than its actual cost; but in that case it would not have been open for traffic for a long time after its actual date of completion.

The road was finished to Newcastle at less speed than afterward ruled. From Newcastle to Wadsworth was built between February, 1865, and July, 1868, with a force averaging fully 11,000 men and more than three years' time was required for this 157 miles. From Wadsworth to Ogden was built between July, 1868, and May, 1869, with a force averaging 5,000 men, and between nine and ten months were required to build this 55 miles. The work of building from Wadsworth to Ogden is about

* See answer to question No. 51.

comparable on an average to that from Ogden to Omaha; and the work of building the Central Pacific Railroad from Newcastle to Wadsworth, only 157 miles, would have easily built the entire road far east of Omaha, had this 157 miles been of the same average cost as the road from Wadsworth to Omaha.

Respectfully submitted.

WILLIAM HOOD.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

William Hood, being duly sworn, says he has read the foregoing statement; that the matters and things are true of his own knowledge except as to matters on his information and belief, and as to those he believes them to be true.

WM. HOOD.

Subscribed and sworn to before me this 25th day of July, A. D. 1887.

[SEAL.]

E. B. RYAN,

Notary Public in and for said City and County.

EXHIBIT No. 10.—*Statement of J. H. Strobbridge, superintendent of construction, relative to the cost of construction.**

SAN FRANCISCO, CAL., July 23, 1887.

HON. LELAND STANFORD,

President Central Pacific Railroad Company:

SIR: Referring to your letter of recent date, in regard to the construction of the Central Pacific Railroad, I was superintendent of construction during the building of the road. The work was pushed with the utmost vigor; all the men were hired that could be found, and no effort or expense was spared to complete the road as quickly as possible. In this way it was finished and in operation from Sacramento, Cal., to Ogden, Utah, about seven years sooner than was required by act of Congress. During construction very high prices were paid for powder and all tools and supplies used on the work, and nothing was spared that would hasten its completion, and the work was pushed regardless of the season. The winter of 1865 and 1866 was a very wet one, making the roads on the clay soils of the foot-hills nearly impassable for vehicles. Large numbers of pack animals had to be brought into use, and on them were carried nearly all supplies, even hay and grain, over steep mountain trails, to the construction camps. As illustrating the impassability of the roads, the stage running from end of track to Virginia City was stuck in the mud and left standing in the street at Gold Run for six weeks, the passengers being carried in the meantime by saddle train from the railroad at Colfax to Dutch Flat. The building of the railroad during this time was prosecuted with energy but at much greater cost than would have been the case in the dry season. During the winter of 1866 and 1867 and the following winter of 1867 and 1868 there were unusually heavy snowfalls in the upper Sierra Nevada, where the road was then under construction. The tunnels were got under way with as large a force as could be used on them, and the remainder of the force was sent to the Truckee Cañon on the east slope of the Sierras, where the snowfall was not so great as to entirely prevent grading during the winter, the total force being about 13,500 men at this time. The snows were so deep that it was impossible to keep the tunnel approaches clear, and we were compelled to make tunnels through the snow from the dump to the tunnel entrances. Snow tunnels were also required to get into camp. In many instances our camps were carried away by snowalides, and men were buried and many of them were not found until the snow melted the next summer. In the spring of each year the men were taken back from the Truckee into the mountains and an average depth of 10 or 12 feet of snow was cleared away before grading could be commenced.

The total snowfall of the season was about 40 feet, and the depth of hard, settled snow in midwinter was 18 feet on a level in Summit Valley and Donner Pass, over which we hauled on sleds track material for 40 miles of railroad, 3 locomotives, and 40 cars from Cisco to Donner Lake, where all was reloaded on wagons and hauled over miry roads to Truckee, a total distance of 28 miles, at enormous cost. In this way the road was forced to the east slope of the Sierra Nevada. In crossing the deserts eastward from the Truckee River, water for men and animals was hauled at times 40 miles. It was necessary to have the heavy work in Palisade Cañon done in advance of the main force, and 3,000 men with 400 horses and carts were sent to that point, a distance of 300 miles, in advance of the track. Hay, grain, and all supplies for the

* See answer to question No. 51.

men and horses had to be hauled by teams over the deserts for that great distance, there being no supplies to be obtained on the entire route. The winter of 1888 and 1889 was one of severe cold. The construction was in progress in the upper Humboldt Valley, where the ground was often frozen to a depth of 2 and 3 feet, and material required blasting and treatment like rock, which could have been cheaply moved in a more favorable time. The entire cost of the railroad, had it been built with less speed and as such railroads are usually constructed, would have been fully 70 per cent. less than its actual cost, as it was built with rapidity of construction, and without regard to any outlay that could hasten its completion. The railroad from Newcastle in the west slope of the Sierras to Wadsworth at the beginning of the Nevada deserts, 157 miles, was built between February, 1865, and July, 1868, more than three years, with a force averaging 11,500 men.

The railroad from Wadsworth to Ogden, about 555 miles, was built between July, 1868, and May, 1869, about ten months, with a force averaging 5,000 men. If the country between Newcastle and Wadsworth had been of the same average difficulty as that between Wadsworth and Ogden and between Ogden and Omaha, the labor that was out upon the Central Pacific Railroad would have built it to a point far to the eastward of Omaha in the same time, the work from the east slope of the Sierra Nevada to Ogden being more than an average of that from Ogden to Omaha.

Very respectfully,

J. H. STROBRIDGE.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

J. H. Strobbridge, being duly sworn, says he has read the foregoing statement; that the matters and things therein stated are true of his own knowledge, except as to matters on his information and belief, and as to those he believes them to be true.

J. H. STROBRIDGE.

Subscribed and sworn to before me this 25th day of July, A. D. 1887.

[SEAL]

E. B. RYAN,

Notary Public in and for said City and County.

EXHIBIT NO. 11.—Statement of Arthur Brown, superintendent of bridges and buildings, relative to cost of construction.*

WEST OAKLAND, CAL., July 25, 1887.

SIR: LELAND STANFORD,

President Central Pacific Railroad Company:

DEAR SIR: In reply to your letter of the 23d inst., I herewith submit a brief outline of the construction of the snow sheds over the Sierra Nevada Mountains, on the line of the Central Pacific Railroad, as well as the conditions which made them a necessity.

As superintendent of bridges and buildings the work of constructing these sheds was assigned to myself. The excessive snow belt where the road crosses the Sierra Nevada Mountains, extends from a point near Blue Cañon, on the western slope, to Cold Stream Cañon on the east, a distance of about 40 miles, having its maximum depth near the summit. The snowfall for the season has been known from actual measurement to be nearly 50 feet.

In the fall of 1865 the road was opened to Cisco. The experience in keeping the road open through the following winter led to the construction of the snow sheds. Although every known appliance was used to keep the road clear from snow that winter, including the largest and best snow plows then known, it was found impossible to keep it open over half the time, and that mostly by the means of men and sleds, which required an army of men on hand all the time at great expense.

It became evident from our experience then that the snow problem had become serious, and it was decided, after various discussions on the subject by the directors of the company, that the only positive means of protecting the road was by snow sheds and galleries, although the expense of building a shed nearly 40 miles in length was almost appalling and unprecedented in railroad construction, yet there seemed to be no alternative but build the sheds. I was therefore instructed to make preparations and plans for such sheds as was deemed best, from our limited experience at that time.

In the summer of 1867 we built some experimental sheds, which we had to modify considerably. The snow-shed building in the spring of 1868 was commenced in ear-

*See answer to question No. 51.

nest. Owing to the short season in which the work had to be done (less than five months) it was decided to cover all the cuts and the points where the roads crossed the great avalanches beyond the summit, with the idea that the high embankments on the road could be kept clear of snow.

As the road was then rapidly progressing up the valley of the Humboldt it became a matter of the most vital importance that the sheds should be so far finished that the supplies and building materials for construction ahead should not be interrupted, as the connection was to be made in the spring of 1869. We therefore had to gather men from all quarters and pay high wages—carpenters \$4 per day, and suitable laborers about \$2.50 to \$3. We employed about 2,500 men, with six trains with locomotives distributing material.

The expense was considerably increased by the fact that we had to keep the road clear for the traffic, which was great, owing to the large amount of building material forwarded to the front, and to avoid accident, which consumed about 30 per cent. of the time, consequently increasing the cost in that proportion, besides, we had, by commencing early in the spring, to shovel from 6 to 8 feet of snow before we could put in foundations for sheds.

In the fall we continued until the snow stopped us entirely, although we had been shoveling snow for nearly two months. The expense from the amount of snow that had to be shoveled, spring and fall, and the difficulty of getting men at reasonable wages to remain on the work owing to snow, bad weather, &c., added very much to the cost. As there were not enough saw-mills to supply the necessary material, we had to resort to round and hewn timber, which had to be got from the woods and brought to the track at a great expense, as suitable men for that purpose were very scarce.

The galleries are built along the side of the mountains, where the slope of the roof conforms with that of the mountain, so the snow can pass over easily. Some of these galleries run back on the slope of the mountain several hundred feet from the center line of the road. In other places massive masonry walls were built across ravines to prevent the snow from striking the sheds at right angles. The snow sheds and galleries were finished in the fall of 1869. In them was used 65,000,000 feet, B. M., of timber, and 900 tons of bolts and spikes, &c. The total length of sheds and galleries when finished was about 37 miles, at a cost of over \$2,000,000.

For several years the loss from fires was considerable, as several miles were burned down and had to be rebuilt, and at the present time water trains are constantly kept on hand for sprinkling down the sheds twice a week, thus preventing their destruction by fire. A number of the tunnels through the same mountains had to be timbered at a great expense, as most of it had to be got out in the winter time, and, as it was impossible to keep the roads open, we had to employ men and bring timber to the tunnels on hand sleds.

I am quite familiar with the extraordinary exertions put forth in all departments of this work, as I was constantly on the ground during all this construction, and especially the almost superhuman effort put forth by Mr. J. H. Strobridge, superintendent of construction, in keeping the men at work on the rock work and tunnels, and shoveling snow at great depth during the fall and winter, and contending against mud and snow in getting supplies to the ground at great expense.

I consider, from my experience, that if time could have been spared to take advantage of the proper seasons, it could probably be duplicated now for less than 40 per cent. of its original cost.

Very respectfully,

ARTHUR BROWN,
Supt. B. and N. Dept.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

Arthur Brown, being first duly sworn, deposes and saith: That he has read the foregoing statement, and knows the contents thereof; that the same is true, except as to matters therein stated on his information or belief, and as to those he believes it to be true.

ARTHUR BROWN.

Subscribed and sworn to before me this 26th day of July, A. D. 1867.

[SEAL OF NOTARY.]

E. B. RYAN,
Notary Public in and for said City and County.

EXHIBIT No. 114.—*Statement showing from official records the saving to the United States in transportation of mails, troops, munitions of war, supplies, &c., by the construction of the Central Union Pacific Railroad.**

(By E. H. Miller, Jr., secretary.)

The act of Congress authorizing an investigation of the books, accounts, and methods of railroads which have received aid from the United States (in bonds), and for other purposes, approved March 3, 1887, requires, among other information, the following:

The average cost per annum of Government transportation in the region now traversed by the Pacific railroads between the year 1850 and the completion of said roads, and also the average cost per annum since such completion, and what additional facilities have been furnished to the Government and the people by said roads.

Also, to inquire whether or not the Pacific Railroad was completed in less time than was allowed by the law, and, if so, how much less time, and if the United States was benefited thereby.

It is for the purpose of furnishing this information that the figures and facts stated in the following pages have been collated. All the statements made are taken from official sources, and reference in each case is made to the authority. Inquiry is made:

(1) As to the rates and cost of Government transportation prior to the construction of the railroad, the rates and cost of service after its completion, and the difference, being the saving in transportation charges resulting from the operation of the road to the present time. This inquiry includes a comparison of the facilities furnished the Government and the people before and after the construction of the road, and furnishes the figures upon which the statements made in the subsequent inquiries are based.

(2) As to the benefit to the Government resulting from the construction of the road in less time than was allowed by the law.

(3) Inquiry is made as to the debt and interest at maturity of the bonds, less the amounts applied as a credit thereon by transportation services and cash payments under the existing laws, and the saving by the United States in transportation services to the same time.

A comparison of the charges for transportation prior and subsequent to the construction of the road can best be obtained by separating the subject of inquiry into the headings of freight transportation, including supplies, munitions of war, &c., passengers and troops, and transportation of United States mails, summarizing these headings in conclusion.

UNITED STATES FREIGHT.

The greatest item of saving to the Government was in Army transportation. The cost of this at former rates was an item in the expense of the Army causing frequent comment; and one of the chief causes which led the Government to grant the loan of subsidy bonds was that this expenditure might be reduced. In arriving at a comparison between these charges before and after the completion of the road, it has been found that more accurate results can be attained by considering separately the charges on freight from these on passengers and troops. The following refers to freight traffic:

ARMY TRANSPORTATION PRIOR TO RAILROAD.

Prior to the construction of the road supplies for the posts on the plains and in the mountains were regularly carried by wagons. Contracts for this service were made by routes, and abstracts of these contracts have been stated from time to time in the reports of the Quartermaster-General. Most of the data for the following rates is taken from these reports. The Army first seems to have availed itself of the road in 1857. From that time the services rendered by the road became greater year by year as the line was constructed from each end; and as the roads were extended the wagon routes were shortened and finally abandoned. A general idea of the former condition of affairs, the routes and rates, may be gained from the following references:

WAR DEPARTMENT REPORTS AS TO RATES.

The Quartermaster-General of the Army, in his report to the Secretary of War for 1867, says:

"The Department has, during the fiscal year, for the first time been able to avail itself of the Union Pacific Railroad in forwarding its supplies to posts on the plains west of the Missouri River. At the close of the fiscal year the Omaha Branch of this

* This exhibit refers to questions Nos. 47, 48, 49, and 52.

road transported the military stores as far as Fort Sedgwick, the branch from Kansas City as far as Fort Harker, thus saving in the former case 398 miles, in the latter 2 miles, of wagon transportation. After inviting, by public advertisement, proposals for the transportation of military stores by wagon transportation on the Western frontier, the usual annual contracts were awarded as follows: April 4, on route No. 1, from the Omaha Branch of the Union Pacific Railroad and certain other named points to posts and depots in Nebraska, west of longitude 102°; in Montana, south latitude 46°; in Dakota, west of longitude 104°; in Idaho, south of latitude 44° and east of longitude 114°; and in the Territories of Utah and Colorado, north of latitude 40°, to Wells, Fargo & Co., at the following rates: From April 1 to August 31, 1866 inclusive, at \$1.64 per 100 pounds per 100 miles; from September 1 to December 31, 1867, inclusive, at \$1.99 per 100 pounds per 100 miles; and from January 1 to March 31, 1868, inclusive, at \$2.50 per 100 pounds per 100 miles." (Report Secretary of War 1867-'68, vol. 1, p. 533.)

Again, Quartermaster-General Dana, in his report dated October 10, 1868, of the rates paid for transportation on the plains, says:

"The field for the operation of wagon transportation lies almost exclusively beyond the Mississippi River. Supplies are conveyed to various posts on the plains by this means in connection with the Pacific railroads. The principal routes are as follows, and contracts for the transportation of supplies, &c., on these routes, entered into for the year ending March 31, 1869, are now in force:

"Route No. 1. From Fort D. A. Russell, D. T., or such other posts as may be determined upon during the year, on the Omaha Branch of the Union Pacific Railroad west of Fort D. A. Russell, or at Fort Laramie, D. T., to posts in the State of Nebraska, Territories of Montana and Idaho, that part of the Territory of Dakota west of the Missouri River and the northern part of Colorado.

"The contractors on this route are Samuel Black, Richard Kitchen and William A. Martin, all of the city of Leavenworth, Kansas, composing the firm of Black, Kitchen & Martin. The following are the rates per 100 pounds per 100 miles, viz: For April, 1868, \$1.90; May, 1868, \$1.75; June, July, and August, 1868, \$1.60; for September and October, 1868, \$1.75; for November, 1868, \$1.90; for December, 1868, \$2; for January and February, 1869, \$2.50; and for March, 1869, \$3; and, on an average, are for the entire year the same as for the year previous." (Report Secretary of War, 1868, part 1, p. 829.)

The next year the Quartermaster-General reports:

"The completion of the Pacific railroads has diminished the quantity and cost of wagon and stage transportation, some of the important posts and depots being upon the line of railroad. The posts north and south are supplied by wagon routes extending into the wilderness. The extension of the Pacific Railroad has occupied the route No. 1, which has been supplied for many years by wagon transports, and no contract has been made on this route for the year ending March 31, 1870." (Report Secretary of War, 1869-70, vol. 1, p. 213.)

HIGH FREIGHT RATES PRIOR TO RAILROAD.

These statements show the rates in force from the commencement of the Pacific Railroad to its completion on the wagon route which was replaced by the railroad. The highest rate given is \$3 per 100 pounds per 100 miles, equal to 60 cents per ton per mile; and the lowest rate is \$1.60 per 100 pounds per 100 miles, or 32 cents per ton per mile, the difference in the rate depending chiefly on the difference in the seasons, the lowest rates being in the summer and the highest in the winter or early spring. The rates stated are about those in force for year after year just prior to the completion of the road on the plains between the Missouri River and the Rocky Mountains. But west of the Rocky Mountains, between the Great Salt Lake and the Pacific Ocean, a greater cost was required for the service.

HIGHER RATES WEST OF SALT LAKE.

Of the rates on this Pacific coast teaming it is difficult to get any fair estimate, as the transportation was chiefly performed by Government teams. Quartermaster-General Meigs (Report Secretary of War, 1866-'67, p. 58), in October, 1866, says:

"There are some very costly routes in the military Division of the Pacific west of the Rocky Mountains and in Arizona, by which supplies are transported from the Pacific coast. Most of this work is done by United States trains, and its actual cost is not reported. The expenses of the troops on that coast, in consequence of the difficulty and cost of transportation, are very heavy."

LOWEST RATE TAKEN FOR THESE CALCULATIONS.

If then, in making an estimate of the saving to the Government in transportation by the construction of the Pacific railroads, we take as an average for the rate for-

merly paid by the United States the lowest of those given, we shall certainly err, if at all, on the side of the Government. The actual average must of course be somewhat higher than the lowest rate; but, on the other hand, it is to be remembered that the greater amount of transportation was performed at the summer or low rates, and a comparatively small amount at the higher or winter and spring rates. We will use then, as an average wagon rate, the lowest named above, \$1.60 per 100 pounds per 160 miles, or 32 cents per ton per mile.

The wagon rates on routes remaining in operation on either side of the Pacific Railroad after its completion were reduced somewhat, compared to the wagon rates in force formerly, but that reduction was the result doubtless of the settlement and increased security of the country from Indian depredations consequent upon the construction of the railroad. This reduction is an additional saving in money to the Government by the construction of the road, which is not shown in the following calculation, as it is not possible to make an estimate of its amount which would be satisfactory.

The average rate of freight charged the Government by the Pacific railroads has not been ascertained for each of the years under consideration, but the average rate charged on all freight carried, including Government and commercial, is shown in the following table:

FREIGHT RATES ON CENTRAL AND UNION PACIFIC RAILROADS.

Average rate per ton per mile charged on all freight transported the several years shown.

Years.	Central Pacific.	Union Pacific.	Years.	Central Pacific.	Union Pacific.
1870.....	*5.95	4.26	1878.....	2.75	2.27
1871.....	*2.80	2.70	1879.....	2.78	1.99
1872.....	3.65	2.67	1880.....	2.34	2.08
1873.....	3.80	2.47	1881.....	2.14	1.99
1874.....	2.85	2.18	1882.....	1.81	1.89
1875.....	3.14	2.47	1883.....	1.92	1.73
1876.....	2.95	2.50	1884.....	1.95	1.81
1877.....	2.78	2.27	1885.....	1.88	1.49

*Estimated.

RATES CHARGED UNITED STATES.

By the Pacific railroad Act of 1862 it is provided (sec. 6) that the railroad companies shall at all times, whenever required to do so, transport mails, troops, munitions of war, supplies, and public stores for the Government "at fair and reasonable rates of compensation, not to exceed the rates paid by private parties for the same kind of service." (12 Stat., 489.) From this it would seem that the average rate charged by the Pacific railroads on all traffic would be a fair one to apply as an average on the traffic for the United States. This view seems also to be corroborated by the Quartermaster-General of the Army. In his report to the Secretary of War, dated September 30, 1884 (Rep. Sec'y of War, 1884-'85, p. 444), he states, in reply to charges, that lower rates for army transportation on railroads might be secured by special contracts, instead of accepting the regular rates; that a thorough investigation of the subject-matter had been made, and the result shown was that, "as a matter of fact, the Quartermaster's Department secures as low, if not lower, rates of transportation than any other shipper, and as an evidence thereof attention is invited to the comparatively small expenditure of money involved in the large movements incident to the exchanges of stations of regiments hereinafter referred to." An important consideration, however, prevents our accepting the average rate on all traffic as an average rate on United States traffic, namely, the different character of the freight. On wagon transportation there is but one rate on all classes of freight, so that is the average for all. But with railroads different classes take different rates, and the average is reduced by the large shipments in car-loads of commodities carried at the lowest rates, as, for instance, lumber, coal, grain, &c. The Government freight has not as large a proportion of these low classes as is the case with commercial freight. As a result, the average rate on the Government freight is somewhat higher than the average for all. For a portion of the period under review we have actual figures for Government rates, which prove to be in accord with the above expectation. The Union Pacific Railroad Company, for the three years from 1872 to 1874 inclusive, has figured out the exact rates charged on the transportation of Government freight. This shows the average rate per ton per mile to be: For 1872, 3.66 cents; for 1873, 3.20 cents; for 1874, 3.13 cents. (Annual Reports, Union Pacific R. R., 1873-'74.) These

show the average for the Government freight to be .371 per cent. in excess of the average on all traffic of the railroad. Applying this percentage throughout the period shown, we have finally a very close approximation to the average rate for Government freight for each year.

The application of the foregoing data gives the result shown in the following tables:

Statement showing charges to United States Government for transportation of freight, and the cost of the same service at rates paid before the construction of the railroads.

Year.	Central Pacific Railroad.				Union Pacific Railroad.			
	Freight charges to United States.	Rate per ton per mile.	Tons carried 1 mile.	Cost of same service at rates formerly paid.	Freight charges to United States.	Rate per ton per mile.	Tons carried 1 mile.	Cost of same service at rates formerly paid.
		<i>Cts.</i>				<i>Cts.</i>		
1870.....	\$19,355	5.42	357,103	\$114,273	\$263,220	5.84	4,567,190	\$1,442,201
1871.....	13,250	5.21	254,319	81,382	213,585	5.70	5,772,568	1,847,222
1872.....	25,257	5.02	503,127	161,000	170,158	5.68	4,623,850	1,479,635
1873.....	19,127	4.94	387,180	123,900	219,939	5.20	6,873,094	2,199,290
1874.....	32,396	5.91	828,542	265,133	310,840	5.13	10,122,684	3,239,259
1875.....	55,067	4.30	1,280,628	409,801	234,596	5.20	6,929,236	2,214,476
1876.....	47,145	4.00	1,161,207	371,586	374,387	5.43	10,915,073	3,492,823
1877.....	94,317	5.81	2,475,511	795,164	362,208	5.11	11,646,559	3,730,899
1878.....	41,719	5.77	1,106,665	354,114	294,414	5.11	9,460,688	3,029,340
1879.....	118,139	5.81	3,100,761	992,344	461,947	5.73	14,723,333	4,711,467
1880.....	166,185	5.21	5,177,103	1,656,673	383,147	5.82	13,568,773	4,347,767
1881.....	251,918	5.03	8,507,884	2,751,323	390,836	5.73	14,316,337	4,581,228
1882.....	59,929	2.48	2,410,493	773,277	313,853	5.59	12,117,876	3,877,120
1883.....	47,840	2.63	1,819,011	585,083	338,375	5.37	14,277,426	4,568,776
1884.....	75,334	2.69	2,800,529	896,166	206,115	5.07	9,957,246	3,186,319
1885.....	31,069	2.51	1,237,809	396,999	159,086	5.04	7,708,333	2,460,467
Total	1,098,947	.....	33,503,808	10,721,218	4,642,706	.....	157,625,275	50,440,089

Summary showing saving to United States in freight transportation. Sixteen years, from 1870 to 1885, inclusive.

Year.	Freight charges by railroads.			Cost at rates formerly paid by United States.	Saving to United States by construction of railroads.
	Central Pacific.	Union Pacific.	Total.		
1870.....	\$19,355	\$263,220	\$282,575	\$1,556,574	\$1,273,999
1871.....	13,250	213,585	226,835	1,929,604	1,702,769
1872.....	25,257	170,158	195,415	1,649,635	1,454,220
1873.....	19,127	219,939	239,066	3,323,290	3,084,221
1874.....	32,396	310,840	343,236	3,504,392	3,155,156
1875.....	55,067	234,596	289,663	2,624,277	2,334,614
1876.....	47,145	374,387	421,532	3,864,469	3,442,937
1877.....	94,317	362,208	456,525	4,519,063	4,062,538
1878.....	41,719	294,414	336,133	3,383,454	3,047,321
1879.....	118,139	461,947	580,086	5,708,711	5,128,625
1880.....	166,185	383,147	549,332	6,064,440	5,515,108
1881.....	251,918	390,836	642,754	7,332,551	6,689,797
1882.....	59,929	313,853	373,782	4,650,907	4,277,125
1883.....	47,840	338,375	386,215	5,150,839	4,764,644
1884.....	75,334	206,115	281,449	4,082,483	3,801,036
1885.....	31,069	159,086	190,155	2,491,566	2,301,411
Total	1,098,947	4,642,706	5,741,653	61,161,307	55,419,654

It will be noticed that the tables include the years from 1870 to 1885, inclusive. The line was opened through May 10, 1869, and prior to this date, as extensions were made

from the Missouri and Sacramento Rivers towards the center of the continent, the Government availed itself of such extensions and profited by their use. To bring the statement down to date, the year 1886 should also be added to the table. The proper statistics, however, for the periods prior to 1870 and for 1886 are not now at hand, so that for that time the statements fail to express the benefit to the Government. There was a considerable amount saved by the use of the roads as they were extended from point to point, and a further amount for the use of the line after its completion thus omitted from the table. This should be taken into consideration in any mental estimate which may be made of the case. With the exception of these omissions, the tables show the following result:

Saving to United States in freight charges.

Transportation charges on Central Union Pacific line for United States supplies, munitions of war, &c., to January 1, 1886.....		\$5,740,753
Same service would have cost at rates prior to railroad.....		61,161,307
Saving to Government in transportation charges on freight for period....		55,420,554

SAVING ESTIMATED BY UNITED STATES ENGINEER.

The result arrived at from the foregoing review of the items in detail receives complete corroboration in an estimate made by probably the most thoroughly informed of official authorities, and by profession and experience perhaps one of the best fitted to form an intelligent and impartial opinion on the subject. By instructions from General Sherman, a history of the Pacific railroads, in their relation to the Army, was prepared by Col. O. M. Poe, U. S. Engineers, and printed in the last report made by General Sherman as General of the Army. (Report 1883, p. 213 *et seq.*)

After a careful consideration of the question of a saving to the United States in the Army transportation by the construction of the railroads, Colonel Poe concludes as follows:

"Taking the route from Fort Leavenworth to Fort Union for example, the average cost by wagon per 100 pounds per 100 miles for the sixteen years from 1855 to 1870, both inclusive, was \$1.77, whilst by rail it is now less than a tenth of that amount. This represents the relative cost of wagon and railway transportation, bearing in mind that any variation is always such as to show more strongly the advantage of railway transportation. In some cases transportation by wagon is twenty times more costly than by railway."

It will be noticed that the charges for freight transportation to the United States by the railroads shown in the above table is about 94 per cent. of the cost at the rates formerly paid. This is the result shown from the carefully detailed figures. Colonel Poe's estimate, after a thorough review of the subject, but without going into the same summary of details, is that the relative cost of the railway and wagon transportation is as one to ten. The uniformity of these results is additional evidence of the fairness of the foregoing conclusions, if any further evidence than the facts already presented were needed.

UNITED STATES TROOPS AND PASSENGERS.

The cost to the United States for the transportation of troops before the completion of the Pacific Railroad, compared with the cost after completion, is more difficult to ascertain than in the case of freight. Before the road was built troops were in a few cases carried by stages, but commonly were marched, a journey which is now accomplished in a few days then requiring as many months. The cost of marching troops in this way through a country with few inhabitants save hostile Indians, and with no supplies obtainable save those brought from long distances, must of necessity have been very great. Some idea of the differences between the old order of affairs and the new may be gained from the following facts:

COST OF MILITARY TRANSPORTATION PRIOR TO RAILROAD.

Quartermaster-General Meigs, in his report dated November 8, 1865 (Report Secretary of War, 1865-'66, Vol. I, p. 113), commenting on the cost of transportation over the plains, shows that a bushel of corn cost \$2.79 at Fort Riley, \$3.44 at Fort Union, \$5.03 at Fort Kearney, \$9.26 at Fort Laramie, \$10.06 at Denver, and \$17 at Salt Lake City. He then states that the cost of transportation for military stores westward across the plains by contract during the fiscal year ending June 30, 1865, amounted to \$6,285,856.37.

"This expenditure [the Quartermaster-General continues] would be reduced by the opening of railroads by a sum which would aid materially in paying interest upon the cost of their construction."

At the same time the cost of transportation of a pound of corn, hay, clothing, subsistence, lumber, or any other necessary of the troops from the base of supply at Fort Leavenworth was as follows: To Fort Riley, per pound, 2.46 cents; to Fort Union, per pound, 14.35 cents; to Fort Kearney, per pound, 6.44 cents; to Fort Laramie, per pound, 14.10 cents; to Denver, Colo., per pound, 15.43 cents; to Salt Lake City, per pound, 27.84 cents. (*Ibid.*, p. 113.)

Supplies in those days had to be carried with the troops; they could not be obtained on the line of march. The maintenance of marching bodies of men was thus greatly increased as they continued westward. The settlement and development of the West, consequent upon the completion of the railroad, gradually enabled the Army to purchase its supplies near at hand at a cost in which transportation bore no material part. The cost for the transportation of grain alone used by the Army on the plains in 1865 was \$3,223,829.37. (See Report Col. S. L. Brown, Div. of Regular Supplies, in report Secretary of War, 1865, Vol. I, p. 251.)

The troops maintained on the plains were mostly cavalry, as this arm of the service was much better adapted for following bands of marauding Indians and moving from place to place in the protection of immigrant trains and isolated settlements. The cost of forage for the horses was thus a necessary part of the expense of the transportation of the troops. The Quartermaster-General, in his report for 1866 (p. 302), states on this subject that, "The supply of the posts on the plains with forage has always imposed a heavy financial burden upon this department. The Missouri River has for years marked the limit of the cereal-producing region of the West, and grain transported from that point when it reached the garrisons stationed near the Rocky Mountains had reached an enormous price; the cost of foraging one horse equaled the cost of feeding a dozen animals in the States."

UNITED STATES WAGON TRAINS.

It has appeared above that the regular movement of supplies between posts was affected by contractors. But all the transportation was not done by contract. It was necessary for the Army to maintain a large number of trains, with their accompanying wagons, mules and horses, teamsters, blacksmiths, and mechanics. The Quartermaster-General tells us that "trains must be kept up at the principal posts to meet emergencies and to accompany marching bodies of troops." (Report 1866, p. 57.) The expense of these wagon trains forms a part of the cost of transportation of troops as performed before they were transported by railroad. The construction of the railroad canceled this item of expense for the territory covered by it.

SAVING IN SUPPLIES FOR THE ARMY.

Another item of economy to the United States in the cost of supplies for troops, caused by the building of the Pacific Railroad, is mentioned by the Commissary-General of Subsistence in his report for 1867. (Report Secretary of War, 1867-'68, Vol. I, p. 576.) Before the era of railroad transportation the supplies for military posts on the plains had to be carried in the summer months, when the roads were to be depended on; and a supply sufficient for all possible wants for the coming year was laid in at that time. Many of the supplies were of a nature that deteriorated or were destroyed altogether by storage for so long a time, and much was stored in many cases in excess of what was found to be the subsequent need, and was therefore wasted, as it could not be kept for another season. In 1867 the Commissary-General says: "The completed sections of the Pacific railroads already afford such facilities for reaching several of the occupied posts as to make it unnecessary to place and keep thereat such large quantities of stores as were requisite when they could be supplied only by train of wagons dispatched at special seasons."

GENERAL GRANT'S VIEWS.

The expense of maintaining troops on the plains and the great cost of their transportation was a subject of constant comment by officers of the Army. Every effort was made and every plan tried to reduce the expense within reasonable limits. But until the advent of the locomotive all efforts were of little effect. General Grant, Acting Secretary of War in 1867, says:

"During the last summer and summer before I caused inspections to be made of the various routes of travel and supply through the territory between the Missouri River and the Pacific coast. The cost of maintaining troops in that section was so enormous

mons that I desired if possible to reduce it. This I have been enabled to do to some extent from the information obtained by these inspections; but for the present the military establishment between the lines designated must be maintained at a great cost per man. The completion of the railroads to the Pacific will materially reduce this cost, as well as the number of men to be kept there. The completion of these roads will also go far toward a permanent settlement of our Indian difficulties. There is good reason to hope that negotiations now going on with the hostile tribes of Indiana will result, if not in permanent peace, at least a suspension of hostilities until the railroads are pushed through that portion of the Indian territory where they are giving the most trouble." (Rep. Secy. of War, 1867-'68, Vol. I, p. 3.)

RELATIVE SAVING IN TRANSPORTING TROOPS GREATER THAN WITH FREIGHT.

From the foregoing facts it is clear that the cost to the United States in the movement of troops by marching or by stages, before the construction of the railroad, bore a greater proportion to the cost of their transportation after its construction than the transportation of freight before the railroad bore to its cost afterwards. Probably a greater part of the expense of marching troops in former times was the cost of carrying forage and rations. But in addition to the transportation of these supplies there was the original cost of the supplies, or that part of them consumed during the excess of time taken to march troops over the time taken to move them by rail; and there was also the whole pay and expense of maintaining them for the same excess of time. The average movement by rail may be taken at about 20 miles an hour, or say 500 miles a day. Troops would not march for many consecutive days at a greater average rate than 20 miles a day, or about 500 miles a month. But suppose they doubled this rate and marched 40 miles a day, the ratio of time would be still 500 to 40, or over twelve to one. The saving to the Government in favor of the railroad as compared to wagons has been shown above to be as about one to ten.*

Thus the saving in passenger transportation by the construction of the railroad, considered in any light, is in as great or greater ratio than in the case of freight. Applying then, as an estimate, the same proportion of cost for the movement of troops as we have shown existed in the transportation of freight, the result is as appears in the following table.

Statement showing charges to United States Government for transportation of troops and passengers, and the cost of same service at rates paid before the construction of the railroads.

Year.	Central Pacific.	Union Pacific.	Total.	Estimated cost at rates formerly paid.	Saving.
1870	\$41,735	\$780,770	\$822,505		
1871	79,580	2,7,004	307,400		
1872	107,368	303,154	410,522		
1873	112,304	248,118	360,422		
1874	47,612	290,702	298,314		
1875	132,831	176,240	309,074		
1876	60,265	229,614	289,879		
1877	67,173	230,251	300,424		
1878	61,237	223,405	285,607		
1879	130,002	150,905	280,907		
1880	126,507	215,635	344,232		
1881	201,074	185,379	447,047		
1882	35,008	131,101	166,149		
1883	35,117	100,654	144,771		
1884	98,005	94,479	192,084		
1885	12,009	60,050	72,049		
Total	1,428,109	2,191,944	4,618,053	\$63,176,907	\$44,562,914

The result shown is that the United States has saved in the transportation of passengers and troops by the construction of the Pacific Railroad, up to the end of 1885, the sum of \$44,562,914—forty-four and a half million dollars.

*General Sherman says: "These roads enable us to send soldiers to threatened points at the rate of 500 miles a day, thus overcoming the space in one day which used to require a full month of painful marching." (Report 1883, p. 46.)

FREIGHT AND PASSENGERS.

The foregoing statements show the saving to the Government in transportation charges by the construction of the Pacific Railroad, from the commencement to January 1, 1886, to be in round sums:

On freight.....	\$55,500,000
On troops and passengers.....	44,500,000
Total freight and passengers	100,000,000

In these statements it has been assumed that an equal amount of traffic would have been carried by wagons, or troops to an equal number would have been marched, had not the railroad been built. The basis of the calculation is the service which has been performed by the railroad since its completion, and the charge for this service is compared with what the same service would have cost at former rates. It is not, however, a fair assumption that the same service has since been rendered for the Army as would have been necessary had not the road been built. The transportation formerly necessary was much greater since the construction of the road.

ENDING OF INDIAN WARS.

The Indian wars have been practically ended, thus precluding the necessity of the frequent movement of troops on the plains from place to place to protect the scattered settlements and follow marauding bands of hostile Indians. As the Indians have fled into the British possessions on the north and into Mexico on the south, or have been placed on reservations, the military posts have been abandoned and the troops have been concentrated at general points, from which they can be rapidly sent to any place required. Their supplies, which formerly were hauled long distances in teams, are now procured near at hand at a price in which transportation forms, at most, an unimportant factor.

INDIAN WARS—FORMER COST.

The movement of troops and the teaming of supplies and munitions of war have thus been greatly lessened by the building of the road, and the actual saving in this respect would be more closely shown by deducting from the amounts formerly paid for services on the plains the amount subsequently charged by the railroad. The amounts formerly paid varied greatly, as Indians were hostile or friendly at many or few points, and the actual cost for the country contiguous to the Pacific Railroad is not now wholly obtainable, the cost covering not only teaming done by contract, but by Government trains and the movement of marching troops. An idea of the former cost of this service is given in the report of the Pacific Railroad Committee of the Senate, dated February 19, 1869, in which it is stated that the Indian wars for the past thirty-seven years have cost the nation 20,000 lives and \$750,000,000, or about \$20,000,000 a year. In the years 1864 and 1865 the Quartermaster's Department spent \$24,574,228 for military services against the Indians. (40 Congress, 3d session, Senate Rep. Com., 219.)

The cost of transportation of military stores westward across the plains, paid to contractors alone, was over \$6,000,000 annually. This amount stated for the year ending June 30, 1865, amounted to \$5,368,856.37. (Report Secy. War, 1865-'66, Vol. I, p. 113.) Using this last amount as the annual cost for freight transportation which the Government would have been required to pay from 1869 to 1885, had not the railroad been built—

The sum for the sixteen years would have been	\$102,221,702
The charges made for freight transportation by the railroad for the same period amounted to.....	5,740,753
Showing a saving of.....	96,480,949
Compared with saving shown by foregoing table of.....	55,420,554

\$100,000,000 A YEAR SAVED ON FREIGHT AND TROOPS.

From these considerations it will be seen that the result of the foregoing tables, showing a saving to the Government in freight and passenger transportation charges by the Pacific Railroad to January 1, 1886, of \$100,000,000, as great as the amount may seem, fails to fully state the actual sum. It certainly represents less than the amount saved in any point of view from which the subject may be considered; but it is preferably used in these pages to prevent any charge of exaggeration, which the least of these sums would be likely to suggest to one not familiar with the facts.

UNITED STATES MAILS.

All of the following facts as to the weights and rates of mails are taken from the annual reports of the Postmaster-General for the several years:

The rates paid just before the completion of the railroad are shown in the report for 1868 (pp. 7 and 8). The Department advertised March 9, 1868, inviting proposals for conveying the mails from October, 1868, to June 30, 1870: "On Route No. 16635, from Cheyenne, Dak., or that point on the Union Pacific Railroad, to which the mails might be conveyed when this service should go into operation, to Virginia City, Nev., 1,095 miles and back, daily, the trip to be performed in nine days each way in summer and twelve days in winter." Five bids on this route were received in response to the advertisement. The lowest was accepted, but soon failed. The others then successively failed or refused to undertake the service. Finally, the Postmaster-General, with the Second Assistant Postmaster-General, repaired to New York City, and consulted with Senators Morgan and Cole, Horace Greeley, Isaac Sherman, Postmaster Kelly, and other leading citizens, and under their advice accepted a proposition of Wells, Fargo & Co. to carry the mail between the termini of the Union Pacific and the Central Pacific Railroads daily for the term of one year, at the rate of \$1,750,000 annually, subject to a reduction pro rata for every section of 50 miles of railroad completed and reported to the Department ready to carry the mails. In his report for 1869 (p. 9) the Postmaster-General makes the following statement concerning the operation of this agreement:

"The contract of agreement entered into on the 21st of October, 1868, between the Post-Office Department and Messrs. Wells, Fargo & Co., for the transportation of the United States mails between the western terminus of the Union Pacific Railroad and the eastern terminus of the Central Pacific, for the term of one year from October 1, 1868, or until the two railroads should meet, at the rate of \$1,750,000 per annum, subject to reduction pro rata for every section of 50 miles of railroad completed and reported to the Department ready to carry the mails, expired on the 9th of May, 1869, the railroad having effected a junction, and reported ready to carry mails through on the 10th. When the contract was entered into, it was estimated that the junction would not be formed before the 31st of July, it being supposed that the severity of the weather would compel a suspension of work on the railroads during the months of January, February, and March; and it was further estimated that the cost of the mail service under Wells, Fargo & Co.'s contract would amount to \$670,144. The weather proving unusually mild, however, and the progress of the roads being uninterrupted, their completion was accelerated nearly three months, and hence the cost of the service under the contract with Wells, Fargo & Co. was reduced \$214,339.30 below the estimate."

FORMER AVERAGE WEIGHT OF MAILS.

From this we get the contract rate formerly paid for mail transportation. This rate was for the mails which were then carried. The weight of these is stated by the Postmaster-General in a communication to the House of Representatives, in answer to a resolution of inquiry of that body (quoted in Report Government Directors U. P. R. R., 1875), who says:

"The average amount of mail matter conveyed in the mails overland before the completion of the railroads was less than 1,000 pounds daily."

From these facts we have the following: Annual amount paid for carrying mails before the completion of the railroads, \$1,750,000; distance carried, 1,095 miles; average daily weight, 1,000 pounds; rate, \$1,598.17 per mile per annum. After the completion of the railroads the mails were largely increased in weight, and the service was equally improved in "certainty, celerity, and security." By substituting a railway postal car with all conveniences for agents in charge, and appliances for the distribution of mails en route, in place of the stage-coach formerly used, the accommodations were increased in value in excess of the increase of the weight of the mails.

WEIGHT INCREASED TWENTY TIMES.

Each of these items is allowed to be a fair consideration for the increase of pay by the laws and the rules of the Post-Office Department. But as the stage service cannot be compared with the railroad service as to certainty, celerity, and security or accommodation, I will not attempt to place a moneyed price on the difference of values. Weight is the principal basis of the law fixing the compensation to railroads for carrying the mails, and the weights carried by rail are more than twenty times greater than those which were carried by stage. But as it may with truth be said that had no railroad been built, an equal amount of mail matter would not have been sent, and, if sent, would not have been carried by stage, as it would require several large stages daily each way to haul the matter, we also omit from our estimate any allowance for the difference in the weights.

The rates, weights, and amounts allowed by the Postmaster-General since the construction of the railroad are shown in the following table:

SAVING IN MAIL TRANSPORTATION, \$40,000,000.

The table shows that the amount allowed the railroad by the Postmaster-General for carrying the mails from July 1, 1869, to December 31, 1885—a period of sixteen and a half years—was \$10,000,507.22. This was for carrying the average daily weight at the commencement of the period of about 5,000 pounds, which at the close of the period had increased to about 30,000 pounds. The stage rate, we have seen, was \$1,598.17 per mile. This for the 1,895 miles of aided road, and for the sixteen and a half years, would amount to the sum of \$49,979,780.47. The difference representing the amount saved by the Government in the transportation charges on United States mails is \$39,964,273.25.

IMPROVEMENT IN THE SERVICE.

An idea of the improvement in the service and a suggestion as to its value to the Government and to the people may be gained from the following remarks relating to the subject, made by the Postmaster-General at the end of the old régime and the beginning of the new. In his report for 1867 (p. 8) the Postmaster-General says:

"No changes have been made in the overland California mail since the last annual report, at which time the Department was having daily service from the ends of the railroad by both the Smoky Hill and Platte routes as far as Denver, where the lines united and formed a single daily route via Salt Lake City and Virginia City to the Central Pacific Railroad connection. During the spring and summer months the complaints as to the manner in which the service was being performed, and the great delay in the arrival of mail from the East at Denver and Salt Lake, were more numerous and pressing than at any time since the present route has been in operation. It was charged that the Indian troubles complained of by the contractor, and given by his agents as an excuse for non-performance of service, were a pretense, and that there was no reason why the mails should not be conveyed regularly and within schedule time. The official reports, however, of General Sherman and other officers of the Army, referred by the Secretary of War to this Department, prove conclusively that the most serious troubles did exist on the plains, and that there was no safety for either passengers or mails except under ample military escort, which could not be furnished daily. A special agent of the Department lately sent over the route for the express purpose of reporting as to the manner in which the service had been performed during the summer, and also as to its present condition, has, under date November 4, 1867, made his report, which is accompanied by the affidavits of the postmasters at the principal offices on the route, and also by statements of several officers commanding military stations on the line. The burden of this proof is summed up as well, perhaps, in the affidavit of the postmaster at Denver as in other papers submitted. He says: 'On that portion of the route from Denver to Omaha City, or terminus of railroad, Indian troubles of a serious nature commenced as early as February 16, and notwithstanding the contractor, supported by the military, put forth every effort in his power to clear the road and keep it open, no mail was received at this office over that route from February 23 to March 2. During the month of March our registers show eighteen failures. From June 8 to September 1 regular trips were made on alternate days, and from that to the present we have had daily service. I am reliably informed that the delay was in many instances caused by loss of stock driven off by hostile Indians at points where it was impossible to replace it without prolonged delay. This was more especially the case on the route from Denver to Salt Lake City. Late in the winter the Union Pacific Railroad was blockaded by snow, followed soon by high water, which caused another delay of three weeks and the diversion of the mail from the Platte to the Smoky Hill line.

"From the best information I can obtain the cause of all the detentions and irregularities complained of were unavoidable on the part of the contractor, and of such a character as to have precluded the possibility of any man or set of men making regular trips over the route unless secretly guarded by an armed force of considerable magnitude."

"From papers submitted by the contractor to the inspection division it would appear that from April 1 to August 15, 1867, the Indians robbed him of three hundred and fifty head of stage stock, burning twelve of his stage stations with large amounts of grain and hay, destroyed three coaches and express wagons, severely wounded several of his passengers, and killed outright thirteen of his most reliable employes."

In contrast to this state of affairs, we find the condition of the service the first year after the Pacific Railroad was opened for through traffic, stated by the Postmaster-General in his report for 1870, as follows (p. 12):

"The through-mail tables herewith submitted make a favorable exhibit as to the average speed and regularity with which the mails have been conveyed over the line, 3,297 miles long, between New York and San Francisco, during the year ending with the month of September, 1870. * * * The average time going west was one hun-

dred and seventy-five hours fifty-two minutes, or seven days seven hours and fifty-two minutes; going east, one hundred and seventy-two hours forty-four minutes, or seven days four hours and forty-four minutes. The records from which these tables are compiled show that generally three mails a day are dispatched from New York for San Francisco, one in the morning and two in the afternoon; the average schedule time of the afternoon mails being nearly seven days, and of the morning mails nearly seven and a half days, a single train a day being run west of the Missouri River, the departure of which is arranged to connect with the train making the latest afternoon departure from New York. From San Francisco but a single mail a day is dispatched for New York, of which the average schedule time, allowing for the intermission of Sunday service east of the Missouri River, is about seven days three and a half hours, only one hour and fourteen minutes less than the time actually attained."

Although the value of this improved condition of affairs is not stated in money in the foregoing comparison of rates and amounts, it should be borne in mind in connection therewith. And it strengthens the force of the argument made by the figures that the construction of this line has saved the United States in the transportation of mails during the sixteen and a half years ending December 31, 1885, over \$39,000,000.

SUMMARY—FREIGHT, TROOPS, AND MAILS.

A summary of the foregoing shows the following result to January, 1886.

	United States transportation charges on Central Union Pacific.	Cost at rates paid prior to railroads.	Saving to United States.
Freight	\$5,740,753.00	\$61,161,807.00	\$55,420,554.00
Troops, &c.	4,816,653.00	49,178,967.00	44,362,314.00
Mail	10,606,567.22	49,970,780.47	39,364,213.25
Total	20,063,973.22	160,311,654.47	139,247,681.25

A saving in the expense of the Government of nearly one hundred and forty millions up to the end of 1885 in the item of transportation seems enormous to one not accustomed to deal with accounts of Government expenditure. Yet it no doubt falls short of expressing the actual saving in this time; for many items (of which some have been noticed) cannot be satisfactory valued in money, and have been entirely omitted from the calculations. A single Indian war has cost more than the whole amount of bonds issued to the Pacific railroads. The Pacific Railroad Committee of the Senate, in a report dated February 19, 1869, make the following statement on this subject:

"What is the cost of our Indian wars as compared with the cost of the Pacific railways, which will speedily end the Indian wars? A compilation from the official records of the Government shows that these wars for the last 37 years have cost the nation 20,000 lives and more than \$750,000,000. In the years 1864 and 1865 the Quartermaster's Department spent \$68,374,228 for military service against the Indians. * * * The chairman of the House Committee on Indian Affairs estimated recently that the present current expenses of our warfare with the Indians was \$1,000,000 a week—\$144,000 a day." (40th Congress, 3d Session, Senate Rep. Com., 219.)

VIEWS OF GENERAL SHERMAN.

The effect of the Pacific railroads in ending the Indian wars is thus commented upon by General Sherman in his last report as General of the Army: (Report 1883, p. 5, *et seq.*)

"I now regard the Indians as substantially eliminated from the problem of the Army. There may be spasmodic and temporary alarms, but such Indian wars as have hitherto disturbed the public peace and tranquillity are not probable. The Army has been a large factor in producing this result, but it is not the only one. Immigration and the occupation, by industrious farmers and miners, of lands vacated by the aborigines have been largely instrumental to that end; but the railroad (the italics are the General's), which used to follow in the rear, now goes forward with the picket line in the great battle of civilization with barbarism, and has become the greater cause. I have in former reports for the past fifteen years treated of this matter, and now on the eve of withdrawing from active participation in public affairs, I beg to emphasize much which I have spoken and written heretofore. The recent completion of the last of the four great transcontinental lines of railway has settled forever the Indian question,

the army question, and many others which have heretofore troubled the country. * * * I regard the building of these roads as the most important event of modern times, and believe that they account fully for the peace and good order which now prevail throughout our country. * * * A vast domain, equal to two-thirds of the whole surface of the United States, has thus been made accessible to the immigrant, and, in a military sense, our troops may be assembled at strategic points and sent promptly to the places of disturbance, checking disorders in the bud." * * *

The saving to the Government in mere money, which directly resulted from the aid granted for the construction of the Central Union Pacific Railroad up to January 1, 1886, may then be fairly stated as \$139,347,741, nearly \$140,000,000. Such is the return received by the Government in the item of transportation. As an offset to this are the bonds issued by the United States with interest accrued thereon, less the amount of such interest which has been repaid by transportation charges withheld in the Treasury Department and cash paid under the law. The statement and balance of this account to December 31, 1885, is shown as follows:

To January 1, 1886.

Bonds issued by United States:	
Union Pacific Railroad	\$27,236,612.00
Central and Western Pacific Railroads	27,855,680.00
Total bonds	55,092,192.00
Interest accrued to January 1, 1886:	
Union Pacific	\$29,043,327.21
Central and Western Pacific Railroads	29,299,156.21
	58,342,483.42
Transportation charges and cash:	113,434,675.42
Union Pacific—	
* Transportation to June 30, 1885	\$10,647,579.36
† Cash to June 30, 1885, 5 per cent.	283,162.99
‡ Interest payment, 1885	560,017.05
§ Sinking fund in United States Treasury	6,006,033.73
Total Union Pacific payments on bonded line (not including Kansas Pacific)	17,496,793.13
¶ Central and Western Pacific transportation charges and cash	9,251,974.43
Total transportation charges on aided line and cash paid	26,748,767.56
Balance accrued on debt to date (due in 1893)	86,685,907.86

SAVING BY UNITED STATES THREE TIMES THE CASH VALUE OF THE DEBT AND INTEREST.

This balance will not be payable till the maturity of the bonds at the average date of, say, January 1, 1893. The present cash value of this sum, calculated at 6 per cent. interest, payable semi-annually—the same rate as borne by the bonds—is \$42,647,795. The saving in money to the Government in transportation charges to the same date amounts to \$139,347,741.25.

COMPLETION OF THE RAILROAD IN LESS TIME THAN ALLOWED BY THE LAW.

The last spike was driven in the Pacific Railroad at Promontory Point on May 10, 1869. From that date the Union and Central Pacific companies, forming a through line between the Missouri River and the navigable waters of the Sacramento River in California, have been in continuous use and operation for the transportation of passengers, freight, and mails. By section 17 of the act of Congress of July 1, 1862 (12 U. S. Stat., 489), the railroad companies were required to complete the line, ready for use in a reasonable time, and it was provided that if it were not so completed by the last day of July, 1876, their properties should be forfeited to the United States, upon which Congress might pass any act to insure their speedy completion.

The through line of railroad was thus actually opened for traffic over seven years before the limit of time allowed by the law.

* U. S. Com. R. R. Rep., 1885, p. 1. † *Ibid.* ‡ *Ibid.* Rep., 1886, p. 6. § Annual Report U. P. Ry., 1885, p. 78. ¶ Rep. C. P. R. R., 1885, p. 4.

COST OF ROAD INCREASED BY EARLY COMPLETION.

Everything necessary to the construction of a railroad; capital, labor, and materials, cost the companies much more on account of this early completion of the road, than they would have cost had the companies consumed the full time allowed. But the Government and the people were benefited by all the direct and incidental advantages connected with railroads as compared with the slower and more expensive methods of transportation. To the public the saving in transportation has been many times what it was to the Government; and it has given to them all the material benefits implied by the use of half the continent for seven years.

The direct saving in money to the Government is easily abstracted from the foregoing statements. In addition to this there was a benefit probably to an equal or greater amount by the ending of Indian wars and the abandonment of many military posts which the former frequent hostilities made necessary.

The amount saved to the Government by the use of the road for those seven years ending June 30, 1876, is, as shown by the following tables, as follows:

Seven years to June 30, 1876.

Traffic.	United States transportation charges on Central-Union Pacific.	Cost to United States at rates paid prior to railroad.	Saving to United States to June 30, 1876.
Freight	\$1,793,558	\$13,500,977	\$11,716,421
Troops, &c.	2,162,298	18,698,671	16,536,375
Mails	3,680,843	21,190,725	17,510,282
Total	7,645,185	53,408,373	47,783,178

The debt to the same date was as follows:

Bonds:		
Union Pacific.....	\$27,236,512	
Central and Western Pacific.....	27,855,680	
		\$55,092,192
Interest accrued less credits:*		
Union Pacific.....	9,438,810	
Central Western Pacific.....	12,180,838	
		21,619,648
Balance of debt, due at maturity of bonds in 1898.....		76,781,840

The cash value of this debt on June 30, 1876, discounted at the same rate of interest borne by the bonds, was \$21,522,274.

The amount saved by the Government for that period was, as above, \$47,763,178.

So that in transportation charges alone the Government benefited by the use of the road for seven years for which time it was finished before the limit allowed by the law, the amount of \$26,240,904 in excess of the cash value of the debt and interest to that date.

DEBT AND INTEREST AT MATURITY COMPARED WITH SAVING IN TRANSPORTATION CHARGES TO SAME DATE.

The United States Commissioner of Railroads, in his report for 1883 (p. 13), estimates the balance to become due on the debt of Central Union Pacific line at maturity as \$71,000,000. Subsequent experience has shown that the balance will be greater than this sum, as since the commissioner's estimate several competing transcontinental roads have been completed, thus reducing the net earnings of the original line, and reducing also thereby the amounts of the annual payments to the Government on account of the debt. In the following estimate the annual payments from 1886 to 1897 are based upon the requirements ascertained under the law since 1863.

* Public debt statement, June 30, 1876.

ESTIMATE OF DEBT AND INTEREST AT MATURITY.

Bonds, Central Union Pacific line.....	\$55,092,192
Interest, 30 years at 6 per cent.....	99,165,945
Total, bonds and interest.....	154,258,137

PAYMENTS ON DEBT BY COMPANIES.

Central Western Pacific:		
Transportation charges and cash to January 1, 1886*....	\$9,251,974	
Payments 1886 to 1897, estimated on average rate 1883-1886, \$478,000 per annum!.....	5,736,000	14,987,974
Union Pacific Railroad:		
Credits to January 1, 1886‡.....	17,496,793	
Payments 1886 to 1897, estimated on average rate of 1883-1885, \$1,448,000!.....	17,376,000	34,872,793
Total payments.....	49,860,767	
Balance on debt at maturity.....		194,397,370

As an offset to this balance the saving in transportation charges may be cited, as that is a direct pecuniary benefit to the Government. The foregoing statements show this saving up to January, 1886, to have been \$139,347,741. Assuming this saving to continue to the maturity of the debt at the same annual rate as it has been in the past, the result would be as follows:

SAVING TO GOVERNMENT IN TRANSPORTATION CHARGES TO MATURITY OF THE DEBT.

Kind of service.	Average yearly amount saved by Government.	Amount saved in 30 years to maturity debt.
Freight.....	\$5,403,785	\$162,915,550
Troops, &c.....	2,785,182	83,655,460
Mails.....	2,885,714	71,571,420
Total.....	11,074,681	318,142,430

Balance on debt estimated to be due at maturity as above.....	\$194,397,370
Saving to Government in transportation charges to same time.....	318,142,430
Surplus saved.....	123,745,060

The total debt stated above, with interest at maturity, without any deductions for payments by the companies, amounts to—

Principal of bonds.....	\$55,092,192
Interest at 6 per cent.....	99,165,945
Total.....	154,258,137

Deducting this amount from the sum saved above leaves \$123,745,060 as the amount of benefit which would have been realized by the Government in excess of the whole amount of bonds and interest had they been a donation instead of a loan at interest. At the time the granting acts were passed it was frequently stated in Congress that in case the loan could never be directly repaid the saving to the Government in transportation charges would more than equal the bonds and interest, and thus directly offset the debt. The foregoing statements show that these predictions have been more than realized.

*Annual Report of the Central Pacific Railroad, 1885, p. 4.

†Report of the United States Commissioner of Railroads, 1886, p. 25.

‡See preceding statement of January 1, 1886.

§Report of the United States Commissioner of Railroads, 1886, p. 35.

STATE OF CALIFORNIA,

City and County of San Francisco, ss :

E. H. Miller, jr., being first duly sworn, saith: That he has read the foregoing statement consisting of the pages next preceding, marked "Exhibit No. 114," and knows the contents thereof; that the facts therein stated are true, except as to those matters stated on his information or belief, and as to those he believes it to be true.

E. H. MILLER, JR.

Subscribed and sworn to before me this 26th day of July, A. D. 1887.

[SEAL.]

E. B. RYAN,

*Notary Public in and for the City and County of San Francisco,
State of California.*

EXHIBIT NO. 12.—*Relative to competing roads aided by Congress, by J. C. Stubbs, general traffic manager.**

There are now eight trans-continental railroad lines in addition to the original Union and Central Pacific line—that is to say, there are eight other lines, each of which competes in whole or in part with the original Union and Central Pacific line for the traffic interchanged between the Pacific coast and the territory of the United States and Canada east of the Rocky Mountains. They are as follows:

- (1) The original Union and Central Pacific line, opened for through traffic in May, 1869.
- (2) The thirty-second parallel route, or Atchison, Topeka and Santa Fé and Southern Pacific line, via Deming, opened in March, 1881.
- (3) The thirty-second parallel route, or Southern Pacific and Texas and Pacific line, via El Paso, Tex., opened in January, 1882.
- (4) The thirty-second parallel route, or Galveston, Harrisburg and San Antonio Railway and Southern Pacific, via El Paso, Tex., opened in February, 1883.
- (5) The Burlington and Missouri River Railroad and Denver and Rio Grande in connection with Central Pacific, opened in May, 1883.
- (6) The Northern Pacific Railroad, opened in September, 1883.
- (7) The Atlantic and Pacific in connection with the Southern Pacific, opened in October, 1884.
- (8) The Oregon Short Line, the date of whose opening for business I am unable to give.
- (9) The Canadian Pacific, opened for business in July or August, 1886.

All of these roads, except the Canadian Pacific, are in United States territory.

In the report of the United States Commissioner of Railroads for 1884, pages 226 and 227, will be found a list of grants made by the United States in aid of the construction of railroads, which gives the date of the act of Congress making the grants, &c. By reference to the list it will be found that at least a portion of each of the trans-continental lines above described, except the Canadian Pacific (which was heavily subsidized in land and money by the Dominion Government), was aided by the United States Government, and, I am informed (not having searched the matter myself), that in each of said cases there was a larger grant of land made than that to the Union and Central Pacific line; that the grant to the latter line was for 12,800 acres per mile, less mineral lands and lands for which there were prior claims, while the grants to the other lines were usually at the rate of 12,800 acres per mile in the States and 25,600 acres per mile in the Territories. It is supposed that the lands granted to the Texas and Pacific, Atlantic and Pacific, Atchison, Topeka and Santa Fé, and Northern Pacific Companies caused their construction. Certainly no one will deny that they hastened their completion. Without the land grants the roads would not have been built, and without these roads the traffic which has been carried by them in competition with the Central and Union Pacific line would have gone over the Central and Union Pacific lines, and contributed by so much to the earnings of the Central and Union Pacific Companies.

To illustrate the extent to which the earning capacity of the Central and Union Pacific Companies has been impaired by the completion of these roads, I have caused to be prepared and beg to hand you herewith the following exhibits:

* See answer to question No. 54.

EXHIBIT A.—Comparative statement showing freight tonnage and charges on through traffic and percentage of same done by each route for periods as noted.

Period.	Direction.	Via Central Pacific and Union Pacific.		Via Central Pacific and Denver & Rio Grande.		Via South'n Pac. and Atlantic & Pacific.	
		Pounds.	Charges.	ds.	Charges.	Pounds.	Charges.
Jan. 1, 1874, to Mar. 31, 1881.	East.	940,363,900	\$12,565,250.80				
	West	1,647,890,888	29,991,692.90				
	Per cent.	2,588,253,778	42,557,143.20				
Apr. 1, to Dec. 31, 1881.	East.	143,903,150	1,928,977.40				
	West	272,465,990	4,234,726.90				
	Per cent.	415,759,140	6,163,704.30				
Jan. 1, 1882, to Jan. 31, 1883.	East.	127,141,720	1,650,253.80				
	West	838,462,510	5,285,101.90				
	Per cent.	485,594,230	6,935,255.20				
Feb. 1, to May 31, 1883.	East.	21,447,710	281,229.20				
	West	107,563,650	1,478,145.00	58,730	\$1,298.10		
	Per cent.	129,011,260	1,754,374.20	58,730	1,298.10		
June 1, to Sept. 30, 1883.	East.	56,751,140	808,742.50	7,842,280	112,246.10		
	West	70,403,880	1,156,336.70	16,396,820	214,107.00		
	Per cent.	126,155,020	1,965,079.20	24,239,100	326,353.10		
Oct. 1, 1883, to Sept. 30, 1884.	East.	118,244,380	1,478,543.10	25,156,880	314,268.30	22,695,450	\$258,794.10
	West	204,363,320	2,827,834.30	83,015,840	440,416.70	43,151,750	577,067.90
	Per cent.	322,607,700	4,306,377.40	108,172,720	754,685.00	65,847,200	835,862.00
Oct. 1, 1884, to Dec. 31, 1886.	East.	160,930,960	1,920,418.10	34,340,150	430,440.70	62,047,870	690,411.60
	West	173,124,650	2,352,273.00	22,632,630	284,530.70	129,909,290	1,550,200.40
	Per cent.	334,054,510	4,272,691.10	56,972,680	720,971.40	192,557,070	2,258,612.20
Jan. 1, to Dec. 31, 1886.	East.	175,783,490	1,492,935.00	40,745,090	331,624.40	59,254,830	462,541.10
	West	193,450,000	1,338,468.60	52,001,060	319,472.80	90,820,590	989,241.10
	Per cent.	369,233,490	2,831,423.60	92,746,150	651,097.20	150,075,420	1,451,782.20
Total, 5 yrs. 9 mos.	East.	2,192,427,850	28,230,003.00	221,192,280	2,454,403.10	417,470,710	4,546,256.40
	West	2,192,427,850	28,230,003.00	221,192,280	2,454,403.10	417,470,710	4,546,256.40
	Per cent.	4,384,855,700	56,460,006.00	442,384,560	4,908,806.20	834,941,420	9,092,512.80

Period.	Direction.	Via South'n Pacific and A. T. & S. F.		Via South'n Pac. and Texas & Pac.		Via South'n Pac. and G. H. & S. A.	
		Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.
Apr. 1, to Dec. 31, 1881.	East.	21,982,350	\$305,546.70				
	West	2,963,000	58,068.50				
	Per cent.	24,945,350	363,615.20				
Jan. 1, 1882, to Jan. 31, 1883.	East.	56,393,500	721,230.00	91,534,360	\$921,285.60	420,300	\$4,501.50
	West	54,278,820	768,021.40	13,223,860	234,796.40		
	Per cent.	110,672,320	1,489,251.40	104,758,220	1,156,082.00	420,300	4,501.50
Feb. 1, to May 31, 1883.	East.	12,847,600	172,954.70	8,611,810	118,400.80	5,147,610	64,879.40
	West	49,494,000	641,752.20	7,053,760	122,065.00	11,063,700	177,822.20
	Per cent.	62,341,600	814,706.90	15,665,570	240,465.80	16,211,310	242,691.60

EXHIBIT A.—Comparative statement showing freight tonnage, &c.—Continued.

Period.	Direction.	Via South'n Pacific and A. T. & S. E.		Via South'n Pac. and Tex. & Pac.		Via South'n Pac. and G. H. & S. A.	
		Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.
June 1, to Sept. 30, 1883	East.	13,792,950	\$178,392.90	12,704,710	\$154,989.46	22,477,880	\$261,708.40
	West	30,100,000	\$74,013.40	8,113,360	120,022.10	81,063,130	561,700.70
	Percent	43,892,950	553,006.30	20,818,070	284,961.56	54,141,010	623,467.16
Oct. 1, 1883, to Sept. 30, 1884	East.	17,916,560	215,477.36	85,291,100	410,467.10	35,460,850	454,253.40
	West	48,184,820	505,712.10	88,104,000	459,119.80	80,874,900	983,714.00
	Percent	66,101,380	721,189.46	173,395,220	869,577.90	116,335,750	1,437,967.40
Oct. 1, 1884, to Dec. 31, 1885	East.	7,896,800	\$9,894.50	36,437,990	424,778.20	62,363,790	712,758.50
	West	254,730	4,406.20	24,649,270	287,921.10	102,178,870	1,610,103.00
	Percent	7,651,630	98,290.70	61,087,260	712,699.30	164,542,660	2,322,861.50
Jan. 1, to Dec. 31, 1886	East.	769,200	\$8,000.70	34,625,300	303,180.30	152,680,040	895,459.20
	West	41,810	588.50	22,132,570	184,238.90	181,969,440	1,283,154.20
	Percent	810,510	8,589.20	57,757,870	487,419.20	334,649,480	2,178,613.40
Total, 5 yrs. 9 mos.		315,495,860	4,041,647.10	333,488,230	3,781,878.40	672,335,220	7,014,878.10
Percent		8.95	7.81	7.36	8.97	14.83	18.05

Period.	Direction.	Via North'n Pacific and O. R. and N. Co.		Via Oregon Short Line.		Total via all routes.	
		Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.
Jan. 1, 1874, to Mar. 31, 1881						3,568,263,878	\$42,557,143.20
Apr. 1, to Dec. 31, 1881						439,784,500	6,323,219.50
Jan. 1, 1882, to Jan. 31, 1883						701,443,130	9,563,180.10
Feb. 1, to May 31, 1883						223,220,500	3,058,967.20
June 1, to Sept. 30, 1883						279,346,170	3,932,867.20
Oct. 1, 1883, to Sept. 30, 1884		81,045,044	\$1,038,776.08			700,111,104	9,962,435.48
Percent		10.75	10.41				
Oct. 1, 1884, to Dec. 31, 1885		91,095,847	1,143,128.66	38,513,114	\$458,160.71	946,449,271	11,968,416.17
Percent		9.62	9.53	4.07	3.83		
Jan. 1, to Dec. 31, 1886		90,096,900	756,457.08	69,461,740	378,222.80	1,164,413,140	8,748,581.78
Percent		7.66	8.53	5.86	4.32		
Total, 5 yrs. 9 mos.		263,277,851	2,938,261.82	107,994,854	636,283.51	4,534,779,955	53,811,807.48
Percent		8.81	8.46	2.88	1.66		

Exhibit A is a showing of the freight tonnage and charges on through traffic by each route from January 1, 1874, to December 31, 1886, divided into periods, these being marked by the dates of the completion of the several opposing lines.

For example:

From January 1, 1874, to March 31, 1881, there was but one line between the Missouri River and California, namely, the Union and Central Pacific. April 1, 1881, the Atchison, Topeka and Santa Fe road was connected with the Southern Pacific at Deming, thus opening a new line—the first new line to compete with the original Central and Union Pacific line.

The date of the opening of this new line for business, namely, April 1, 1881, begins a new period, which ends with the opening of the third line.

In January, 1882, the Texas and Pacific and Galveston, Harrisburg and San Antonio roads were connected with the Southern Pacific at El Paso, making, for the period from January 1, 1882, to January 31, 1883, four routes.

The Galveston, Harrisburg and San Antonio Railway, in connection with the Southern Pacific at El Paso, did very little business previous to February 1, 1883, when it opened for business for New York City. Hence, a new period is begun, dating from February 1, 1883, and running to May 31, 1883, during which there were still but four lines, though during the last period the Galveston, Harrisburg and San Antonio line had been greatly strengthened as compared with the first preceding period.

In May, 1883, the Denver and Rio Grande and Burlington and Missouri River line was connected with the Central Pacific at Ogden, making five lines for the period from June 1, 1883, to September 30, 1883, at which time the Atlantic and Pacific was connected with the Southern Pacific, making six lines.

You will notice by Exhibit A that for the period from January 1, 1874, to March 31, 1881, there being but the one line (the Union and Central Pacific), the percentage of traffic carried by this line is represented by 100 per cent.; that this percentage is reduced in the second period to 94.54 per cent. in tonnage and 94.59 per cent. in earnings; in the third period, to 69.23 per cent. in tonnage and 72.37 per cent. in earnings; in the fourth period, to 57.77 per cent. in tonnage and 57.45 per cent. in earnings; in the fifth period, to 48.76 per cent. in tonnage and 49.71 per cent. in earnings; in the sixth period, to 42.45 per cent. in tonnage and 43.23 per cent. in earnings; in the seventh period, to 35.29 per cent. in tonnage and 35.65 per cent. in earnings; and the last period, to 31.18 per cent. in tonnage and 32.36 per cent. in earnings; showing conclusively that with the opening of each new line there was an additional loss in tonnage and in earnings from through traffic to the Union and Central Pacific line. The conclusion is inevitable that this loss was occasioned by the diversion of traffic to the new lines. The difference between 100 per cent. and the percentages shown for the period succeeding March 31, 1881, represented the loss to the Central and Union Pacific line, the sole cause of which was the opening of new lines.

Exhibit B is the same as Exhibit A, with the exception that the entire tonnage via the Central Pacific and Denver and Rio Grande and Burlington and Missouri River line, and the Central Pacific proportion of charges west of Ogden for the same line, are thrown in the first column under the head of Central and Union Pacific line.

It was necessary in making these statements to show "line" earnings. It would have been impossible from any records we have to show the earnings of the individual roads in each line except by going back to the original billing, which would have required so much time and labor, that a report to be based upon information so obtained could not have been reached in time for the next session of Congress.

The Denver and Rio Grande and Burlington and Missouri River roads made a line by connection with the Central Pacific, just as the Union Pacific connected with the Central Pacific; hence the completion of the Denver and Rio Grande and Burlington road only affected the Union Pacific road.

In Exhibit B the charges of the Denver and Rio Grande and Burlington and Missouri River line east of Ogden are shown separate from the charges of the Central Pacific, and will represent the loss to the Union Pacific by the diversion of traffic caused by the opening of that line.

EXHIBIT B.—Comparative statement showing freight tonnage and charges on through traffic by each route for periods as noted; also percentage of said traffic done by each route. (charges east of Ogden, via Denver and Rio Grande, shown separately).

[The tonnage and charges for Central Pacific via Denver and Rio Grande are included in Central and Union Pacific lines.]

Periods.	Direction.	Via Central Pacific and Union Pacific.		Via Central Pacific and Denver & Rio Grande.		Via Southern Pacific and Atlantic & Pacific	
		Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.
Jan. 1, 1874, to Mar. 31, 1881.	East..	940,363,900	\$12,585,250.30				
	West..	1,647,890,888	20,691,852.90				
	Per cent	100	100				
Apr. 1, 1881, to Dec. 31, 1881.	East..	143,308,150	\$1,928,977.40				
	West..	272,455,990	4,234,726.90				
	Per cent	94.54	94.50				
Jan. 1, 1882, to Jan. 31, 1883.	East..	127,141,720	1,650,253.90				
	West..	858,452,511	5,285,101.90				
	Per cent	68.23	72.37				
Feb. 1, 1883, to May 31, 1883.	East..	21,447,710	291,229.20		\$599.50		
	West..	107,622,280	1,473,843.60				
	Per cent	57.80	57.47		0.09		
June 1, 1883, to Sept. 30, 1883.	East..	64,593,420	898,827.30		54,161.30		
	West..	85,800,700	1,250,404.00		114,639.70		
	Per cent	57.44	53.71		4.26		
Oct. 1, 1883, to Sept. 30, 1884.	East..	143,403,290	1,637,052.10		165,766.60	22,695,450	\$258,794.10
	West..	237,381,160	3,036,136.90		232,111.10	43,151,710	577,067.90
	Per cent	50.10	46.91		3.89	8.00	8.39
Oct. 1, 1884, to Dec. 31, 1885.	East..	195,260,010	2,141,162.60		215,096.20	62,647,870	690,411.60
	West..	195,757,180	2,487,504.00		150,299.70	129,908,200	1,559,290.40
	Per cent	41.31	38.61		3.05	20.34	18.84
Jan. 1, 1886, to Dec. 31, 1886.	East..	216,578,590	1,650,890.10		164,680.30	50,214,850	462,541.10
	West..	245,452,500	1,480,614.30		198,327.10	60,820,690	699,241.10
	Per cent	32.01	30.00		3.80	13.43	16.59
Total, 5 yrs. 9 mos.		2,424,620,230	29,428,726.00		1,255,983.50	417,479,710	4,546,256.40
Per cent		53.47	54.08		2.34	9.20	8.45

Period.	Direction.	Via Southern Pacific and A. T. & S. P.		Via Southern Pacific and Texas & Pacific.		Via Southern Pacific and G. H. & S. A.	
		Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.
Apr. 1, 1881, to Dec. 31, 1881.	East..	21,632,350	\$305,516.70				
	West..	2,603,090	53,068.50				
	Per cent	5.45	5.50				

EXHIBIT B.—Comparative statement showing freight tonnage, &c.—Continued.

Period.	Direction.	Via Southern Pacific and A. T. & S. P.		Via Southern Pacific and Texas & Pacific.		Via Southern Pacific and G. H. & S. A.	
		Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.
Jan. 1, 1882, to Jan. 31, 1883. Per cent	East ..	58,393,500	\$721,230.00	91,384,860	\$921,285.00	420,360	\$4,501.50
	West ..	54,278,820	766,021.04	13,223,800	234,798.40	.....	.....
	.....	110,672,320	1,487,251.40	104,758,220	1,156,083.00	420,360	4,501.50
Feb. 1, 1883, to May 31, 1883. Per cent	East ..	12,847,800	172,954.70	8,611,810	118,400.80	5,147,610	\$4,839.40
	West ..	48,494,060	641,752.20	7,055,780	122,805.60	11,093,760	177,622.20
	.....	62,341,860	814,706.90	15,667,570	241,156.40	16,241,370	242,461.60
June 1, 1883, to Sept. 30, 1883. Per cent	East ..	13,792,950	178,392.00	12,704,710	164,839.40	22,477,880	261,766.40
	West ..	30,100,000	374,613.40	8,113,380	120,022.10	81,063,130	561,700.70
	.....	43,892,950	553,006.30	20,818,090	284,861.50	54,141,010	823,467.10
Oct. 1, 1883, to Sept. 30, 1884. Per cent	East ..	17,916,560	215,477.80	85,283,160	410,467.10	35,460,850	454,253.40
	West ..	48,184,820	606,712.10	38,104,060	450,110.80	56,874,900	983,714.00
	.....	66,101,380	721,189.40	73,387,220	860,577.90	92,335,750	1,437,967.40
Oct. 1, 1884, to Dec. 31, 1885. Per cent	East ..	7,396,900	93,884.50	86,437,000	424,778.20	62,383,790	712,758.50
	West ..	254,730	4,406.20	24,649,270	287,921.10	102,173,370	1,010,103.00
	.....	7,651,630	98,290.70	61,087,260	712,699.30	164,557,160	2,322,862.10
Jan. 1, 1886, to Dec. 31, 1886. Per cent	East ..	760,200	8,000.70	84,625,800	303,180.30	152,680,040	805,459.20
	West ..	41,810	586.50	23,132,570	184,238.00	191,969,440	1,288,154.20
	.....	810,510	8,587.20	57,757,870	487,398.20	344,649,480	2,183,613.40
Total 5 yrs. 9 mos. Per cent .....	.....	315,486,860	4,041,847.10	323,486,230	3,751,875.40	672,325,220	7,014,873.10
		6.95	7.51	7.96	6.97	14.63	13.03

Period.	Direction.	Via Northern Pacific and O. R. & N. Co.		Via Oregon Short Line.		Total via all routes.	
		Pounds.	Charges.	Pounds.	Charges.	Pounds.	Charges.
Jan. 1, 1874, to Mar. 31, 1881.	2,588,263,878	\$42,557,143.20
Apr. 1, 1881, to Dec. 31, 1881.	439,784,550	8,522,319.50
Jan. 1, 1882, to Jan. 31, 1883.	701,445,180	8,533,190.10
Feb. 1, 1883, to May 31, 1883.	223,320,500	3,053,007.20
June 1, 1883, to Sept. 30, 1883.	279,346,170	3,952,867.20
Oct. 1, 1883, to Sept. 30, 1884.	81,645,044	81,036,778.06	.....	.....	760,111,104	8,962,435.48
Per cent	10.75	10.41	.....	.....	.....	.....
Oct. 1, 1884, to Dec. 31, 1885.	91,065,847	1,143,128.66	38,618,114	458,160.71	946,449,271	11,988,416.17
Per cent	9.63	9.53	4.07	3.82	.....	.....
Jan. 1, 1886, to Dec. 31, 1886.	90,000,900	766,457.08	69,481,740	378,222.60	1,184,423,140	8,748,581.78
Per cent	7.66	8.65	5.86	4.32	.....	.....
Total 5 yrs. 9 mos. Per cent	263,377,851	2,936,361.82	107,694,854	836,383.51	4,534,779,955	53,811,807.43
		6.81	5.46	2.38	1.56	.....	.....

EXHIBIT C.—Statement showing tonnage and charges lost to Central and Union Pacific lines (including Central Pacific tonnage and charges via Denver and Rio Grande) on through freight traffic for periods noted, on account of the opening of new lines.

Period.	Tons.	Charges.
<i>Total tonnage and charges via all lines.</i>		
January 1, 1874, to March 31, 1881	1,294,131.939	\$42,557,143.21
April 1 to December 31, 1881	219,892.275	6,522,319.74
January 1, 1882, to January 31, 1883	350,722.665	9,583,190.10
February 1 to May 31, 1883	111,680.295	3,053,997.16
June 1 to September 30, 1883	139,623.085	3,952,867.20
October 1, 1883, to September 30, 1884	386,055.552	9,962,433.48
October 1, 1884, to December 31, 1885	479,234.635	11,968,410.17
January 1 to December 31, 1886	592,211.570	8,748,562.78
Total, 5 years 9 months	2,267,939.977	53,811,877.43
<i>Tonnage and charges via Central and Union Pacific.</i>		
January 1, 1874, to March 31, 1881	1,294,131.939	42,557,143.21
April 1 to December 31, 1881	297,879.570	6,163,794.10
January 1, 1882, to January 31, 1883	242,797.115	6,585,375.20
February 1 to May 31, 1883	64,634.985	1,755,072.80
June 1 to September 30, 1883	80,197.060	2,123,231.30
October 1, 1883, to September 30, 1884	190,392.210	4,679,192.00
October 1, 1884, to December 31, 1885	195,518.595	4,628,693.60
January 1 to December 31, 1886	230,960.570	3,148,504.40
Total, 5 years 9 months	1,212,310.115	29,428,723.60
<i>Loss of tonnage and charges to Central and Union Pacific.</i>		
January 1, 1874, to March 31, 1881	13,012.705	358,617.20
April 1 to December 31, 1881	197,923.450	2,647,814.90
January 1, 1882, to January 31, 1883	47,125.300	1,298,924.40
February 1 to May 31, 1883	59,423.075	1,829,625.90
June 1 to September 30, 1883	189,963.342	5,269,247.44
October 1, 1883, to September 30, 1884	277,790.040	7,339,749.57
October 1, 1884, to December 31, 1885	361,221.000	8,599,077.38
January 1 to December 31, 1886	1,958,079.662	24,363,080.83

REDUCED TO ANNUAL RATES.

Period.	Annual tons.	Annual average rate.	Annual charges.
<i>Total via all lines.</i>			
January 1, 1874, to March 31, 1881	178,500.948	\$3,288.50	\$5,869,950.81
April 1 to December 31, 1881	293,149.705	2,966.00	8,694,426.04
January 1, 1882, to January 31, 1883	323,743.008	2,732.40	8,846,021.64
February 1 to May 31, 1883	334,980.898	2,735.00	9,161,991.60
June 1 to September 30, 1883	418,809.255	2,831.10	11,858,601.69
October 1, 1883, to September 30, 1884	386,055.552	2,621.30	9,962,433.48
October 1, 1884, to December 31, 1885	376,579.708	2,532.50	9,590,732.88
January 1 to December 31, 1886	592,211.570	1,477.30	8,748,562.78
Total, 5 years 9 months	304,328.686	2,372.30	9,358,373.24
<i>Via Central and Union Pacific.</i>			
January 1, 1874, to March 31, 1881	178,500.948	3,288.50	5,869,950.81
April 1 to December 31, 1881	277,172.765	2,965.00	8,218,221.20
January 1, 1882, to January 31, 1883	224,126.463	2,830.40	6,401,880.20
February 1 to May 31, 1883	193,694.982	2,716.50	5,258,368.40
June 1 to September 30, 1883	240,591.180	2,647.50	6,369,613.24
October 1, 1883, to September 30, 1884	190,392.210	2,454.50	4,679,192.00
October 1, 1884, to December 31, 1885	156,434.876	2,967.30	3,792,932.22
January 1 to December 31, 1886	230,960.570	1,362.70	3,148,504.40
Total, 5 years 9 months	210,836.544	2,427.00	5,118,629.28
<i>Loss annually to Central and Union Pacific.</i>			
January 1, 1874, to March 31, 1881	16,016.940		478,118.40
April 1 to December 31, 1881			

EXHIBIT C.—Statement showing tonnage and charges, &c.—Continued.

Period.	Annual tons.	Annual average rate.	Annual charges.
<i>Loss annually to Central and Union Pacific—Continued.</i>			
January 1, 1882, to January 31, 1883.....	99,822.496	.....	\$2,444,155.32
February 1 to May 31, 1883.....	141,275.996	.....	3,965,774.23
June 1 to September 30, 1883.....	178,278.675	.....	5,438,907.75
October 1, 1883, to September 30, 1884.....	159,683.343	.....	5,299,240.48
October 1, 1884, to December 31, 1885.....	222,164.822	.....	5,867,798.64
January 1 to December 31, 1886.....	311,654.929	.....	4,204,757.49
Total, 5 years 9 months.....	282,492.144	.....	4,240,533.89

The total loss (5 years 9 months) to Central and Union Pacific line = \$24,283,080.89, or an annual loss of \$4,240,533.89.

Of which the Central Pacific proportion is 46 per cent. = \$11,216,217.18, or an annual loss of \$1,959,646.50.

Of which the Union Pacific proportion is 54 per cent. = \$13,066,863.65, or an annual loss of \$2,280,887.39.

Exhibit C shows the tonnage and charges of all the lines compared with the tonnage and charges as given on Exhibit B for the Central and Union Pacific line, and the difference in tons and dollars; that is to say, according to Exhibit C the loss in tonnage to the Central and Union Pacific line, by the diversion to other lines, from April 1, 1881, to December 31, 1886, was 1,055,079 tons and \$24,383,080.

Exhibit C also shows the charges and tonnage of each of the several periods reduced to an annual basis; that is, if for each of the several periods the tons carried and charges made had been at the same rate for twelve months, it shows what the annual tonnage, charges, and loss would have been.

For example: take the second period, from April 1, to December 31, 1881, being nine months. The tons carried during that nine months via all lines were 219,592 tons, which at the same rate for twelve months would be 293,129 tons. The charges or earnings for the nine months by all lines were \$6,522,319, and for twelve months at the same rate would have been \$8,696,496. The tonnage and charges of the Central and Union Pacific line for the nine months, at the same rate, would have been 277,172 tons and \$8,218,272. The actual loss for the period to the Central and Union Pacific line is represented by 12,012 tons, on which the charges were \$358,615. For twelve months, at the same rate, the loss would have been 16,016 and \$478,153.

Exhibit C also totals the several periods beginning April 1, 1881, and ending December 31, 1886 (five years nine months), with the following result:

Total tonnage and charges via all lines 2,267,389 tons and \$53,811,807.

The tonnage and charges via the Central and Union Pacific for the same period were 1,212,310 tons and \$29,428,726.

The loss in tonnage and charges to the Central and Union Pacific line, being the difference between the tonnage and charges via all lines and the tonnage and charges via the Central and Union Pacific line, as shown above, were 1,055,079 tons and charges \$24,383,080, which, reduced to an annual basis, shows the loss for this period at the annual rate of 183,492 tons and \$4,240,533.

Exhibit C also shows the average annual rate per ton charged for freight. During the first period, when there was but one line (Union and Central Pacific line), from January 1, 1874, to March 31, 1881, you will note that the average annual rate per ton was \$32.88. By following down through the several subsequent periods you will notice a gradual reduction in the annual rate per ton until in 1886 the rate was reduced to \$14.77 per ton. Some of this difference in rate was chargeable to the opening of competing lines; in other words, take, for example, the year 1886; while it is not reasonable to suppose that at the annual average rate which obtained in 1883 (\$25.32 per ton) the same tonnage would have been moved as was moved in 1886 at a lower average rate (\$14.77 per ton), yet it is true that the tonnage would have been moved at a higher rate than the average earning during 1883. It is impossible to say what would be the maximum rate at which the same tonnage would have moved.

It is a matter of public knowledge that during a portion of that year (1886) rates were unnecessarily low. I should estimate that an average rate of \$20 per ton, being a reduction of a little more than twenty per cent. from the average rate prevailing from October 1, 1884, to December 31, 1885, would have given all needed stimulus to the movement of traffic, and the difference between \$14.77 and \$20—\$5.23 per ton—would be a reasonable estimate of the effect of unreasonable competition between

the railroads, which would fall below rather than above the real measure of the influence of that competition. Accordingly 311,064 tons extended at a rate of \$5.23 per ton would represent a further loss to the Central and Union Pacific line by reason of the diversion of traffic to other lines and the competition inaugurated by said other lines of \$1,626,864.

For all the competitive periods shown on Exhibit C the charges are extended at the annual average rate. The effect of the competition of the other lines was something more in each period than the mere diversion of traffic. It reduced rates; that is to say, had the other lines not been built, not only the entire traffic would have been carried by the Union and Central Pacific lines, but it would have been carried at higher rates. Hence the earnings upon the total traffic, if carried by the Union and Central Pacific line without the competition of the other lines, would have been greater than the earnings made by all the lines from the same traffic, so that the real loss in freight earnings resulting from the building of other lines, if the exact facts could be ascertained, would prove to be much more than \$24,333,060, as shown on Exhibit C.

Exhibits A, B, and C relate only to freight traffic; I also inclose herewith Exhibits D and E.

Exhibit D shows the number of through passengers carried by each route, and the earnings accruing therefrom west of Ogden, Mojave, Deming, and El Paso, the termini of the Southern Pacific system.

Ogden is the terminus of the Central Pacific road.

Mojave is the point of junction of the Atlantic and Pacific with the Southern Pacific.

Deming is the junction of the Atchison, Topeka and Santa Fé Railroad with the Southern Pacific.

El Paso is the junction point of the Southern Pacific, Texas and Pacific, and Galveston, Harrisburg and San Antonio Railroads, respectively.

Exhibit D and the other passenger statements show the earnings west of these respective termini.

In the case of passengers, our records do not show the earnings of the connecting lines as in the case of freight.

EXHIBIT D.—Comparative statement showing number of passengers carried by each route on through traffic, and the earnings accruing west of Ogden, Mojave, Deming, and El Paso, for periods as noted, also percentage of earnings by each route.

[The earnings via Northern Pacific, O. B. & N. Co. and Oregon Short Line as shown are 46 per cent of the through via those routes.]

Period.	Direction.	Via Ogden and Union Pacific.			Via Ogden and Denver and Rio Grande.		
		No.	Earnings.	Per cent.	No.	Earnings.	Per cent.
January 1, 1874, to March 31, 1881	East..	207,717	\$5,948,823.94	.....	.....	.....	.....
	West..	359,116	9,688,287.88	.....	.....	.....	.....
April 1 to December 31, 1881	East..	566,833	16,636,611.32	100	.....	.....	.....
	West..	20,574	573,384.51	.....	.....	.....	.....
April 1 to December 31, 1881	East..	82,854	856,946.57	.....	.....	.....	.....
	West..	53,428	1,430,331.08	77.25	.....	.....	.....
January 1, 1882, to January 31, 1883	East..	24,321	683,809.28	.....	.....	.....	.....
	West..	41,170	1,030,765.89	.....	.....	.....	.....
February 1 to May 31, 1883	East..	65,491	1,743,575.17	63.32	.....	.....	.....
	West..	6,781	190,925.36	.....	436	\$14,837.22	.....
June 1 to September 30, 1883	East..	16,445	284,796.17	.....	353	7,318.18	.....
	West..	23,236	575,721.53	58.78	788	22,155.40	2.07
October 1, 1883, to September 30, 1884	East..	9,445	228,731.93	.....	3,464	92,478.71	.....
	West..	17,183	419,683.73	.....	2,678	61,957.72	.....
October 1, 1883, to September 30, 1884	East..	26,628	648,416.66	61.10	6,140	154,436.43	14.55
	West..	19,371	484,051.58	.....	5,096	165,282.34	.....
October 1, 1883, to September 30, 1884	East..	29,033	708,192.05	.....	4,339	135,064.45	.....
	West..	48,304	1,123,343.63	43.43	10,735	208,838.79	18.44

EXHIBIT D.—Comparative statement showing the number of passengers, &c.—Continued.

Period.	Direction.	Via Ogden and Union Pacific.			Via Ogden and Denver and Rio Grande.		
		No.	Earnings.	Per cent.	No.	Earnings.	Per cent.
October 1, 1884, to December 31, 1885	East..	21,013	\$519,643.79	.....	9,574	\$251,742.18	.....
	West..	33,364	740,064.18	.....	5,546	143,894.40	.....
	.....	54,378	1,260,206.97	41.25	15,120	395,136.58	12.88
January 1 to December 31, 1886	East..	30,157	375,253.90	.....	18,894	250,893.45	.....
	West..	38,768	510,028.26	.....	15,213	189,547.59	.....
	.....	68,925	885,282.16	38.51	34,017	440,441.04	19.16
Total, 5 years 9 months.....	.....	340,320	7,740,776.20	51.91	66,790	1,305,833.24	8.75

Period.	Direction.	Via Mojave and Atlantic Pacific.			Via Deming and A. T. and B. F.		
		No.	Earnings.	Per cent.	No.	Earnings.	Per cent.
April 1 to December 31, 1881	East..	.....	.....	.....	5,354	\$169,114.89	.....
	West..	.....	.....	.....	8,653	252,201.40	.....
	.....	.....	.....	.....	14,006	421,316.29	22.75
January 1, 1882, to January 31, 1883	East..	.....	.....	.....	9,640	206,874.80	.....
	West..	.....	.....	.....	17,967	518,021.11	.....
	.....	.....	.....	.....	27,607	814,895.91	29.60
February 1 to May 31, 1883	East..	.....	.....	.....	3,105	94,837.93	.....
	West..	.....	.....	.....	8,918	238,434.46	.....
	.....	.....	.....	.....	12,023	333,272.39	31.14
June 1 to September 30, 1883	East..	.....	.....	.....	2,088	61,171.33	.....
	West..	.....	.....	.....	4,187	108,174.13	.....
	.....	.....	.....	.....	6,275	169,345.45	15.96
October 1, 1883, to 30, September 1884	East..	2,463	\$42,580.18	.....	4,126	120,244.54	.....
	West..	4,789	82,246.20	.....	11,989	314,364.28	.....
	.....	7,252	124,826.38	4.44	16,115	434,608.82	15.49
October 1, 1884, to December 31, 1885	East..	6,798	60,945.85	.....	3,763	107,968.87	.....
	West..	16,849	130,807.15	.....	9,900	254,417.34	.....
	.....	23,645	191,753.00	6.25	13,663	362,387.21	11.81
January 1 to December 31, 1886	East..	3,292	42,462.35	.....	1,136	21,214.25	.....
	West..	23,210	123,839.29	.....	3,160	57,134.49	.....
	.....	30,472	166,301.64	7.23	4,296	78,348.74	3.41
Total, 5 years 9 months.....	.....	61,309	482,881.02	3.31	93,983	2,614,174.81	17.46

EXHIBIT D.—Comparative statement showing number of passengers, &c.—Continued.

Period.	Direction.	Via El Paso and Texas and Pacific.			Via El Paso and G. H. and S. A.		
		No.	Earnings.	Per cent.	No.	Earnings.	Per cent.
January 1, 1882, to January 31, 1883	East..	2,495	\$80,462.02	.....	.....	.....	.....
	West..	2,348	114,440.48	.....	.....	.....	.....
		6,843	194,902.50	7.08	.....	.....	.....
February 1 to May 31, 1883	East..	1,318	22,438.10	.....	455	\$18,610.45	.....
	West..	2,266	55,561.23	.....	932	32,632.78	.....
		3,584	88,019.33	8.22	1,407	51,263.24	4.79
June 1 to September 30, 1883	East..	812	22,765.33	.....	287	10,503.58	.....
	West..	1,427	34,428.58	.....	761	21,282.76	.....
		2,240	57,193.91	5.29	1,048	31,886.34	2.00
October 1, 1883, to September 30, 1884	East..	3,161	87,853.67	.....	1,370	46,677.52	.....
	West..	4,639	139,139.45	.....	3,773	113,703.96	.....
		7,791	226,993.12	8.08	5,043	160,381.48	5.78
October 1, 1884, to December 31, 1885	East..	4,433	\$22,573.07	.....	2,434	84,329.71	.....
	West..	6,093	145,072.83	.....	4,473	134,309.42	.....
		10,526	267,645.90	8.72	6,907	218,729.13	7.13
January 1 to December 31, 1886	East..	7,011	93,698.30	.....	1,675	30,179.49	.....
	West..	7,842	102,617.72	.....	5,781	100,563.27	.....
		14,853	226,286.02	9.85	7,456	130,742.76	5.18
Total, 5 years 9 months		45,237	1,061,040.78	7.12	21,861	509,004.95	4.02

Period.	Direction.	Via Northern Pacific and O. R. and N. Co.			Via Union Pacific and Northern Pacific.		
		No.	Earnings.	Per cent.	No.	Earnings.	Per cent.
October 1, 1883, to September 30, 1884		12,955	\$394,706.33	10.49	3,692	\$83,054.90	2.92
October 1, 1884, to December 31, 1885		16,871	221,150.98	7.26	1,150	24,096.82	0.80
January 1 to December 31, 1886		13,696	257,474.42	11.23	.....	.....	.....
Total, 5 years 9 months		37,722	773,421.69	5.18	4,842	107,151.72	1.52

Period.	Direction.	Via Oregon Short Line.			Total via all routes.	
		No.	Earnings.	Per cent.	No.	Earnings.
January 1, 1874, to March 31, 1881		566,833	\$15,436,611.37
April 1 to December 31, 1881		67,434	1,851,647.37
January 1, 1882, to January 31, 1883		99,941	2,753,372.06
February 1 to May 31, 1883		41,928	1,070,431.89
June 1 to September 30, 1883		45,321	1,003,127.70
October 1, 1883, to September 30, 1884		111,677	2,809,354.35
October 1, 1884, to December 31, 1885		5,713	\$119,872.43	3.90	141,918	3,009,572.02
January 1 to December 31, 1886		6,795	107,516.95	4.67	180,210	2,298,365.73
Total, 5 years 9 months		12,508	227,389.38	0.71	684,739	14,910,943.73

EXHIBIT E.—Statement showing number of passengers (through) and revenue lost to Central Pacific road on account of opening of new lines; also showing average rate per passenger earned and loss annually for the periods as noted.

Period.	Total via all routes west of C. P. and S. P. terminals.		Total C. P. via Ogden, including via D. R. G.		Loss to Central Pacific via Ogden.		
	No.	Earnings.	No.	Earnings.	No.	Earnings.	Per cent.
Jan. 1, '74, to March 31, '81	506,833	\$15,636,611.33	506,833	\$15,636,611.33			
Average rate per passenger.		30.86		30.86			
April 1, '81, to Dec. 31, '81	67,434	1,804,617.37	67,434	1,804,617.37	14,000	\$421,318.29	23.75
Average rate per passenger.		26.76		26.76			
Jan. 1, '82, to Jan. 31, '83	99,941	2,733,373.58	99,941	1,743,573.11	34,430	1,009,798.41	36.65
Average rate per passenger.		27.35		26.62			
Feb. 1, '83, to May 31, '83	41,028	1,070,431.99	24,014	587,870.81	17,014	472,564.36	44.14
Average rate per passenger.		26.09		24.49			
June 1, '83, to Sept. 30, '83	43,331	1,007,377.79	37,769	862,822.09	9,562	256,425.78	24.55
Average rate per passenger.		23.07		22.59			
Oct. 1, '83, to Sept. 30, '84	111,877	2,809,258.35	59,029	1,493,087.42	52,848	1,323,680.83	47.12
Average rate per passenger.		25.11		25.29			
Oct. 1, '84, to Dec. 31, '85	141,018	3,006,370.92	89,438	1,690,343.55	72,480	1,409,233.47	45.85
Average rate per passenger.		21.30		23.77			
Jan. 1, '86, to Dec. 31, '88	180,219	2,298,303.73	102,942	1,325,722.50	77,266	972,672.53	42.32
Average rate per passenger.		12.75		12.88			
Total five years nine months.	554,739	14,910,903.73	407,119	9,146,286.44	177,629	5,804,084.29	39.33

Period.	Reduced to an annual basis.						
	Total via all routes.		Total via Ogden.		Annual loss to Central Pacific.		
	No.	Earnings.	No.	Earnings.	No.	Earnings.	Per cent.
Jan. 1, '74, to March 31, '81 ..	78,180	\$2,156,773.92	78,180	\$2,156,773.92			
April 1, '81, to Dec. 31, '81	30,913	2,468,863.16	71,237	1,907,108.11	18,675	\$561,755.05	22.75
Jan. 1, '82, to Jan. 31, '83	92,256	2,541,573.52	60,456	1,600,453.93	31,800	932,121.60	36.06
Feb. 1, '83, to May 31, '83	129,084	3,211,293.64	72,048	1,709,030.76	57,036	1,417,654.89	44.14
June 1, '83, to Sept. 30, '83	120,003	3,163,633.37	98,304	2,408,550.27	21,699	775,277.10	24.35
Oct. 1, '83, to Sept. 30, '84	111,877	2,809,258.35	59,029	1,445,587.42	52,848	1,323,680.83	47.12
Oct. 1, '84, to Dec. 31, '85	121,644	2,658,496.32	50,509	1,423,151.64	61,134	1,265,514.68	45.65
Jan. 1, '86, to Dec. 31, '88	180,219	2,298,303.73	102,942	1,325,722.50	77,266	972,672.53	42.32
Total five years nine months.	119,076	2,508,211.40	70,860	1,373,280.36	42,276	1,019,942.04	39.32

NOTE.—From April 1, 1881, to December 31, 1886 (five years nine months), during which time other lines competed with the Central and Union Pacific line, the Central Pacific road suffered a total loss of revenue amounting to \$5,804,084.29, or 39.33 per cent. of the total through passenger traffic. Assuming this loss based on 45 per cent. of total through, the Union Pacific has sustained a proportionate loss of \$6,664,663.90, making total loss for Central Pacific and Union Pacific line of \$12,743,270.19. Reducing this to an annual basis, the loss annually to the Central Pacific is \$1,019,942.04, and to the Union Pacific \$1,197,812.36, or a total for the through line of \$2,217,753.39.

Exhibit E is the same for passengers as Exhibit C for freight.

Both of the exhibits relating to the passenger traffic in the matter of division into periods are the same as the exhibits for freight.

Exhibit D will show the number of through passengers forwarded by the original Union and Central Pacific line from January 1, 1874, to March 31, 1881, amounting to 556,833, from which the Central Pacific earned \$15,636,611, which represented 100 per cent.

For the period (from April 1, 1881, to December 31, 1881) this percentage was reduced to 77.25 per cent.

For the third period (January 1, 1882, to January 31, 1883) it was reduced to 63.32 per cent.

For the fourth period (February 1, 1883, to May 31, 1883) it was reduced to 53.78 per cent.

For the fifth period (June 1, 1883, to September 30, 1883) the reduction was only to 61.10 per cent.; that is to say, the opening of the Denver and Rio Grande and Bur-

lington and Missouri River line contributed temporarily something to the earning power of the Central Pacific, probably owing to the scenic attractions which the new route would offer.

But in the sixth period (October 1, 1883, to September, 1884) the percentage fell off to 42.43 per cent.

For the seventh period (October 1, 1884, to December 31, 1885) it was reduced to 41.25 per cent.

For the last period (January 1, 1886, to December 31, 1886) it was reduced to 38.51 per cent.

As in the case of freight, it will be observed with respect to passengers that the opening of each new line, with the single exception of the short period immediately succeeding the opening of the Denver and Rio Grande road, the Central Pacific line suffered a loss; and that loss resulted from no other cause than the opening of these new lines.

Exhibit E shows the number of passengers carried by all routes and the Central Pacific charges therein, with the loss in charges to the Central Pacific by diversion to other routes for each period reduced to an annual basis.

The total loss to the Central Pacific by diversion for the period from April 1, 1881, to December 31, 1886 (five years nine months), is shown to be 277,629 passengers and \$5,864,664, or an average annual rate of 48,276 passengers and \$1,019,942.

It will be observed also that the average rate on passengers for each period shows a less percentage of reduction than in the case of freight, though in the year 1886 the average rate fell to \$12.75, against an average rate of \$27.59 during the first period, from January 1, 1874, to March 31, 1881.

From October 1, 1884, to December 31, 1885, the average annual rate by all routes was \$21.60, and the number of passengers carried was at the rate of 121,644 per annum, as against a rate of \$12.75 for the year 1886 and 180,210 passengers.

The large reduction in rate was incident to the war in rates which followed the dissolution of the transcontinental pool. It was not compensated by increased traffic, as all the rail lines earned less from the increased traffic than they earned the year previous on a less amount of traffic. The conclusion necessarily follows that while Exhibit E shows a loss for the year 1886 to the Central Pacific by diversion of 77,268 passengers and \$972,672, it does not show the entire loss resulting to the Central Pacific by reason of the competition of the other lines. The same number of passengers could have been moved by the Central Pacific at a higher average rate than was earned by all lines.

As has been explained, the passenger exhibits show only the earnings west of the eastern termini of the Southern Pacific and Central Pacific Railroads, and show for the entire period from April 1, 1881, to December 31, 1886, a total loss in revenue to the Central Pacific road of \$5,864,664, or 39.33 per cent. of the total through passenger traffic.

In my judgment, it is fair to assume that the loss of the Central Pacific represents 46 per cent. of the loss to the Central and Union Pacific line, that being not only the Central Pacific road's proportion of mileage, but also its percentage of the Central and Union Pacific "line" rates. This is a very close approximation of what an inquiry for the purpose of ascertaining the exact loss would show. It is rather under than over the loss. If we assume that the loss to the Central Pacific road is 46 per cent. of the loss of the Central and Union Pacific line, we have a loss in revenue to the Union Pacific and Central Pacific line of \$12,749,270.19. Reducing this list to an annual basis, the loss of revenue annually for the line would be \$2,217,265. This estimate will govern Exhibit F, which combines the showings made by Exhibit C and Exhibit E for freight and passengers respectively.

EXHIBIT F.—Recapitulation of Exhibits E and C, showing combination of passenger and freight traffic lost to the Central and Union Pacific line for the period April 1, 1881, to December 31, 1886; assuming that the results shown in Exhibit E (passenger) represent 46 per cent. of the through line earnings, the remaining 54 per cent. is added, showing total loss to Central and Union Pacific line, as below.

	Total earnings via all routes.	Earnings via Central and Union Pacific.	Loss to Central and Union Pacific.	Per cent. earnings lost.
Passenger	\$22,415,133.54	\$19,665,868.35	\$13,749,270.19	39
Freight	53,811,897.43	29,428,726.00	24,893,060.52	45
	86,226,945.97	49,094,594.35	37,132,361.02	43

EXHIBIT F.—Recapitulation of Exhibits E and C—Continued.

	Reduced to an annual basis.			
	Annual earnings all routes.	Annual earnings Cent'l and Union Pac.	Annual loss of earnings to C. P. & U. P.	Percent. lost annually.
Passenger.....	\$5,677,418.10	\$3,438,150.80	\$2,237,265.30	39
Freight.....	9,358,575.24	5,118,039.30	4,240,535.94	45
	14,995,993.34	8,556,190.10	6,437,803.18	43

The total loss on passengers and freight (five years nine months) to Central and Union Pacific line, \$27,132,351.02, or an annual loss of \$6,457,801.18.

Of which the Central Pacific's proportion is 48 per cent. = \$17,669,861.47, or an annual loss of \$2,970,588.54.

Of which the Union Pacific's proportion is 54 per cent. = \$20,651,469.55, or an annual loss of \$3,487,312.64.

Exhibit F is a recapitulation of Exhibit E and Exhibit C, and shows that the total earnings for the entire period from April 1, 1881, to December 31, 1886 (five years, 9 months), of all routes from through freight and passengers were \$84,220,945.97; that the earnings of the Central and Union Pacific line, ascertained as above explained, for the same period were \$49,094,594.95. The loss resulting to the Central and Union Pacific line by diversion of traffic to other lines being the difference between the above amounts was \$37,132,351.02, or 43 per cent. of the total business. This reduced to an annual basis shows an annual loss to the Central and Union Pacific line (since April 1, 1881, the date of the opening of the first competing line), \$6,457,801.18, 46 per cent. of which, or \$2,970,588.54, represents the loss of the Central Pacific Company.

There can be no question that the traffic carried by all routes during this period could have been carried by the Union and Central Pacific lines. I do not think there can be any doubt that had there been but one line, and that line had offered the same rates (and these comparisons are based upon the rates actually charged), the same amount of traffic would have been carried, and the earnings from it would have been covered into the treasuries of the Central and Union Pacific Companies. Not only is this true, but the same amount of traffic could have been carried, and doubtless would have been carried, at an average rate of charge something higher than was actually obtained, so that while the average annual loss to the Central and Union Pacific line is shown by these statements to have been less than \$6,500,000, I believe that the actual damage to the Union and Central Pacific line, caused by the building of the other lines, is not less than \$7,000,000 per annum, or a total loss of over \$40,000,000 for the period between April 1, 1881, and December 31, 1886, 46 per cent. of which represents the loss to the Central Pacific Railroad Company.

The facts and figures set forth in the inclosed exhibits are derived from our own records; first, being abstracts made from impression copies of the original way bills covering the freight carried, and from the original tickets collected from the passengers; and, second, for the Oregon Short Line and Northern Pacific roads, which are not connections of either the Central or Southern Pacific, from the records of the Transcontinental Association for the period from October 1, 1883, to January 1, 1886, and for the year 1886, from the records of the Northern Pacific and Union Pacific Companies respectively.

In giving the dates of the opening of the several lines, I have not been governed by the historical dates, but by the dates of the first billing or ticketing of through business done by those lines.

Respectfully submitted.

J. C. STUBBS.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

J. C. Stubbs, being first duly sworn, saith: That he has read the foregoing statement consisting of the pages next preceding marked "Exhibit No. 12," and knows the contents thereof; that the facts therein stated are true except as to those matters stated on his information or belief, and as to those he believes it to be true.

J. C. STUBBS.

Subscribed and sworn to before me this 26th day of July, A. D. 1887.

[SEAL]

E. B. RYAN,

Notary Public in and for said City and County.

EXHIBIT No. 13.—*Statement of E. H. Miller, jr., secretary, relative to amounts due from the United States for transportation on non-aided roads.**

The Central Pacific Railroad Company controlled by lease a number of branch lines prior to April 1, 1885, from which date the lines were leased to the Southern Pacific Company. Mails were carried by these lines for the United States under the rules and orders of the Post-Office Department. No payments have been made for such service since 1883, at which time but partial payments were made. The payments were withheld prior to April 1, 1885, because the Central Pacific Railroad Company leased the lines, and they have been withheld since that date because the Central Pacific Railroad Company had formerly leased the lines.

The United States Supreme Court decided in *U. S. vs. C. P. R. R. Co.*, October term, 1885, that compensation for transportation on non-aided and leased lines was due the company in cash. (See *U. S. Com. R. R.*, 1886, p. 27.)

To show the amount of this service for which payments have been withheld, statements are submitted herewith as follows:

(A.) Mail transportation from January 1, 1882, to March 31, 1885, showing amounts as allowed by Post-Office Department, \$1,814,384.96, of which non-aided and leased lines' proportion is \$806,923.27; cash paid is \$300,623.46; balance due and unpaid, \$501,299.81.

AMOUNT DUE FOR MAIL SERVICE IN CASH.

(B.) Mail transportation from April 1, 1885, to December 31, 1886, showing amounts as allowed by Post-Office Department, \$969,037.54, of which non-aided and leased lines' proportion is \$459,244.97, all of which latter sum remains due and unpaid.

The total amount thus remaining due and unpaid for transportation of mails to December 31, 1886, on such non-aided and leased roads, is \$960,544.78.

The transportation charges on non-aided lines were applied in settlement of the annual requirements of the company under the provisions of the Thurman act. After such applications there remained a balance due the Government on December 31, 1881, of \$79,149.91. This balance was paid by the company in cash October 23, 1882, thus settling the accounts to the end of 1881. Of this the U. S. Commissioner of Railroads, in his report for 1882 (p. 26), says:

"Under the act of May 7, 1878, the book-keeper of this office checked the books and accounts of the company in San Francisco, with a view to the ascertainment of '25 per cent. of the net earnings' for the year ending December 31, 1881. Twenty-five per cent. of the net earnings of the subsidized portion of the road was found to amount to \$1,038,935.24. The transportation for the Government during the year amounts to \$359,783.33, leaving a balance due the United States of \$79,149.91. Statement was rendered and payment demanded October 20, 1882. A check for the amount was sent to the Treasurer of the United States by the vice-president of the company, October 24, 1882. The company has therefore paid to the Government all of its accrued indebtedness to date."

CASH DUE FOR ALL TRANSPORTATION SERVICE.

From and including the year 1882 to the present time there has been annually a balance due the non-aided lines for transportation services performed. The amount thus due from the Government in cash, in excess of all requirements of the law, to December 31, 1886, is \$1,853,323.15. This appears from statement C herewith, the further details of which appear in the annual reports of U. S. Commissioner of Railroads for the several years named.

The United States, by failing to pay for such mail service and other transportation, has caused an expenditure to the Central Pacific Railroad Company of amounts equal to interest on the sums retained at the rate of 6 per cent. per annum, that being the rate of interest paid during the period on floating debt of the company, which debt would have been decreased by the payment of the sums due from the United States.

The annual interest on this balance due the roads in cash to December 31, 1886, of \$1,853,323.15, at 6 per cent., is \$111,199.39. This is the present annual injury to the roads by the Government on account of the item of transportation charges unpaid. The current charges also, in excess of the requirements, amount, as shown by the foregoing statement, to about \$450,000 a year. This amount with the interest on the balance make the accruing annual sum of \$560,000 due for transportation on non-aided lines and remaining unpaid.

* See answer to question No. 55.

STATEMENT A.—Central Pacific Railroad and leased lines—Earnings from mail transportation from January, 1882, to March, 1885, inclusive, and settlement thereof by the United States.

Post-office route.	Terminal.		Compensation due.			Distribution over aided and non-aided.		Government settlement.		Government settlement.	
			Amount.	Less deductions by Post-Office Department.	Amount allowed by Post-Office Department.	Aided.	Non-aided.	Credit.	Cash.	Disposition of amount credited.	
										Credited to interest and 6 per cent. account.	Credited to sinking-fund account.
39005	Deming	El Paso	\$12,322.02	\$5.19	\$12,322.88		\$12,322.88	\$1,897.88	\$4,730.58	\$648.94	\$648.94
40001	Yuma	Deming	266,942.40	390.28	266,546.12		266,546.12	82,144.90	79,996.18	16,072.50	16,072.49
40001	Ogden	San Francisco	1,082,902.33	3,020.35	1,079,881.98	\$958,103.67	121,478.21	975,751.63	47,950.61	487,875.81	487,875.82
40002	Roseville	Redding	86,134.81		86,134.81		86,134.81	9,388.38	83,836.21	4,094.19	4,094.19
40006	Bulwer	Napa Junction	2,310.72	.01	2,310.73		2,310.73	505.78	164.09	262.88	262.88
40007	Davisville	Woodland	1,883.91		1,883.91		1,883.91	207.10	105.18	108.55	108.55
40008	Vallejo Junction	Calistoga	9,940.95		9,940.95		9,940.95	1,482.73	768.98	741.96	741.96
40010	Lathrop	Gebeu	81,807.43	.04	81,807.47		81,807.47	12,401.84	31,820.75	6,200.92	6,200.92
40012	Stockton	Milton	7,182.22		7,182.22		7,182.22	1,380.82	2,637.00	690.41	690.41
40015	Wilmington	Los Angeles	3,492.88	.01	3,492.87		3,492.87	484.90	1,347.89	232.45	232.45
40016	Huron	Yuma	186,081.23	.02	186,081.20		186,081.20	22,969.74	75,050.65	11,464.67	11,464.67
40017	Los Angeles	Santa Ana	8,935.97	.01	8,935.96		8,935.96	1,066.22	3,577.15	533.11	533.11
40020	Los Angeles	Santa Monica	2,651.53	.02	2,651.53		2,651.53	350.10	1,042.00	179.56	179.56
40022	Woodland	Willows	19,474.16		19,474.16		19,474.16	1,992.06	1,742.61	996.04	996.02
40023	Galt	Ime	5,769.54	.01	5,769.53		5,769.53	737.90	2,287.10	368.95	368.95
40024	West Oakland	Berkeley	805.59	.01	805.58		805.58	126.10	808.85	63.05	63.05
40026	San Francisco	Alameda	1,873.05		1,873.05		1,873.05	313.58	707.93	157.78	157.78
40028	San Francisco	Sacramento	51,099.96	4.29	52,004.95	88,556.82	13,448.13	40,677.92	5,148.67	20,888.97	20,888.97
40029	Niles	San Jose	2,862.52		2,862.52	2,740.90	121.62	2,755.16	48.90	1,877.58	1,877.58
40032	Port Costa	Lathrop	34,554.46	37.58	34,516.88	8,000.30	26,456.58	10,330.10	10,968.63	5,175.50	5,175.50
40035	Peters	Oakdale	2,248.95		2,248.95		2,248.95		1,022.25		
40038	Gebeu	Huron	2,976.89	.03	2,976.86		2,976.86		1,871.40		
			1,817,839.43	3,450.51	1,814,384.96	1,007,461.69	806,223.27	1,116,975.88	305,623.46	558,467.93	558,467.95

INLAND STANFORD.

STATEMENT B.—Southern Pacific Company—Earnings from mail transportation on lines formerly operated by the Central Pacific Railroad Company, from April 1, 1885, to December 31, 1886, and settlement thereof by the United States.

Post-office route.	Terminal.	Compensation due.			Distribution over aided and non-aided.		Government settlement.		Government settlement.	
									Disposition of amount credited.	
									Credited to interest and 5 per cent. account.	Credited to sinking-fund account.
			Amount.	Less deductions by Post-Office Department.	Amount allowed by Post-Office Department.	Aided.	Non-aided.	Credit.	Cash.	
29005	Deming.....	El Paso	\$10,428.83		\$10,428.83		\$10,428.83			
40001	Yuma.....	Deming	117,510.27		117,510.27		117,510.27			
40001	San Francisco	Ogden	567,184.48		567,184.48	\$503,651.17	63,533.31	\$354,924.95		\$177,482.49
40003	Roseville.....	Redding	46,337.36		46,337.36		46,337.36			\$177,482.49
40006	Suisun.....	Napa Junction	1,116.83		1,116.83		1,116.83			
40007	Woodland.....	Grafton	737.84		737.84		737.84			
40008	Vallejo Junction	Calistoga	5,382.85		5,382.85		5,382.85			
40010	Lathrop.....	Gothen	45,966.97		45,966.97		45,966.97			
40012	Stockton.....	Milton	3,524.66		3,524.66		3,524.66			
40013	Los Angeles.....	San Pedro	1,965.63		1,965.63		1,965.63			
40014	Gothen.....	Yuma	106,525.33		106,525.33		106,525.33			
40017	Los Angeles.....	Santa Ana	4,779.53		4,779.53		4,779.53			
40020	Los Angeles.....	Santa Monica	1,464.56		1,464.56		1,464.56			
40022	Davis.....	Tehama	17,601.83		17,601.83		17,601.83			
40023	Galt.....	Ione	3,013.42		3,013.42		3,013.42			
40024	West Oakland	Berkeley	422.23		422.23		422.23			
40026	San Francisco	Alameda	950.25		950.25		950.25			
40028	San Francisco	Sacramento	28,664.80		28,664.80	21,195.87	7,468.93	14,750.45		7,279.71
40029	Niles.....	San Jose	1,541.53		1,541.53	1,470.56	71.97	1,031.10		515.55
40032	Port Costa.....	Lathrop	19,482.64		19,482.64	3,471.97	16,010.67	2,885.15		1,192.57
40036	Peters.....	Oakdale	1,433.07		1,433.07		1,433.07			
40038	Gothen.....	Lemoore	1,298.62		1,298.62		1,298.62			
			909,037.54		909,037.54	529,792.97	459,244.97	373,190.65		186,550.30

STATEMENT C.—Statement showing amounts due from United States Government in cash to December 31, 1886, for transportation on non-aided and leased lines.

Year.	Requirement under Thurman act.	United States transportation.				Balance due and unpaid.
		Aided lines.	Non-aided lines.	Cash paid.	Total transportation less cash.	
1881.....	\$732,929.24	\$608,754.26	\$648,168.20	\$122,754.64	\$920,187.82	\$186,187.58
1882.....	641,539.83	495,241.26	515,237.09	183,564.93	734,812.32	73,282.64
1883.....	358,851.52	478,225.20	481,205.51	.....	959,620.71	429,769.19
1884.....	380,118.82	342,941.29	514,782.76	.....	857,182.55	471,064.72
1885.....	418,271.56	344,094.45	504,343.41	.....	849,937.86	430,766.30
	2,797,692.94	1,972,856.96	2,663,236.28	306,319.57	4,322,863.27	1,352,179.43
The requirements from July 1, 1873, to December 31, 1884, were originally stated and settled as above, but they have since been restated in conformity with the decision of the Court of Claims (see U. S. Com. of H. R., 1885, p. 7), that new construction and equipment on the aided line are proper deductions in ascertaining the net earnings. These deductions, when made, make the annual requirements less than the amounts on which settlements were currently effected, by the sum of \$321,152.72. This amount is therefore due the company in addition to the sum stated above.						321,152.72
Making balance of cash due and unpaid for transportation on non-aided roads to December 31, 1886.						1,853,332.15

STATE OF CALIFORNIA,

City and County of San Francisco, ss :

E. H. Miller, Jr., being duly sworn, says he has read the foregoing statement; that the matters and things therein stated are true of his own knowledge, except as to matters stated on his information and belief, and as to those he believes it to be true.

E. H. MILLER, JR.

Subscribed and sworn to before me this 20th day of July, 1887.

[SEAL.]

E. B. RYAN,

Notary Public in and for said City and County.

By the CHAIRMAN:

Q. Have you any further statements to submit to the Commission?—
A. No, sir.

Q. Do you desire to say anything further in connection with the statements already submitted?—A. No, except to explain them, if the Commission desires.

WILLINGNESS TO GIVE INFORMATION.

Q. Are you ready to have your oral examination proceeded with?—
A. Yes, sir; now or at any time. I would suggest, however, that it might be better to postpone it for a day or two. I suppose that there are a great many witnesses whom you wish to examine, and if I am left to the last there are some things which may develop in the course of these examinations which I may be able to explain.

Commissioner ANDERSON. We will call you again. We shall be here thirty days yet, and I have no doubt that we will nearly bother the life out of you before we get through.

The WITNESS. It may; but this thing is not new to us by any means. Commissioner ANDERSON. I believe that. The Union Pacific people say the same thing.

The WITNESS. We have had investigating committees after us all the time since we began crawling up the mountains. We used to have

annual sessions of the legislature, and there was scarcely one of them but what we had to appear and defend ourselves against attack. We used to appear before these legislative investigating committees regularly and stand a general investigation of our affairs.

By Commissioner ANDERSON :

Q. Shall we proceed with you this morning?—A. Unless it is your order of business I should like to be excused. I have some considerable work to do; and I am not feeling very well to-day.

Commissioner ANDERSON. We have no other witnesses. We excused Mr. Brown because we expected that your examination would require several days. If you can do so just as well as not we would prefer to ask you a few questions now. When you get fatigued, if you will let us know, we can stop.

EARLY BUSINESS CONNECTIONS.

Q. When did you first come to California?—A. In 1852.

Q. At that time San Francisco was just beginning to be a city of any importance, was it not?—A. It was a pretty small place at that time. I think that when we commenced to build this road it had a population not exceeding 60,000.

Q. What business did you follow here from 1852 to 1860?—A. Merchandising.

Q. Were you alone, or did you have a partner?—A. A portion of the time I had a partner and a portion of the time I was alone.

Q. Who were your early partners?—A. First, I had a partner by the name of Smith, and my brothers had an interest with me. They had a certain interest with me as a firm. I afterwards did business alone, and used that firm name. Then I had a gentleman by the name of Meeker in partnership with me.

PUBLIC LIFE.

Q. When did you enter public life?—A. I can hardly say. I took part in the formation of the Republican party.

Q. Please state what public offices you have held.—A. I held office once as justice of the peace. I was elected to that office up in the mountains. The only other office that I have held is that of governor of this State. From all that I can learn, I believe that I made a pretty good justice of the peace.

Q. When were you elected governor of the State?—A. In 1861.

Q. Did you serve more than one term?—A. I served one term only.

Q. How many years is the term?—A. It was then two years.

Q. What other public offices have you ever filled?—A. None other.

Q. Are you not a Senator of the United States?—A. Oh, yes; I did not think of that.

Q. When were you elected Senator of the United States?—A. Two years ago last winter.

Q. When did you enter upon the discharge of your duties?—A. I entered upon the discharge of my duties at Washington at the time that Mr. Cleveland was inaugurated President.

FIRST ACQUAINTANCE WITH CROCKER, HUNTINGTON, AND HOPKINS.

Q. When did you first form the acquaintance of Mr. Charles Crocker?—

A. I am not certain, but I think that I formed his acquaintance about 1864.

Q. Here in San Francisco?—A. No, sir; in Sacramento.

Q. What business was he in at that time?—A. He was merchandising.

Q. Was he engaged in the same line of business that you were engaged in?—A. No, sir.

Q. Was he alone or had he a partner? I believe that the firm name was Charles Crocker & Co.—A. I think that he had a partner, but I am not certain.

Q. Do you know who his partners were at any time between 1854 and 1862?—A. No, sir; I do not know. If he had a partner I think that it was a gentleman who lived in New York. I think that there was some one in New York who had an interest with him in the firm.

Q. When did you become acquainted with Mr. Huntington?—A. In 1852.

Q. What was his business?—A. He was in the hardware business in Sacramento.

Q. When did you become acquainted with Mark Hopkins?—A. About the same time.

Q. Also at Sacramento?—A. Yes, sir.

Q. What was Mr. Hopkins's business?—A. He had a general grocery and provision store.

INCEPTION OF CENTRAL PACIFIC RAILROAD ENTERPRISE.

Q. Do you recall the circumstances under which the scheme of the Central Pacific Railroad was first developed? I mean when the bill first passed the legislature of California, and the time when the first idea of the road was developed.—A. I will tell you the whole history, if I can take time to refresh my memory, because I was a part of it at the beginning. If you desire, however, I will now give you a brief sketch.

ORIGINAL SURVEY MADE BY T. D. JUDAH.

Q. I wish that you would give us a brief sketch now, and at some future time you can give us the complete history.—A. In 1860 there was a gentleman by the name of T. D. Judah, who was afterwards chief engineer of the company, who had made surveys over the mountains with reference to the building of a line of railroad connecting the Atlantic and the Pacific. At first I had no personal acquaintance with him. The first time that my attention was called to the question of the construction of a railroad was by a gentleman by the name of James Bailey, who was afterwards the secretary of the company. Mr. Bailey came down to see me, told me of his acquaintance with Mr. Judah, and informed me that Mr. Judah had discovered in the mountains a pass over which a railroad could be built, and gave me such further information on the subject as he possessed, and desired that I should see Mr. Judah. I told him that I should be glad to see Mr. Judah, but did not know that we would care to do anything in the matter. I told him, however, that I would talk with Mr. Huntington and others about it. We fell into conversation upon the subject, and the result was that we agreed to have a meeting, and did have it the same evening at my house. We then fully considered the subject, and discussed the matter one way and another. We afterwards met again, when Mr. Hopkins joined us, and the result of that was that we concluded that we would make the acquaintance of Mr. Judah. Neither of us was acquainted with him, and we invited him to meet us and make our acquaintance.

He then came down with Mr. Bailey and we had a conversation. We discussed the question thoroughly in all its bearings, and the more we talked of it the better we liked it. Mr. Crocker then came in, together with some other citizens, and between Crocker, Huntington, Hopkins, Judah, Bailey, and myself we raised some money towards making explorations which we thought necessary before forming a company. We awaited the result of those explorations and the reports made by Mr. Judah before we concluded to form a company, which we did in 1861.

COMPANY FORMED AND ROUTE SELECTED.

We had routes surveyed over the mountains—according to my recollection there were five of them—and finally determined which was the best one as to the passes and grades. We took the one which had the shortest snow line. At that point the ascent is very irregular. We had 7,000 feet of ascent almost in 83 miles. After reaching the summit the descent was at the rate of 90 feet to the mile. Outside of this, down the Truckee, there were a number of short grades and low summits, and a number of plateaus to cross. Altogether the route which we selected was the most practicable, according to our ideas. Although the snow falls as deep and even deeper on this line than it would have fallen on other lines that could have been selected, yet this deep snow line extends but a very short distance. We finished our explorations and then looked over the country to see what business there would be for a railroad line. At that time the business of Nevada was very promising, and we had an idea, like everybody else on this side, that most of the mountains in Nevada were filled with mineral wealth.

PROSPECTIVE BUSINESS FROM SILVER MINES.

Q. The Comstock lode was then being developed, was it not?—A. Yes, sir; they were all making developments at that time and most of them were very rich. The mines, however, did not have the depth which the Comstock lode had. I speak now of the mines outside of those upon the Comstock lode proper. I remember that while we were making our explorations, we came to the summit, and at Donner Pass we looked down on Donner Lake, 1,200 feet below us, and then looked up at the drifts above us 2,000 feet, and I must confess that it looked very formidable. We there and then discussed the question of the paying qualities of the enterprise, and we came to this conclusion: That if there was a way by which a vessel could start from San Francisco or from New York, and sail around Cape Horn, in behind those mountains, we could not afford to compete; or if a vessel could start from any of the Atlantic ports and come there around Cape Horn, we could not compete. If this could not be done, however, and if we had only the ox and mule teams to compete with, we saw that we could obtain such a rate for carrying freight and passengers that we could afford to build the road with the prospect of further developments in Nevada.

GOVERNMENT AID.

Q. Was not your attention almost immediately turned to the subject of obtaining aid from the Government?—A. I do not think it was at that time, but it was very soon afterwards. We drafted the bill in our office which, I think, became the foundation of the act of Congress. Mr. Judah and Mr. Bailey went to Washington to look after it. Mr. Judah went before the railroad commission and the committees of Congress,

and had his maps with him to explain everything. He did a great deal towards the passage of that bill, because he understood the subject better than any other man at that time. He understood the country and the routes, and what was needed generally.

METHODS EMPLOYED IN OBTAINING IT.

Q. It appears from your minutes with reference to this visit of Mr. Judah to Washington, that a resolution was passed authorizing the issue of not to exceed \$100,000 in full paid stock to be used by Mr. Judah as agent for the company, in such manner as he might deem advisable, in compensating agents and assistants who might perform service in promoting the interests of the company, and in furtherance of the objects of his mission. Do you remember that circumstance?—A. Yes, sir; I know that we gave him stock to be used to pay his expenses there, and to secure such aids as he might need. He used but little of that stock, however—not very much of it. I do not remember how much he did use, but it may be that the reports will show. I think, however, that he brought back most of it.

Q. He was by profession an engineer, was he not?—A. Yes, sir.

Q. Who else accompanied him to Washington on behalf of the company?—A. Mr. James Bailey. He was the first secretary of the company.

Q. Had you at this time any acquaintance with J. C. Stone, of Leavenworth, who was then present in Washington?—A. No, sir; I did not go on to Washington myself.

PASSAGE OF BILL BY CONGRESS.

Q. Proceed with your narrative. You were stating the inception of the enterprise, and the ideas that you had about getting over the mountains, and the object of Mr. Judah's trip to Washington?—A. Mr. Judah remained in Washington some little time, and I do not know but what Mr. Huntington was there with him, but I think not, however, at that session. The bill was finally passed. After the passage of the bill Mr. Judah came back here and went to San Francisco in the hope that stock might be placed with the capitalists here in order to get money to build the road. Except a subscription for one lot of ten shares, we were not able to interest anybody in this city. The only thing we were able to obtain was that one ten-share subscription. There was some local feeling at Sacramento and some little stock was taken up there. This failure compelled us to ask aid from the counties, particularly the county of Placer, through which the road was to be constructed, and it gave a subscription of \$200,000 towards the stock, giving the company its bonds for the same.

STOCK SUBSCRIPTIONS.

By the CHAIRMAN:

Q. Did you open books for the subscription of stock here?—A. Yes, sir.

Q. And also at Sacramento?—A. Yes, sir. And we went around soliciting subscriptions but found it impossible to get them. At that time everything here was high, and money was readily worth from 2 to 2½ per cent. per month. All the objections to taking stock might be crystallized into this one, that money was bringing from 3 to 2½ per cent.

per month, and capitalists could not afford to put it into an enterprise which they considered at best as of doubtful character, where the return would be only after the completion of the road. We were therefore compelled to rely upon our own resources. We obtained \$200,000 subscriptions to stock from Placer County; \$300,000, I think, from Sacramento County, and \$600,000 were to have been subscribed by San Francisco, but the influential men and other influences here were such that we could not obtain this last subscription, and after considerable litigation the city gave us \$400,000 of their bonds and did not take any of our stock. It was the best that we could do, but it hurt the enterprise very much. One of the principal things which operated against our securing stock subscriptions was the fact of the existence of a personal liability which attached to stock under the laws of this State. We were forced to use our own individual credit to its fullest extent for the purchase of supplies, at one time to the extent of \$600,000. We went on, however, and built the first 31 miles of road entirely from our own means. We had not then obtained any county or State aid. The State paid the interest on a million and a half of our own bonds, we paying the principal. We built 31 miles of the road, but we were not able until we got this county aid to go further.

LOCAL CONTRACTORS.

By Commissioner ANDERSON:

Q. What 31 miles was this?—A. The first 31 miles east of Sacramento.

Q. The first 31 sections?—A. Yes, sir.

Q. By what company was that built?—A. By the Central Pacific Railroad Company, without any outside aid.

Q. Was it built by local contractors who took certain small subdivisions?—A. Yes, sir. We thought that was the most practicable way of building the road at that time.

OBSTACLES TO BE OVERCOME.

By the CHAIRMAN:

Q. During what year was this?—A. I think that it was in 1863. We kept on building and doing what we were able to do until our means were substantially exhausted. The principal drain at that time was in the purchase of iron. We wanted to have on hand sufficient iron to build fifty miles of road. We had considerable litigation to procure it the right of way. In fact, we obtained hardly any without litigation. Parties opposed to the construction of the road interfered with us, and we had a great deal of trouble and considerable litigation. Finally the courts decided in our favor, the counties gave us their bonds, and the State paid the interest on a million and a half of our own bonds. That was all that we had until we got aid from the Government.

CONTRACT WITH CHARLES CROCKER AND COMPANY.

By Commissioner ANDERSON:

Q. Please go back to the construction of the road. After several contractors had proceeded with portions of the work, and you concluded that it was best to make a change, what change did you make in the form of construction?—A. We then made a contract with Charles Crocker, in the name of Charles Crocker & Company. He had no part-

ner, but the contract was made out in the name of Crocker & Company for the reason that we had hopes that he would be able to get capitalists interested with him. This was found to be impossible, however, as every one regarded the enterprise as of too doubtful a character to risk money in it. It was the general impression that it would be a doubtful struggle at best, with the chances all against us.

Q. For how long was this matter discussed between all of you as to the advisability of changing the method which you had pursued, and instead of letting the work to smaller contractors giving it out in large contracts?—A. It came up almost immediately.

OBJECTIONS TO SMALL CONTRACTS.

By Commissioner LITTLER:

Q. Immediately after the small contractors began?—A. Yes, sir. Labor was very scarce, and we pushed them very hard. We wanted the work done as nearly as possible in consecutive order. We wanted it done first at the point nearest the starting point, so that as each section was completed we could utilize our capital to the greatest extent possible. We often found, however, that the contractor the farthest off would finish his work first. The others would be slow, and there was constant trouble from this source. Considerable trouble also resulted from the fact that labor, especially white labor, was very scarce. Most of the men working on the road were merely working for a stake, and when they got that they would go off to the mines, and we could not hold them, except in rare instances, more than a very little while. We could not get the necessary white men, and then we had to take Chinaman.

By Commissioner ANDERSON:

Q. Had Mr. Crocker done any work of this character before that time?—A. I think not.

ADVANTAGES OF CONTRACT WITH CROCKER.

Q. What were the advantages known to you of selecting him as contractor to do that work?—A. He joined us in the enterprise. He was a man of a great deal of energy and force of character, and nobody else hardly would touch the enterprise at all. We were left substantially alone. Six or seven men who started with us left us to get through the best that we could. After that it became practically an individual enterprise. Then we made this contract, in the hope that we would be able to get others in with us. I think that we made the contract for a certain number of miles, which Mr. Crocker finished, and that he then continued on working without any regular contract.

CROCKER'S RESIGNATION AS DIRECTOR.

Q. I would like to know something about the contract first. Do you remember the fact that Charles Crocker resigned his office as director of your company on the 24th day of December, 1862?—A. I remember the fact that he resigned, but I do not remember the date.

Q. Do you not connect that resignation with the fact that this contract was about to be awarded to him?—A. I do not remember that fact, but very likely that was so. This contract, as I say, was awarded to Mr. Crocker in order that he might get capital interested with him in the matter. It had got to be a sort of individual enterprise, because

nobody else would take hold, and it became a question with us how to get on. We saw that we must control things, control the men and control the work, if we were to succeed at all. I made great efforts, and so did all of us, to get capitalists to take an interest in this contract with Mr. Crocker, but we were unable to do so. This personal liability clause in our law had a great deal to do with it. We not only tried to get capitalists interested with us, but we were very anxious that they should come in, even if we had to give them all the assets of the company. Our failure in this matter led us to form the Contract and Finance Company.

Q. That was formed some time later, some three years later, was it not?—A. Yes, sir.

REASON FOR HIS RESIGNATION.

Q. Mr. Crocker's proposal for construction under his contract appears from your minutes to have been considered and awarded by your board on the 26th of December, 1862, two days after his resignation. Without intending to criticise that resignation, is it not perfectly apparent and well known to all of you that he resigned because the voting for that contract or the awarding of that contract while he was a director might raise questions as to its legality?—A. That may have been so.

Q. Was it not so, according to your best judgment?—A. I do not know but that it was.

Q. Mr. Crocker resigned on the 24th and his proposal was acted on on the 26th. Would that not seem to indicate that the reason that I have suggested for his resignation is the correct one?—A. That may have been the case. I have stated the objections to the making of small contracts, and in making a contract with Mr. Crocker it was done with the idea that we knew that he would work with us, that he was deeply interested with us, and that he would be at all times under our control. We wanted his whole time devoted to the construction of the road. We thought that he could do better service as a contractor than as a director, and there may have been some question as to his occupying both positions. How far those influences went at that time, however, I do not now remember, but it was a part of our general scheme to build the road, and we knew that we had to rely upon ourselves. Mr. Crocker went on with the contract, and kept on struggling with the rest of us until our means were pretty well exhausted.

TERMS OF HIS CONTRACT.

Q. Now pass to his contract: Can you tell us what the terms of his contract were?—A. No, sir; not without examination. I know, however, that we gave him so much a yard for material I think in cash, and so much in stock. The stock at this time was not considered as of much, if any, value. We did not attach much importance to it. Long before we got over the mountains it was not a financial problem. It was a question of whether it was possible to construct the road.

Q. What I want to get at is, what is your recollection as to the terms of the Crocker contract; was payment to be made on the engineer's statements of the quantity of work to be done, and not at so much per mile?—A. That is my recollection. We made estimates of prices for the different classes of work, but those prices I do not remember. I think that our books, if you have them, will show just what those contracts were.

THE STOCK OF LITTLE VALUE.

Q. The minutes do not show the terms of the contract. Your books show only large payments to Mr. Crocker during the years 1863, 1864, and 1865, and the estimates produced yesterday by Mr. Miller show, as preliminary to making the payments to Mr. Crocker, that schedules of estimates of quantity and estimates of amounts were made out, stating so many yards of excavation, so many feet of grading, so many ties delivered, so much wrought iron, so much cast iron, the whole being computed by the month, and then payments were made to Charles Crocker & Co. at the rate of five-eighths of the amount due in money and three-eighths of the amount due in stock. Does that statement refresh your recollection as to the nature of the Crocker contract?—A. I know that the contract was for specific prices, to be paid by the yard, and so much was to be paid in cash, and so much was to be paid in stock. The stock was not considered as amounting to very much value, but still we had an idea that the stock of the company might be an inducement to capitalists to come in with Mr. Crocker, and if the enterprise was successful they would have the benefit of it. None came in, however; but we still continued on in the hope that at some time or another either this stock or some other inducements could be given by which we could obtain the necessary financial assistance to complete the road. As I have said before, this became substantially an individual enterprise. The whole weight rested upon us. We could not get anybody with us, and it seemed, long before we got over the mountains, that something had to be done or we would not be able to make it a success. The best thing that we could do was, first, the making of this contract with Crocker & Co., hoping for the best, and then the contract with the Contract and Finance Company.

CHRONOLOGICAL HISTORY OF CONSTRUCTION.

Q. When did you make the contract with the Contract and Finance Company?—A. That was made after the contracts with Crocker & Co.

Q. Before I ask any further questions in that respect I would like to get an intelligent and chronological history of the construction of the road from year to year. I would like the history of the building of of the road, section by section. How many miles did the Crocker contracts embrace before the contract was made with the Contract and Finance Company?—A. I think that this contract took us up to a place called Dutch Flat, 60 miles from Sacramento, about 30 miles from New Castle. Mr. Crocker then continued on building the road. I do not know now whether there was any regular contract for this additional construction or not, but I do not think that there was. I do not think that we ever gave him a contract beyond Dutch Flat, because, as I say, we were all oping to get some Eastern contractors and capitalists to come out and take an interest in the work. We did not succeed in this, so Mr. Crocker kept on doing the work. I do not know about the prices, whether they were changed or not. I do not think that we cared, so long as we got the work done. We kept building all the time, so far as we could obtain money to go on with the work. We pushed it as fast as our means would permit, and in order to do this it was necessary that we should keep substantially the control of the whole thing in our hands. I do not know whether there was ever any new contract, either verbal or written. I do not think that there was. I think that it was merely a general understanding.

EXTENT OF WORK DONE BY CROCKER.

Q. Assuming that there was not, or that they were mere modifications of this original contract, up to what point did the Crocker work extend, and where did the Contract and Finance Company begin?—A. The Crocker work continued merely to the State line, I think, before the work of the Contract and Finance Company began. By this time, I will say further, our means were very limited. Under the act of Congress we had mortgaged the road and issued bonds 100 miles in advance of construction, and they were all consumed, together with the county aid and all the aid that we received, and it was doubtful if we could possibly go on. Then I thought, and talked it over with the rest of my associates, that if we made a contract and put in a sufficient amount of the stock so that the contractors could have substantially what there was in it, we might induce Eastern men to come in, and possibly some of our own people. I tried to get some of the largest capitalists in this State to come in with us at that time, but it was the same old story.

THE CONTRACT AND FINANCE COMPANY A FINANCIAL NECESSITY.

They were afraid to take any chances in what they considered a doubtful enterprise, when they could lend their money out on good security at high rates of interest. All the way through it was a question of capital whether we would succeed or not. And we determined to let contracts in the way in which they were let, thinking that in that way we might get rid of this scare of the individual liability of stockholders under the California law. We thought that by forming the Contract and Finance Company, and agreeing to give it the stock of the company, that company might be able to interest capital. Of course this was practically giving the contractors all the assets of the company, but it was better for us to do that than to fail.

FAILURE TO INTEREST CAPITALISTS.

Mr. Huntington in New York tried to get capital interested, and I tried here. At one time I had a good deal of hope that I might succeed here by forming a syndicate of our wealthiest men and offering them these inducements. We failed in all these endeavors, as we had failed in all the previous ones. We finally managed to get through, but when we did finish the work to Ogden our entire means were exhausted. The Government bonds were all gone. I never saw one of these Government bonds. Our first-mortgage bonds were exhausted. The aid received from the counties had been used up. The money raised from the bonds on which the State had guaranteed the interest had gone into the road, and, to cap all, the company was considerably in debt.

ROAD COMPLETED TO STATE LINE.

Q. To come back to Mr. Crocker's work, I understand you to say, then, that the construction actually effected, paid under those contracts, extended from Sacramento City to the State line. Is that correct?—A. Not by virtue of the contract, but because we continued the work for the reason that there was no one else to do it.

Q. How many miles was this east of Sacramento—141?—A. About that; I think, though, that it was about 137.

Q. Can you give me the exact location where your State line is, with reference to Donner Lake Pass or the town of Truckee?—A. It is some ways down from Truckee.

Q. After you pass the village?—A. Yes, sir.

Q. Was it not known as "Camp No. 24" at that time?—A. I cannot say as to that.

Q. At what period was it that you reached this point on the State line?—A. I do not remember exactly.

Q. Take it this way. How long was it before the contract was made with the Contract and Finance Company?—A. I think that it was in the winter of 1866 and 1867. I know that in 1868 we were at the Summit. We built over the desert during the season of 1868—the winter of 1868-'69.

COST OF CONSTRUCTION.

Q. What is your recollection as to the cost of the first portion of the road? What is your recollection as to the total amount paid under the Crocker contracts for the work done by him from the thirty-first section to the one hundred and forty-first section?—A. I cannot remember now. I cannot tell you in dollars and cents; but I know that he had all the money that we could put our hands on at that time, as well as the proceeds realized from the sale of our own bonds for one hundred miles in advance of our construction, part of it at the rate of \$40,000 a mile, and the rest at the rate of \$32,000 a mile. The Government, I think, gave us bonds on the basis of two-thirds of the completed amount of work, at the rate of \$48,000 a mile. All that was gone, and everything that we had from the county and State had gone in at that time. The bonds given us by the city and county of San Francisco bore interest at the rate of 7 percent. per annum. Money here at that time was very high, and I think that all we realized from the sale of those bonds was at the rate of 73 cents on the dollar. The million and a half of our own bonds, upon which the State had guaranteed the interest, produced us but about \$1,000,000 in cash. From the Sacramento County bonds we realized but 65 cents on the dollar, and from the Placer County bonds but 70 cents.

Q. Your statement is that all that the company had received, all of its assets, except what had been paid to the small contractors for the construction of the first thirty-one sections of the road, were used up in paying for work done under the Crocker contract and the extension of the Crocker contract?—A. I think so. I may be in error a little, but that is substantially the case. At that time I know that I was looking after the finances here, and what I have given you is my recollection.

NECESSITY FOR COMPANY TO CONTROL CONTRACTORS.

Q. Do you remember the fact that Mr. Crocker first proposed, among a number of other contractors, for a comparatively small section of work between Sacramento and the California Central, and that it was subsequently to that date that he made his larger contract?—A. Yes, sir; subsequent to that. When we first commenced, we thought of letting contracts to bidders before much work was done, but it soon became apparent to us that we could not handle them and be successful in building the road in that way. We saw that we must have them under our own control, or practically so. We saw that we must have contractors whom we could control, who could do the work when we had the money to pay, and who would push it and be willing to make any

kind of sacrifice that we might call upon them to make. We looked at the work ourselves, and whenever there was a chance to push it by any sacrifice, we did not hesitate. We used our money with the greatest economy in every respect, except in the matter of speed, and then we never hesitated to make a sacrifice. The road could not have been built under any other circumstances, and we could not have done anything in the matter, except by pushing it as rapidly as possible, still exercising in everything the closest economy.

Q. Our object is to ascertain approximately, without disputing your proposition, the terms upon which it was constructed.—A. There is no reason for concealing anything about this, or about anything else in connection with the company. I take it that this committee is here to see what is fair and right between the Government and the company, and what is right all around. I am glad to give you all the information in my power. We had great difficulties to overcome, and the only wonder is that we ever did overcome them.

AMOUNT PAID TO CROCKER & CO.

Q. We find from the books of the company that the payments to Crocker & Co. in 1865 amounted to \$3,236,710.35; in 1866, \$8,290,790.11; and in 1867, \$9,930,282.19. The payments that I have enumerated all appear to have been made for the construction of the road from section 31 to section 141, both inclusive, one hundred and ten sections in all. It would therefore appear that between \$21,000,000 and \$22,000,000 were paid in the form in which the payments were made, five-eighths in cash and three-eighths in stock, to Mr. Crocker for his work to the State line. If this is correct it would seem that for the construction of the road between sections 31 and 141 Mr. Crocker received at the rate of over \$200,000 a mile. Is that the way you understand the work to have been done and the payments to have been made, assuming these figures to be correct?—A. I do not know about the figures. We did not give him money any faster than he needed it, because we had great difficulty in obtaining money at that time.

Q. Who can give an idea about this?—A. I am coming to it.

MAGNITUDE OF THE WORK.

Q. Please describe the start at section 31 and extending to section 141, each of the sections being substantially equivalent to 1 mile, and give us the character of the country over which this line passes. Give the names of the towns, the names of the rivers, and tell us all you can about the general character of the country. Give us a description of the plain first, and then you can tell us about the mountains.—A. I was going to give you an idea about that work. We worked on that mountain from ten to fifteen thousand men most of the time, and then were oftentimes aided by five hundred kegs of powder a day. After we passed the mountains we worked about half that number of men. We were four years crawling up the mountains, and three of those years we drew upon all the forces that we could get. After we passed the mountains we built 500 miles of road in five days less than ten months.

Q. That is not under the Crocker contract. What I want to know is all about the Crocker contract and the work done under it. We can take up this other work afterwards.—A. What I wanted to give you was an idea of the magnitude of the work.

Q. What I want to know first of all is the history of these first one hundred and forty-one sections.—A. If you will let me go on I will give you something by which you can judge of the magnitude of that work.

GEOGRAPHY OF THE COUNTRY.

Commissioner ANDERSON. If you will describe the geography of the country, and give the names of the towns, rivers, &c., as you go on, it would be much more intelligent to me. If you say, for instance, section 31 commenced east of such and such a place and passed over such and such a river, going such and such a way, I could follow you more intelligently.

The WITNESS. The maps of our engineers will show all of these details; although they will give you the names of a great many places well known at the time the road was constructed, but which have since disappeared.

Q. The rivers are there, are they not?—A. The rivers are there; yes, sir. The contract with Crocker, I think, commenced at New Castle, 31 miles east of Sacramento. It was for a limited number of miles. My impression was that it was for 20 miles. It may have been only to Colfax, 51 or 52 miles. I am not positive about that. After terminating this contract, however, Mr. Crocker continued on with the work. I do not think that we put the terms in writing, but still we may have done so. At any rate I am not certain about it, and I do not see that it is of any great importance. We were doing whatever we thought necessary to complete that road, and we went on and did the work, and pushed it on as fast as possible with the means at our command. We never had any surplus money.

Commissioner ANDERSON. Mr. Crocker seems to have had some surplus money at some time or other in the course of his life.

DIFFICULTIES IN CROSSING THE SIERRA NEVADAS.

The WITNESS. I will give you something which will give you an idea of the extent of the work and of its magnitude if you will let me. We worked from ten to fifteen thousand men on that mountain, and after we passed the mountain, with less than half the force, we built 500 miles in five days less than ten months and met the Union Pacific Railroad line at Promontory. The work on the Sierra Nevada Mountains was exceedingly difficult, and was far more than the average of the work from there to Chicago. The same rate of speed which we were able to exhibit after we left the mountains with only half the men would, if we had been able to have carried it out during all the time that we were building, have carried us to Chicago. There never was any portion of the work on either road so difficult as that which we had in climbing the Sierra Nevada Mountains.

Q. Which side of Truckee?—A. Partly beyond Truckee, say, for the first 150 miles beyond the summit, carrying us beyond the State line. It took more work upon our part to get us across these mountains than would have sufficed to build a single track road from the other side of the Sierra Nevadas to Chicago.

PREVIOUS INVESTIGATIONS.

By Commissioner LITTLER:

Q. Is not this work well described and well stated on your side of the case in the report of your superintendent of construction, which is

made an exhibit to your affidavit?—A. Yes, sir. This is twenty-six years ago, during which time I have led a very busy life. From time to time the papers have discussed all these questions, and they have been all through these things. Legislative committees and the courts have fully investigated all these matters, and numerous reports have been made from time to time. I suppose that in one place and another an immense quantity of matter can be found that would throw light on this subject, but I cannot place my hand on it.

BASIS OF RAISING MONEY TO PAY CONTRACTOR.

By Commissioner ANDERSON:

Q. It appears from these figures, which I have read, that there was paid to Mr. Crocker for the work done by him, part of which was in money and part in stock, at the rate of \$210,000 for each mile of road constructed, and our inquiry is directed to the question whether the issues of stock and the sales of bonds made for the purpose of raising that money were not upon such a basis as to have contributed, in the ultimate result, very largely to the present crippled condition of the Central Pacific Railroad Company?—A. No, sir; it has not.

Commissioner ANDERSON. And on that point we would like any information that you can give us.

The WITNESS. The stock was not considered as valuable at the time, and it did not turn out to be of any valuable assistance in the building of the road. If it had any value at all it was wholly prospective. We could not sell it and we could not hypothecate it. All the money that we could get from any and every source went into the road.

Q. You mean it went into the Crocker contract?—A. It went into the construction of the road. Mr. Crocker did not have any profits from it.

WHO CONTROLLED THE ENTERPRISE.

Commissioner ANDERSON. Excuse me; but you are passing over the whole question that we are so anxious to get light upon. If that expression, "Crocker did not get any profit out of it," is based upon fact we will pass to the next section.

The WITNESS. We substantially controlled the whole of that work. We knew all the work that we could do and all the money that we had to push it through.

Q. Whom do you mean by "we," yourself and Crocker?—A. I mean the five men who devoted themselves to it from the beginning to the end. We all worked on the best that we could, and did all we could to accomplish the result.

Q. There were yourself, Mr. Crocker, Mr. Mark Hopkins, Mr. Huntington, and who else?—A. E. B. Crocker.

Q. A brother of Charles Crocker?—A. Yes, sir. Mr. Judah died early and Mr. Bailey retired.

Q. And E. B. Crocker is dead now?—A. Yes, sir.

Q. Was his interest substantially the same as that of Charles Crocker; did they work together?—A. No, sir. Charles Crocker was contractor; but we all felt that we should fill our parts the best that we knew how towards securing the construction of that road, and we did so.

Q. You say that you were all working together. Do I understand you that you all contributed your time, attention, and credit, and gave your best energies to the successful completion of these Crocker contracts?—A. Yes, sir; that is substantially it.

WHO WOULD HAVE GOT THE PROFITS.

Q. Do I also understand that you were equally interested in any of the profits, or were to share any of the losses that might arise under that contract?—A. No, sir; not at that time.

Q. If there had been profits would they have gone to Mr. Crocker?—A. If there had been profits we would have let them go to him, as is ordinarily the case in contracts, and Mr. Crocker would have enjoyed them. We had to make great sacrifices, however, in order to make time, and this cut off whatever profits he might otherwise have made. Sometimes it was a question how far we could get money to keep things going, and how to regulate expenses so as to be able to pay them.

RELATIONS OF CONTRACTORS WITH RAILROAD COMPANY.

Q. State on what you based your belief or conviction that you appear to have that when Mr. Crocker had finished the one hundred and forty-first section there was nothing left of the \$22,000,000 in money and stock which he had received?—A. Because the money passed through our own hands, and the relations of Mr. Crocker and the Contract and Finance Company with the railroad company was such that we knew all the time about their expenses and their wants. We met their wants, but did not go any further. The contract, at the time it was let to Mr. Crocker, would not have been taken by anybody else. If there had been a regular contract let to a regular contractor whom we could not have absolutely controlled, we would have had more or less trouble. We could not have afforded to have let him go on as contractors ordinarily go on with work, because of the difficulty which we experienced in getting money. If we could have let him go on in this way, as other contractors do work, he would have had a right to enjoy all the profits that he could make; but we had to have control over him in order to be able to do anything at all; and as he was interested with us in the construction of the road, and as we were all working together for the common end, we could of course do as we pleased with him.

INDIVIDUAL KNOWLEDGE OF EXPENSES.

Q. Did that control which you exercised over Mr. Crocker give you such a knowledge of his doings as to enable you to tell when he ought to have money, or did you take his word for it every time?—A. We knew what he wanted and what he needed. We had reports of the work that was being done, and we knew the work that was to be done. We knew what it was costing, and we knew every dollar that was required to carry it on.

Q. Those reports made to you must have been entered somewhere upon your books, and ought to show the amounts paid to the different contractors who did the work, ought they not?—A. I suppose so.

Q. You would not be liable to take his word for it whenever he needed money, would you? He would not come to you and say, "I want more money to do more work," or "I want \$5,000,000 to go on, as I have spent all I had"?—A. Each one of us on the spot had his individual knowledge as to the other's department, and we kept trace of it all the time. We hardly slept, but did the best we could to get along, and I may say now that I sometimes wonder that we ever did get through at all.

DISAPPEARANCE OF CONTRACTOR'S BOOKS.

Q. Who kept Charles Crocker's books?—A. I think William E. Brown. Perhaps not at the beginning, but very soon afterwards, before the enterprise became of very great magnitude, William E. Brown was in charge.

Q. Have you ever seen those books since this contract was finished in 1867?—A. I do not know. I never have been over his books, but I have seen books in his office lying open on his desk.

Q. Do you know whether they have been exhibited in any of the various litigations in which these matters have been discussed?—A. Not to my knowledge.

Q. Do you know whether they are available to this Commission now?—A. I do not think that they are. I do not know where they are, nor what became of them, but they have disappeared.

Q. They have disappeared?—A. Yes, sir.

Q. Do you know whether this has been the subject of litigation and investigation, as have been the books of the Contract and Finance Company, which have been described as missing?—A. Yes, sir.

Q. And they have not been produced?—A. No, sir.

INTEREST OF COMMUNITY AS TO CAUSE OF CENTRAL PACIFIC'S WEAKNESS.

Commissioner ANDERSON. I may as well say here that the subject, as we understand it, assumes about this shape: The community is largely interested in this matter, and it seems to be the general belief that the present weak condition of the Central Pacific Railroad Company is due to the fact that the contract with Crocker & Co., and the contract with the Contract and Finance Company, and the contracts with the Western Development Company, and the contracts with the Pacific Improvement Company have drained the company of its resources; that certain individuals have procured to be issued to themselves enormous quantities of stock and bonds of this company, and have paid dividends on the stock, and have made the interest charge on the bonds exceedingly heavy, and that the origin of its difficulties lies there entirely, and nowhere else. The Commission desires to afford a full opportunity to have answers made in reference to that matter. To those subjects to which you have been so fully devoting your time (and in the report you have handled them with great dexterity and ability), the community has had its attention called so often that it is familiar with them; but the subject of this issue of stock and bonds has always remained concealed, and as proceedings brought to throw light upon it have been met with the assertion that the books and the contracts have disappeared.

THE STOCK VALUELESS WHEN ISSUED.

The WITNESS. I thank you for your frankness. This opportunity is what we want, and what we have desired for some time. We have nothing in our transactions to conceal, and we are ready and willing that the whole history shall be fully understood. The stock was substantially valueless. It had no value at the time it was issued, and it had no value when the road was completed. Of course it afterwards became valuable. Of the very few people who subscribed for stock at the beginning, most all got out, and this included most of those who had taken a little stock to help us along. Afterwards it went down, and I myself bought, as an accommodation to a stockholder, 2,300

shares of it at 10 cents on the dollar, full paid stock. Finally, it was not sold at all, as nobody would have it. In making these contracts we did not count the stock even among ourselves as of any special value, but we put it in in the hope that somebody or other, some capitalists, would be willing to take an interest with us, and there would be the property as security.

MEANS EXHAUSTED UPON COMPLETION OF ROAD.

When the road was completed to Ogden, all of our money and all of our means were exhausted. You will understand that our road was mortgaged for 100 miles in advance of construction, and we had used up all of this money crossing the mountains. We had graded the road to Promontory, some 63 miles, I think, and there met the Union Pacific. In the settlement, the Union Pacific took the entire aid from the Government for these 63 miles, which made a considerable inroad in the amount received from the Government by the Central Pacific. Everything was used up. The Contract and Finance Company itself was somewhat in debt, and I think our books will show—by this I mean the Western Development Company books—that when the Contract and Finance Company went out of existence there was a great deal of property which it was supposed by the general public to have, which really had no existence. About that time there was a great deal of talk about the Credit Mobilier matter of the Union Pacific.

DISSOLUTION OF CONTRACT AND FINANCE COMPANY.

The people began to talk about the Contract and Finance Company; and when we, after a while, got through, we concluded to let that company go. Its affairs were wound up, and under our laws here it was dissolved. The indebtedness of the Contract and Finance Company was assumed by Mr. Huntington, Mr. Crocker, Mr. Hopkins, and myself, according to my recollection, and its affairs were wound up.

DIVIDENDS.

Commissioner ANDERSON. I will say here that the assertion is made that the Contract and Finance Company was in the condition which you mentioned because, before presenting its petition to the court, it had divided up enormous dividends of stock and bonds to the four gentlemen you named.

The WITNESS. My impression is that the only dividends made were of stock; but Mr. Brown, when you come to him, will be able to tell you specifically about that.

MONEY PAID TO CROCKER.

By the CHAIRMAN:

Q. Of what department did you have charge during the Crocker contract?—A. I was president of the company, and had the general management of its affairs on this side. I looked particularly after the financial department until we were able to obtain aid from the Government. I had to look after a great deal of the financial business of the company, especially that which was transacted here.

Q. Was the sum of \$22,000,000, or the different amounts named to you as having been paid to him from 1864 to 1867, paid to Mr. Crocker on his individual contract?—A. As to the amount I cannot say, but

of course Mr. Crocker received the money, whatever was paid for that work from the end of the 31 miles until the Contract and Finance Company took hold of the construction. But as to the amounts I cannot say anything. I only know this, that I was helping to raise money all the time, and it was hard work to get it.

STOCK SUBSCRIPTIONS.

I will say further about this stock: The stock subscriptions by individuals were very small. At last we had some trouble about this Contract and Finance Company, and got into the courts. We finally bought up the stock, so that there was none of the stock owned by the original shareholders in the market that we know of, and they have not any interest in the railroad because of that stock. The present stockholders in the concern have no interest or concern at all in any business or contracts prior to that date.

ACCOUNT BOOKS OF CHARLES CROCKER & CO.

By Commissioner ANDERSON:

Q. Before leaving the Crocker contracts can you refer us to any one else besides William E. Brown and Charles Crocker who would have knowledge of the contents of the books of account of that firm, and who can lay before us the figures showing what profits, if any, were made out of that construction, so that we can reach an intelligent judgment on that subject?—A. No; I do not think that I can. I think that Mr. Brown had a clerk or two with him; but he kept the books, and he would know. Mr. Crocker did not pay much more attention to the books and to the accounts than the rest of us. He was supervising construction, and spent most of the time at the front. He was a very active man, and personally supervised the work of construction.

Q. Did he have any assistant?—A. Yes, sir; his first assistant was Mr. Strobridge.

Q. Is he living?—A. Yes, sir.

Q. Please give us his name in full.—A. J. H. Strobridge.

Q. Please give us his address. Is he living in San Francisco?—A. He lives across the bay, in Oakland.

Q. How can he be reached?—A. He may be reached at almost any time upon a day's notice.

Q. Did he make the subcontracts that Mr. Crocker made?—A. No, sir.

Q. Was he employed by Mr. Crocker?—A. Yes, sir.

Q. Did he have the employment of any men?—A. Yes, sir; under Mr. Crocker he had the entire supervision of the work of construction.

Q. Did the Crocker contract include rails? Did he furnish the rails?—A. I think that the contract included everything.

MATERIALS PURCHASED IN NAME OF CENTRAL PACIFIC.

Q. Where goods, materials, rails, &c., were purchased in the East to be used in these Crocker contracts, were they purchased in his name or in the name of the Central Pacific?—A. I think they were purchased in the name of the Central Pacific and charged by the Central Pacific to Crocker & Co.

Q. The Central Pacific bought the rails and charged them to the Crocker contract?—A. Yes, sir; I think that was the way.

PRICE OF RAILS AND ENGINES.

Q. Do you remember the price of rails at that time?—A. They varied, I think, from \$70 to \$80 a ton, and I believe at one time we paid as high as \$136 per ton.

Q. Does that mean iron or steel rails?—A. Iron; that was before the days of steel. Everything was high. I think that we paid \$65,000 or \$67,000 for two engines.

Commissioner LITTLER. Your engineer says that you paid \$143.67 at one time per ton for rails delivered at Sacramento.

The WITNESS. Yes, sir; that was for a portion.

Q. Was it at that time very difficult to get rails?—A. Yes, sir. Does that statement give the amount of rails that we bought at that time?

COST OF TRANSPORTATION VIA PANAMA.

Commissioner LITTLER. No, sir; he says that shipments by way of the Isthmus of Panama were made as late as 1868, and that the rails alone cost \$51.98 per ton; and that with freight added the rails cost, delivered at Sacramento, \$143.67, not including the charges for transfer from the ships at San Francisco to the schooners, or for transportation up the Sacramento River to the city of Sacramento.

The WITNESS. I remember that we had 10,000 tons of rails come by way of the Isthmus, and I think that my impression is that they charged us about \$60 a ton for the freight. I know that we had quite a number of engines come by way of the Isthmus, and it cost us something like \$3,000 an engine for freight by way of the Pacific Mail.

By Commissioner ANDERSON. I show you one of your estimates to make up the amount coming due under this contract. Please explain it. [Hands witness the document referred to.]

EXPLANATION OF ESTIMATES.

Q. Does the first column show the quality of work done for which payment was to be made, the second column the price, and the third column the figures?—A. I only know by what I see here; but I presume that it is correct. I have no reason to think otherwise.

Commissioner ANDERSON. I call your attention to the fact that the items for work do not seem to include the rails.

The WITNESS. This seems not to include them.

Q. Does your memory serve you as to whether they were included in the contract or not?—A. I think that they were included in the contract, but that would be a different charge. These are estimates made by the engineers at the beginning of that contract. It was very carefully considered, and received as much attention as any other matter which came before the company, because when Mr. Crocker made the contract he, of course, hoped that he would make some money out of it; and if we had been able to push matters, he would have gone on in that way, and would have made some money; but circumstances required us to make all kinds of sacrifices for speed. At one time we had to pick out and dig out snow to the depth of 75 feet to make an embankment. At times the snow was very deep all along the mountains, and it was difficult to get provisions and materials to the front. At times the stage could not run, owing to the depth of the mud. The horses would mire in the mud, and

then we had to pack the goods to the front at great expense and with a great deal of trouble. The snow fell during the winters that we were on the mountain to an average depth of from 37 to 38 feet. Heavier falls have taken place since, but we have been better prepared to meet them. In the spring that snow would pack down to about from 14 to 16 feet, and would be very hard. We worked through this snow at enormous expense and trouble, and no contractor would have been able to stand on his contract.

WHY THE COMPANY CONTROLLED SUPERVISION OF WORK.

Q. Are you speaking of the Crocker contract?—A. Yes, sir. We therefore practically took control of the supervision of affairs, and did all that we could to take care of the interests of the company; but we forced the road along at any sacrifice, without any reference to the interests of the contractor.

By Commissioner LITTLE:

Q. And without any reference to the obligations of the contract?—A. Yes, sir. We wanted the work done, and as Mr. Crocker was jointly interested with us in the success of the enterprise, his interests as a contractor were considered by us as secondary to the completion of the road.

Q. Do you mean to say that by your conduct you practically annulled the Crocker contract and ran the work yourselves?—A. Pretty largely, though not entirely; perhaps legally not. But we had to have that work done, and we insisted upon it that every sacrifice should be made. For instance, we wasted a great deal of dirt, which the contractor ordinarily would put in the fills; but to do this would have delayed the progress of the work.

By Commissioner ANDERSON:

Q. Did you have any trouble with Mr. Crocker about this?—A. No, sir.

Q. Did he make any objections?—A. No, sir.

Q. Did Mr. Crocker furnish any part of the equipment or the rolling-stock under his contract?—A. I think that everything went in under that contract.

Q. You notice that by your reports you did business as fast as your road was completed, do you not?—A. Yes, sir.

GROSS EARNINGS FROM COMPLETED PORTION.

Commissioner ANDERSON. So that your gross earning reported for the years 1864, 1865, 1866, 1867, and 1868 reached up to quite large figures, the gross earnings of 1868 being over \$2,000,000, those for 1869 being over \$5,000,000, those of 1870 being \$7,000,000, and those of 1871 being \$9,000,000. I merely refer to the fact that from 1862 to 1867, under the Crocker contract, your gross earnings amounted to quite a considerable sum. The rate at which the road was operated appears to have been under 35 per cent., and the credit to the income account, that is, the actual surplus after deducting all expenses chargeable to the income, appears to have amounted to over \$1,000,000.

The WITNESS. About the book-keeping part I do not know. I do not know that I ever looked over a page of the books since the history of the road commenced,

because we cannot spare it;" and whatever his contract might have been, we would have stopped it. I had enough knowledge of his affairs to know just how much money he needed and what he was doing with it. I was perfectly familiar with the whole thing, as also were the others. We were all in the enterprise together. We all started in at the same time, and at the beginning we started with the idea of taking what stock we could afford to take, and if others desired to come in and subscribe for the balance they could do so, even to the taking of the control of the road.

Q. As far as Mr. Crocker's individual profits out of the construction of that portion of the road to which I have referred, from section 31 to section 141, are concerned, neither you nor Mr. Huntington, nor Mr. Hopkins, ever received from Mr. Crocker an accounting or a division of the profits?—A. No, sir.

Q. Is that your positive statement?—A. Yes, sir; I do not think that we left him with any money over.

Q. I am asking about an accounting.—A. We never had any accounting.

NOT ENTITLED TO SHARE IN PROFITS OF CROCKER CONTRACT.

Q. I will ask you if you were entitled to receive any of the profits from the Crocker contracts or liable to pay any proportion of the losses?—A. No, sir; if he had made a large profit, there was nothing to prevent his legally appropriating it to his own use, and if he had made large losses, there was no obligation upon our part to assist him, except the general fellowship which comes from association in large enterprises like that. If he had made losses he might have appealed to us to assist him, and he might have done so with good grace, as we had practically assumed control of the work. We demanded that the work be crowded, without any reference whatever to whether it was advantageous to the contractor or not.

Q. To confine myself to your connection with the Crocker contract, I understand you to state positively that you have not participated in any of the profits, if any were made out of the Crocker contracts, for the work that was done between sections 31 and 141 of this road?—A. Yes, sir; that is my positive statement.

PRICE AT WHICH STOCK SHOULD BE TAKEN.

Q. Do you remember that the stock originally was to be taken at 50 cents on the dollar in the settlement with Mr. Crocker?—A. I remember that we made an estimate of this stock at that time, but whether that is the exact figure or not I do not remember now.

Q. Do you not remember that from time to time there were modifications made which reduced this figure to 30 cents on the dollar? It would be counted as 30 cents on the dollar in your settlement. It is on your minutes, if you have forgotten it.—A. I know that there was an estimate made on the stock under the O. Crocker & Co. contracts when they were made; but I do not think there was afterwards.

INCEPTION OF CONTRACT AND FINANCE COMPANY.

Q. We will now come down to the Contract and Finance Company. By whom was that invented or engineered?—A. I think that that originated with me.

Commissioner ANDERSON. Mr. Huntington claims it.

The WITNESS. He was not here when it originated. When it was made I think that he was at the East; but of this fact I have not a positive recollection. At any rate I have no doubt that we must have talked it over some time when we were together, and I know that when we made it we did it with the approval of all the principal men interested.

ORIGINAL STOCKHOLDERS.

Q. Who were the stockholders in that company at its inception?—A. At first we made that contract in the hope of inducing capitalists to come in and take a part. Our finances were very low, and we organized this company, putting in some men who took a small amount of the capital stock. I do not know whether Charles Crocker did or not, but I know that I often tried here to get others to come in and take that stock, but could not succeed. We did not succeed in any quarter, and finally gave it up. Then I think that each of us subscribed for a fifth, or about a fifth—Mr. Hopkins, Mr. Huntington, Mr. Crocker, Mr. E. B. Crocker, and myself. I think that Mr. Hopkins subscribed for Mr. Huntington, but I may be mistaken about that. I do not think that Mr. Huntington was here to subscribe for the stock, and I think that the business was done for him by Mr. Hopkins. In that way each of us became interested to the extent of about a fifth. There may have been a few shares left, I presume, in the names of the original organizers of the company.

CAPITAL STOCK.

Q. How much was the total capital stock?—A. Five million dollars.

Q. Was it divided into 50,000 shares?—A. Yes, sir.

Q. And did you not have 12,500 shares, the same number that you had in the Western Development Company and in the Pacific Improvement Company?—A. I believe not. No; I could not have had more than a fifth. I am sure I took a fifth. The two Crockers each had a fifth, and Mr. Huntington and Mr. Hopkins each had a fifth, and I had a fifth.

AMOUNT HELD BY THE CROCKERS.

Q. Do you think that the two Crockers each took a fifth; was it not a fourth between them?—A. I think that I ought to know; but still I am not sure. It is rather an impression that my previous answer is correct. I cannot say that I ever saw the stock-book or the subscriptions.

Commissioner ANDERSON. I will read you Mr. Huntington's answer to this question. He says:

The stock of that company was nearly all held by Governor Stanford, Mr. Hopkins, Mr. Crocker (meaning Charles Crocker), and myself. There were some few small stockholders, but I could not say who. Mr. Hopkins asked me what we would do, and I wrote back that he could "take as little as he could, and as much as he must," and not any more.

Q. What is the name of that company?—A. The Contract and Finance Company.

Q. Is not that substantially your recollection also? It is a mere question whether the two Crockers were one interest or were separate interests.—A. I think that they held their interests separately in all of their undertakings. I think that Mr. Huntington is mistaken. As to taking some stock, I think that this was because our idea was, when we took the stock ourselves, that we might get capitalists interested with us, and get them to come in and take a portion of it.

OTHER STOCKHOLDERS.

Q. Who were these small stockholders?—A. I think B. R. Crocker (no relative of these Crockers), Mr. Milliken, a merchant in Sacramento at that time. There may have been one or two more.

Q. Did William E. Brown have any of it?—A. I do not think he did. Yes; I think he must have had. I think that he was one of the organizers, and must, of course, have had some stock.

Commissioner LITTLER. In your testimony yesterday, in an exhibit giving the interest you had in divers companies, you stated that in the Contract and Finance Company you had 12,500 shares of stock when it was discontinued in 1874.

The WITNESS. Yes, sir; that is so, probably, because Judge Crocker sold out his interest in everything, and we bought it.

Q. That is E. B. Crocker?—A. Yes, sir.

Q. How soon after the formation of the company?—A. We had completed the road.

Q. You five gentlemen, as I understand it, owned all the stock?—A. Yes, sir; substantially. And before the company was discontinued I think we owned every share.

HOW THEY OBTAINED THE STOCK.

Q. With regard to these small stockholders, were their small holdings given to them in order to qualify them to act as directors and officers of the company?—A. They all subscribed for their stock.

Q. Was that stock given to them in order to qualify them to act as directors and officers of the company?—A. I have no recollection about that. I think that they subscribed for the stock themselves, but about the payments I have no knowledge or recollection at all.

Q. Have they not been examined in various litigations in which the Central Pacific Railroad Company, the Contract and Finance Company, and yourselves have been interested, and have they not testified that they held their stock to qualify them to act as directors under the law?—A. I think that they have been examined, but I cannot say what they testified to.

Q. Did not these questions come up in the Colton suit and in the Brannan suit?—A. I think not. However, I was not here when the Colton suit was tried and am not familiar with what was done.

CROCKER PRESIDENT OF CONTRACT AND FINANCE COMPANY.

Q. Who was the first president of the Contract and Finance Company?—A. I do not know whether I was the president before Mr. Crocker became president or not.

Q. Did Charles Crocker become the president?—A. Yes, sir; he was the permanent president.

Q. When did he become president?—A. He became president very soon after the organization of the company; but whether he was president at the time of the organization or not I do not know.

Q. Was he president at the time that the contract was made between the Central Pacific Railroad Company and the Contract and Finance Company, which was in October, 1867?—A. I do not know but that the contract was made with the organizers of the company; but still, it may have been otherwise. Mr. Crocker became president very soon, and the work done under the contract was done while he was president of the company.

Q. The arrangement was, substantially, that he should direct operations in the matter of construction, and on behalf of your construction company, was it not?—A. I do not know what the others thought, but I thought so myself. I did not anticipate that any one would come in and take stock unless we could find large capitalists who would take the property as it was, and build the road, and, if successful, have all the benefits to be derived from it.

SCOPE AND OBJECT OF THE COMPANY.

Q. What was the general scope and object intended by getting up this Contract and Finance Company?—A. To aid in the construction of the road. It had ceased to be on our part a financial problem, and had become an individual question with each of us how we would get through. The absorbing question was how to build the road. It was a great struggle. It was a great enterprise, if I do say so myself. We were the features of it. We commenced work on this side two years earlier than the Union Pacific commenced work on the other side. We had this great mountain to overcome at the outset, and it was a great struggle, to which we gave the best energies and endeavors of our lives. The building of the road was the great question, and its construction was far above all pecuniary considerations.

Q. How soon after the formation of that company did it make a proposition to the Central Pacific Railroad Company for the construction of the remainder of its railroad?—A. As to the date I cannot tell you, but it was substantially right along about that time.

Q. It appears from your minutes that the proposal was made in October, 1867. At that time who was employed in the office of that company in addition to William E. Brown?—A. I do not remember the names of the clerks. I think that he had one or two clerks.

THE HEADQUARTERS OF THE COMPANY.

Q. And where was the office of the Contract and Finance Company?—A. At Sacramento, in the same building then occupied by the railroad company.

Q. Did you yourself see the books of the Contract and Finance Company from time to time?—A. Only as they may have been lying on the desks. I did not have occasion to go into that room, and I did not examine the books at all.

Q. Had you no personal connection with that company at all, except as a stockholder?—A. That was all, except as I came in contact with Mr. Crocker or Mr. Brown. They would sometimes come to me and tell me they wanted some money.

Q. What efforts were made to sell the stock of the Contract and Finance Company?

The WITNESS. Do you mean down here?

Commissioner ANDERSON. Anywhere?

The WITNESS. At the beginning?

Commissioner ANDERSON. Yes, sir.

PLAN FOR DISPOSING OF STOCK.

The WITNESS. We opened an office here, and kept it open, and advertised for subscriptions to the stock of the Central Pacific Railroad Company. We thought that if we brought those of San Francisco the wealthy men here would gobble up all the

opened them a week in advance in Sacramento in order to give our people at Sacramento—the people of means at that place—a chance to take stock in what we supposed would have been a good thing, and what would have been a good thing if we had not been delayed. It would have been advantageous for the people here if they had taken stock and enabled us to push the road along to a speedy completion. A few people in Sacramento took small amounts. It was not taken by many individuals. There was no money in California at that time for permanent investments in enterprises of this nature, as it was worth too much for current business. We came down here, opened our office, and laid out our books. We sat there patiently waiting all day, but nobody came, except one man, a Frenchman I think it was, who came in and subscribed for ten shares. That is all that was taken here.

Q. Has this reference to the stock of the Contract and Finance Company?—A. No, sir; I thought that your former question referred to the stock of the Central Pacific Railroad Company. We kept our books down here for some time—I do not know how long—but no one ever came in to take stock. That threw somewhat of a damper upon us. We were then thrown upon our own resources, and did the best we could. We did not open the books of the Contract and Finance Company in order to get subscriptions to the stock, because it would have been of no use. I went around, however, to such men as D. O. Mills, W. O. Ralston, Haggin & Tevis, Edward Barron, Michael Reese, Mr. Mayne, and to everybody who I thought might possibly be induced to take an interest, but could not succeed at all.

By Commissioner LITTLE:

Q. You mean that you were soliciting these gentlemen to take stock in the Contract and Finance Company?—A. Yes, sir; I wanted them to take stock in that company in order that we might get funds to push construction.

By Commissioner ANDERSON:

Q. Was this before the contract was made in October, 1867, or was it both before and after that date?—A. It was both before and after. I did everything that I could to try and get capitalists in with us.

CUSTODY OF BOOKS.

Q. In regard to the books of the Contract and Finance Company, when did you last see them?—A. I have no distinct recollection as to the time when I last saw them. I suppose that the time when I last saw them was the time that I was last in the office of that company.

Q. In whose custody were they then?—A. I think that Mr. Brown was still there.

Q. Mr. Brown has stated that he passed them over to Mr. John Miller. Do you know Mr. John Miller?—A. Yes, sir; he succeeded Mr. Brown. I have no recollection at all of the books, but as I frequently passed the door of his office going to my own, which was directly opposite, I have no doubt that I have seen the books hundreds of times lying on his desk, but I never examined them, and any recollection that I have as to the last time that I saw them would simply be as having seen them lying on the desk.

A CALL FOR THE BOOKS.

Commissioner ANDERSON. I will say again, as I said in regard to the Crocker contract, that a great deal of interest has been manifested by

the community in this matter. The assertion has been made that large amounts of stock and bonds have been issued to the Contract and Finance Company, and these issues have been at such a rate as to absolutely cripple the power of the Central Pacific Railroad Company to pay the debt due to the Government; and that assertion, taken in connection with the fact that the contract and books of the Contract and Finance Company have never been accessible, and that no satisfactory explanation of their disappearance has ever been given, has led this Commission to take a great deal of interest in the matter, and to move it to do what it can to solve the mystery. Therefore, on behalf of the Commission, I would invite you to give any explanation that you can as to the whereabouts of the books, and also to produce John Miller, who appears to be the last person in whose custody the books were.

SUITS AGAINST THE COMPANY.

THE WITNESS. As to the books, I can give no information. After the construction of the road several suits were brought against us, which I thought were pure blackmail. At that time all sorts of stories and statements were being circulated about us. Exaggerated stories as to the great wealth we had acquired were floating everywhere. Complaints were made, principally by envious and malicious persons, that we had robbed the company. We were represented as having made \$100,000,000 alone out of the \$27,000,000 loaned to us by the Government. I think that one complaint was made that we had made \$300,000,000 out of this road, and it went all over the country. All this helped to make the history of the road. The supposition was that we were all millionaires, when in fact we were all poor, with nothing but this stock, which at that time was without value, but which, of course, afterwards became very valuable. The money that we made out of this stock came to us simply because nobody would have the stock at the time that we were so anxious to sell it. However, there is nobody interested in that but ourselves, except out of mere curiosity, because we became the owners by purchase of all of this little trifling stock which was in the hands of the original subscribers. The present owners of the stock in this Central Pacific Railroad Company, not having bought any of the original stock outside of ourselves, are not interested in that question at all. Besides ourselves, I do not know anybody who has the least interest in this matter. The Government itself is not interested.

WHY THE CAPITAL STOCK WAS INCREASED.

Q. Why not? It is alleged that the corporation issued an unlimited number of bonds, secured by a first mortgage upon its road, and burdened itself with heavy interest obligations, the Government having a second lien upon the same property, which can be satisfied only after the first mortgage has been paid—though I do not allege this to be the fact. Would it not be clear that the Government would be interested in knowing that you did not misapply the proceeds of the first bonds which you obtained from it?—**A.** Yes, sir; I was not speaking about the bonds, or the assets of the company aside from the stock. The only reason that we had for increasing the capital stock was the law required that we should not issue bonds in excess of the stock. A large issue of bonds would exceed the then capital stock, this compelled us to increase the latter from the small

which we started. The original capital stock of our road was \$8,500,000. The present capital stock is \$100,000,000. So far as our ownership was concerned, or so far as the value of the road was concerned, the eight and a half millions of stock was as good for all purposes as though the stock had been a hundred million.

DIVIDENDS.

Commissioner ANDERSON. Except when you paid dividends, and the dividends on fifty-four millions would be a trifle more exhaustive than the dividends on the smaller amount.

The WITNESS. Not necessarily so. The dividend would be the same in either case. The difference would only be upon the percentage on the shares. If there had been but a hundred shares of course the percentage upon each share would be very much greater, but in any event it could not absorb any more than the amount of money upon hand. The amount of money to be divided would not depend upon the number of shares.

Q. Have you given us all the information that you can as to the whereabouts of those books?—A. Yes, sir.

MR. JOHN MILLER.

Q. You have not answered whether you can produce Mr. John Miller. Can you do so?—A. I do not know much about Mr. Miller. He is a man with whom we had some considerable trouble. The last that I heard of him was several years ago, and at that time he was living at some point on the Sacramento River. Whether he is living there now or not I do not know. I suppose, however, that you can ascertain that without much difficulty.

Q. Have you yourself any books which will contain any records or entries which will shed any light on the transaction between the Contract and Finance Company and the Central Pacific Railroad Company?—A. None whatever.

WITNESS'S TRANSACTIONS WITH CONTRACT COMPANY.

Q. Have you any books that will shed any light on your own transactions with the Contract and Finance Company as a stockholder?—

A. I do not think that any of the books which I have will give any such information. I think that all the business of the Contract and Finance Company was kept in the books of that company.

Q. Regarding the dividends of stock that were made by that company, were any certificates passed over to you, or any certificates given to you, and, if so, was the record kept only in those books?

The WITNESS. Certificates of what?

STOCKS AND BONDS.

Q. Of stock. Were certificates of stock in the Central Pacific Railroad Company delivered by the Contract and Finance Company to the stockholders in that company?—A. Yes, sir.

Q. You are positive that no bonds were delivered or divided?—A. Yes, sir; I do not think that there was any such division.

Q. Are you positive that no money was divided?—A. I am positive that no money was divided.

Q. Was a statement of the division of the stock prepared and issued to the stockholders at the time that it was made?—A. I do not know that it was.

Q. It must have been, must it not, in order to show how much stock you were each entitled to?—A. We had an evening up some time after the work was done, and at that time the individual stock which we all owned was put in. I had bought some stock, Mr. Huntington had bought some stock, and I presume that Mr. Crocker had bought some. We dumped it all into the Contract and Finance Company, and afterwards, I think, divided it by five.

Q. Are you sure that it was not divided by four?—A. Yes, sir; I am sure.

VALUE OF STOCKS.

Q. When that was done was a statement of the different transactions which made up the ultimate result prepared and delivered to you, to Mr. Hopkins, to Mr. Crocker, and to Mr. Huntington? Would you not naturally have been curious to know how many shares of stock you were going to get?—A. Not very.

Q. When was this?—A. After the road was completed. We did not know at that time whether this stock would ever be worth anything or not.

Q. The company paid dividends in 1872, did it not?—A. I do not think that it was as early as 1872.

Commissioner ANDERSON. Your reports show that dividends were paid in 1873, so that the stock at that time must have had some value.

DEVELOPMENT OF THE COUNTRY.

The WITNESS. We developed the business of the country as we proceeded. Whatever is of value, so far as the Central Pacific is concerned, we created by the construction of the road. The development of business along the line of the road was rapid. I do not think that the through business increased so rapidly as the local business. After business has become settled upon certain routes it is difficult to divert it, and it takes some time to do so. Gradually, however, we kept diverting it from the Pacific Mail and the Isthmus of Panama, and from the clippers which came around Cape Horn, and it grew to be a very promising business and kept constantly improving. Everything looked bright until the competing lines of road were built in 1881, and then they began to interfere with us. Besides this, there was a great falling off of business in Nevada. This falling off was very great during the last two years, but at that time the business of Nevada was lively.

CENTRAL PACIFIC STOCK OWNED BY CONTRACT COMPANY.

Q. In 1870 your gross earnings were \$7,000,000 and the net earnings were over three million. In 1871 the gross earnings were over nine million and the net earnings over five million. I ask you whether it is possible, if this Contract and Finance Company had on hand a large number of shares of the Central Pacific Railroad Company, which company was making such earnings as that, you were not interested in looking over the books and papers to see how many shares of stock you were going to receive in the railroad company?—A. I knew very soon about that.

Q. How did you know how many shares of stock you were entitled to receive?—A. I knew that I was entitled to receive one-fifth of whatever that company had, and I knew how many shares of stock had been issued to it.

Q. Were not these shares of stock issued from time to time as the work progressed?—A. That may be; but I knew about what the aggregate of the shares was.

Q. Did you keep that in your head?—A. Yes, sir.

Q. Do you know what the aggregate of the shares was that were issued to the Contract and Finance Company, of which you were to receive a fifth?—A. No; I do not remember now. We consolidated a good many lines of railroad from time to time, and we never increased the capital stock. In consolidating these lines of railroad the stock of those roads was added to that issued to the Contract and Finance Company, but I cannot give you the exact details. The books, however, will show that.

Q. What books?—A. The books of the Central Pacific Railroad Company.

Q. Will the books show the gross amount issued?—A. Yes, sir.

WAS THE CONTRACT VERBAL OR WRITTEN?

Q. Did you ever see the contract between the Contract and Finance Company and the Central Pacific Railroad Company?—A. I think that I signed it.

Q. Are you quite positive that it was in writing and not a verbal contract? Mr. Cohen in his testimony advised us that his conclusion was that there had never existed any such contract in writing. That is your recollection?—A. I cannot remember the actual fact of having signed it, but I have no doubt upon the subject.

Q. Do you think that you did sign it?—A. Yes, I think so.

Q. Do you remember having seen it, or to have read it, so as to have a present recollection about it—so as to enable you to say whether it was in writing or not?—A. I cannot say that I ever saw it, positively, but I have no doubt on the subject.

Q. And you have no doubt that you read it?—A. Yes; I have no doubt whatever. I know that I helped them to discuss it all the way through.

TERMS OF CONTRACT.

Q. It was a very important contract, was it not?—A. It was a very important contract. And we put in all this stock in order to get outsiders to take an interest in it.

Q. And it embraced what property? It embraced what portion of the road?—A. From the State line as far as we could go; I think some 500 or 600 miles.

Q. Do you remember its terms at all? Did it embrace grading?—A. If you will look at our books, you will see what it did cover, and it will tell you a good deal better than I can.

THE CONTRACT MISSING.

Q. Do you know your secretary says that the contract is missing?—A. So he told me yesterday, or the day before, I believe.

Q. How long before had he told you?—A. I did not know before that it had been missing.

Q. Did he not tell you that it was missing before this matter came up?—A. No, sir; I supposed that the contract would be found on the files of the office. I had no reason to think otherwise. I do not think that I ever heard the subject mooted before.

Q. Do you know that it was missing as long ago as 1876?—A. No; I have no recollection of that. If I did know it at the time I have forgotten it.

Q. Were you not examined as a witness by Mr. Cohen in the suit of John R. Robinson against the Central Pacific Railroad Company for an accounting?—A. Yes, sir.

Q. And did you not state in your deposition in that suit that that contract was missing?—A. It is possible that I did; but if so I have forgotten it.

BOOKS AND PAPERS OF CENTRAL PACIFIC.

Q. Is it not a matter of common notoriety in San Francisco and throughout this State, and I might say throughout the United States, that this contract and all the books and papers of the Contract and Finance Company, and the papers of the railroad company in connection with the Contract and Finance Company, have been missing and cannot be found?—A. I know that the books were missing, but I never was informed that any of the contracts were missing. I do not see, however, that it makes very much difference, so far as the contracts are concerned, because the books will show their terms. I mean the books of the Central Pacific Company. You might pick out the terms from the books, and I think that from them you can get all the information upon this point that you desire.

EXTRACT FROM HUNTINGTON'S TESTIMONY.

Q. From your memory, can you give us any information as to its terms, as to the price per mile to be paid? I will call your attention to what Mr. Huntington says about it. In answer to the question, "Can you state substantially what the terms were?" he says:

It was a contract to take the bonds and stock, I should say, of the company and build the road—a certain amount of stock, but not the whole stock. The capital stock was \$100,000,000. It was to take a certain amount of stock and bonds to build the road.

Q. Do you remember the rate per mile, computing the bonds and stock at par?—A. No; I could tell you pretty nearly; I do not think it was over \$100,000 per mile. I think something about that.

Q. Do you remember the relative proportions of bonds and stock?—A. The Government bonds and the company's bonds—about \$64,000 was what the bonds were.

Q. Sixty-four thousand dollars in bonds and the balance in stock?—A. That is just it.

CONTRACTOR TO HAVE ALL THE ASSETS.

What is your recollection?—A. My impressions are—I thought that we would meet the Union Pacific at Salt Lake City. In making the contract the contractor was to have all the assets of the company, that is, in the way of bonds, &c., and in estimating the amount of stock to be put in we put in an amount that would be sufficiently large to warrant us to mortgage the road and issue our own first mortgage bonds, and the contractor was to receive those bonds. That was the basis of the amount of stock that was put into the contract.

Q. When you say all the assets of the company you mean substantially all the proceeds of the bonds and the proceeds of any other loan,

or the proceeds of county aid, or any and every other asset of that character that you could control?—A. Yes, sir; but there was no county aid left; that was all exhausted.

Q. Did you intend any portion of the net earnings of the road to go into the construction account?

The WITNESS. Do you mean earnings made prior to that time?

Commissioner ANDERSON. Yes; and those that were being made.

A. I do not know what the understanding was about that.

AN "EXHAUSTIVE CONTRACT."

Q. Then it was substantially that the builders of the road under the contract should take all the bonds of whatever character there were, as you have stated, and the amount of stock to authorize you to issue those bonds, under your own first mortgage?—A. Yes, sir.

Q. The idea was to give the men who built the road all the property of the company?—A. Yes, sir; and if there was anything in it the builders of the road would get the benefit.

Q. It was what has been called on some of the branches of the Union Pacific, for instance, an exhaustive contract, which took all the paper assets of the road for building it?—A. Yes. We did not count the stock as of any particular value, except as giving us control at that time. Even after we got through, we would have gladly sold it at 10 cents on the dollar.

Q. What stock?—A. Central Pacific stock.

Q. When you got through where?—A. When we got through to Ogden.

VALUE OF RAILROAD STOCK AT COMPLETION.

Q. In May, 1869?—A. Yes, sir. When we got there we would have been glad to have sold for 10 cents on the dollar. At the same time we could have bought the Union Pacific stock at the same rate. At any rate, we could have bought a block large enough to have gained control of that road.

Q. How soon afterwards did you change your mind?—A. About as soon as I made up my mind that we could not sell it. We had to stay in and work it out. When the road was completed we were all tired and exhausted, and would have been glad to sell out for almost anything.

Q. You had very different ideas in 1870, did you not?—A. We had hopes in 1870.

EXCESSIVE PRICES PAID FOR STOCK TO SETTLE SUITS.

Q. Did you not pay as high as \$400 per share for the old stock early in 1870?—A. No, sir; not for the stock, but to settle suits.

Q. At any rate, your idea as to the value of the property must have undergone a very rapid and material change after the completion of the road, must it not?—A. Yes. After the completion of the road for a time we did not get any through freight business. I do not like to say much about the other lines, but the road connecting with us was managed a little differently from ours, and the people controlling it had different ideas from those which we entertained. It was some time before we got prices fixed at a figure where we could induce people to avail themselves of the advantages offered by the railroad.

Q. Do you mean that your prices were higher than theirs, or that theirs were higher than yours?—A. Theirs were higher than ours. We have never been in harmony with the Eastern lines in the matter of passenger rates. I have always thought that lower rates would be better for us. We had the idea that every passenger we could induce to come here would be a patron of the road.

PALACE HOTEL, San Francisco, July 29, 1887.

Afternoon session.

LELAND STANFORD, being further examined, testified as follows:

REPORT ON LINE EAST OF NEW CASTLE.

By Commissioner ANDERSON:

Question. In connection with your statement in regard to the Crocker contract, I will read from the minutes of the proceedings of the directors of the Central Pacific the following abstracts, subject to correction, of course: On the 1st day of May, 1865, it appears from your minutes that a committee, consisting of Leland Stanford, Mark Hopkins, and E. H. Miller, jr., was appointed to examine into and report upon the question of letting a contract for the construction of a railroad and telegraph line east of New Castle. On the 9th of May, 1865, the committee appointed at the last meeting relative to the construction of the line east of New Castle submitted a report, which was filed, and the committee was directed to ascertain and report as soon as practicable on what terms and to whom a contract might be let in accordance with the report of the committee just filed.

That report we have not been furnished with. Do you recollect the fact that such a report was made?—Answer. I do not.

Commissioner ANDERSON. If it can be found we would be pleased to see it.

DIFFICULTY OF THE WORK.

The WITNESS. If Mr. Miller were here he could tell you, I think, about those papers, or almost any papers you desire. I have a general recollection of the matter; that is, it was a matter of discussion and consideration with us for some considerable time how we were going to be able to really avail ourselves of all that we had, or should have, to pay for the construction of the road, and we came to the conclusion that we had to do it by having one contract. We were not nearly as much impressed then with the importance of having the contract in one hand as we were as the work proceeded. We learned better later on the magnitude of the thing, and we learned also, when we came to regard the construction, of the immense sacrifice that we had to make for the sake of speed. Then it became, very early, a question of whether or not we could get over the mountains. We had to work during the winters on mountain work, three of which winters were the heaviest known in the history of the State. There was one winter only that I know of when more snow fell on the mountain than fell there for the three winters, in succession, while we were conducting our work.

TERMS OF THE CROCKER CONTRACT.

Q. On the 6th of June, 1865, a committee, appointed to ascertain and report on what terms and to whom a contract could be let, submitted a report, which was adopted and ordered on file. That makes two reports we would like to have. At the same meeting it was resolved and ordered that—

Charles Crocker & Co. be allowed and paid for all work done and material furnished, or which may hereafter be done or furnished, until the further order of the board of directors, in the construction of the railroad of the company from section 48 eastward, and in accordance with the terms, conditions, and stipulations set forth in the contract of said Charles Crocker & Co., dated September 19, 1863, except so far as the same may be modified or changed by this order, at the following rates and prices, and in accordance with the following classifications, payments to be made according to monthly estimates, five-eighths in gold coin and the remaining three-eighths in the stock of the company, at the rate of \$2 of capital stock for each \$1 of said three-eighths of said estimate, with the privilege of paying said three-eighths in gold coin in lieu of said stock, at the election of said company, to be made at the time of such payment.

THREE-EIGHTHS IN CASH OR STOCK AT THIRTY CENTS.

Now I read from your minutes of May 2, 1866, a communication from Charles Crocker & Co., reading as follows:

We find it impossible to sell the stock which we have received upon our contract with the company for the construction of its railroad for more than 30 cents on the dollar, and cannot realize 50 cents therefor, the price at which the same was received under the contract; and we find ourselves unable to prosecute the work with the diligence and rapidity required by the company under the present management. We therefore request that your company pay us cash instead of stock, or, otherwise, that the stock be paid us at the rate of 30 cents instead of 50 cents on the dollar, as at present.

On motion,

Resolved, That the three-eighths now payable in cash or stock, at the election of said company, be paid in cash, provided there be cash in the treasury to pay the same; otherwise that the same be paid in the capital stock of the company at the rate of 30 cents on the dollar.

PUTTING STOCK INTO THE CONTRACT AND FINANCE COMPANY.

Those are all the minutes that I find relating to the Crocker contract. Now, in addition to the questions I have asked you in regard to the receipt of any profits or dividends by you from the firm of Crocker & Co., I would ask you whether you ever received any stock from Crocker & Co. on account of the stock issued to Crocker under any contract for the construction of the road?—A. I put a portion of that stock into the Contract and Finance Company. After the road was completed whatever any of us had we put into the Contract and Finance Company, because our interests in that regard were about the same, and we divided it up then, I think, so that each of us had about one-fifth. That is, we put everything in there, and then we had each of us one-fifth of the Contract and Finance Company's stock. When this contract was let to Mr. Crocker we did not know very well what this work was going to cost. We made a price, because it seemed necessary to make a price, and we thought that maybe others would come in and take a part of that contract, but we did not expect Mr. Crocker to make or to lose money. It was an instrument by which the work was to be accomplished. We knew that if we wanted at any time to reform that contract, or do anything that seemed to be to the interest of the company, Mr. Crocker would not object. We went on in that manner all the way through to

the completion of the road, working hard for its completion and using such instrumentalities as seemed to be necessary.

CROCKER DID THE SAME.

Q. Do I understand that Charles Crocker passed over to the Contract and Finance Company any stock which he had on hand and which resulted from his own contract prior to the contract with the Contract and Finance Company?—**A.** I think that was the way it was done. I know I had full-paid stock, on some of which I had paid par, and some I had bought at lower rates, and I know Mr. Huntington had, and I think Mr. Crocker and Mr. Hopkins had. I know we put it all into that institution. We had all worked for a common purpose, and although we never were partners, every man from the beginning owned his own interest in his own right, whatever it was; yet we had worked together for a common purpose and as one body of men. It was our harmony in that respect, I think, that enabled us to get through our work at all. I know this, we had no money left over; all the Government bonds and the first mortgage bonds were gone and the money had gone into the road.

THE PLACER COUNTY BONDS.

Q. While on that point please state what other aid you received. I understand that from Placer County you received a certain amount.—**A.** I will give you substantially within a few thousand dollars of the exact amounts realized. We sold the Placer bonds for 70 cents, I think, and realized \$140,000.

Q. There were \$200,000 of them at par?—**A.** Yes; and we sold the Sacramento County bonds for about 65 cents. There were 300 of those. And we sold 400 bonds of San Francisco. The highest, I think, we ever sold them for was 73 cents, but many of them we sold at 70 cents.

INTEREST ON CERTAIN BONDS PAID BY STATE.

Q. Was there not an act passed by the legislature making you a donation of \$10,000 per mile?—**A.** No, sir; the only aid we received was in the first original act, by which they agreed to give us something, but that was changed. And we were authorized to issue a special mortgage for \$1,500,000, on which the State paid the interest. Those bonds were sold and we realized about \$1,000,000; a little more than that, but less than \$1,100,000. We received a little over \$1,000,000 for those bonds, and those have been paid off since.

Q. They were paid by whom?—**A.** Paid by the company.

Q. So that what the State has done has been to pay the interest on them until you paid the principal?—**A.** Yes; the State was to pay the interest on those bonds and the company realized a little over \$1,000,000 for their bonds.

Q. Did the company repay the State any of the interest?—**A.** No; that was a donation. Then we used our own individual credit so far as it would go, and I know particularly over in the East that we used our own individual credit to the extent of \$600,000, and I know we made it work along so that we could pay up to New Castle. And we worked to Colfax, 50 miles. We finished the road to New Castle, 31 miles, and had iron enough on hand for 50 miles, to Colfax.

AMOUNT OF STOCK PASSED OVER BY CROCKER TO CONTRACT AND FINANCE COMPANY.

Q. Have you any idea of the amount of stock which was passed over by Charles Crocker to the Contract and Finance Company, resulting from his contracts prior to the contract with the Contract and Finance Company?—A. No; I cannot tell. If Mr. Miller were here, I think he could tell you how much stock there was when the road was finished, and he can tell you from the various consolidations how much stock came into the company from that direction.

Q. Do you understand that Crocker & Co. substantially passed over all of the stock which they received?—A. I think all of it went into the Contract and Finance Company.

Q. If your books show that the gross payments to him were \$22,000,000 of which twice three-eighths was in stock before the reduction to 30 cents, that would give him about \$14,000,000 in stock?—A. As to the amount I cannot say. I think the stock all stood in his name until after the completion of the road, but I may be mistaken about that.

THE CONTRACT WITH THAT COMPANY.

Q. Now, passing to the Contract and Finance Company, I read from the minutes of December 3, 1867:

President Stanford reported that he had made arrangements for a contract with the Contract and Finance Company for the construction and equipment of the railroad and, telegraph line of this company, lying on the eastern boundary line of California, and presented a draft of such contract. The same having been read and considered, the following resolution and order was unanimously adopted, to wit:

Resolved and ordered, That this company hereby consents and agrees with the Contract and Finance Company to the terms, stipulations, and conditions of articles of agreement submitted by the president of this board, and the president and secretary are hereby authorized and directed to execute the said contract.

The directors present and voting on that proposition being Leland Stanford, E. B. Crocker, Mark Hopkins, and E. H. Miller, jr.

Do you recollect the fact of reporting such a contract?—A. Well, I know I must have done it. I have no doubt about it, but I cannot call to mind the actual fact.

DIFFICULTIES OF CONSTRUCTION EASTWARD.

Q. Will you describe the construction as it proceeded eastward from the State line under the Contract and Finance Company's contract?

The WITNESS. Well, you mean how we worked it?

Q. I mean the character of the country you went through.—A. The general character of the country, so far as grading was concerned, was not difficult. You came through the Truckee Cañon and you could see what it was there. I think that is about as heavy as the work done on the Ogden and Weber Cañons on the Union Pacific. The greatest difficulty was in the desert country, the long stretch of desert over which we had but limited transportation for water and supplies. We sent out men ahead, I think it was three thousand men and four hundred horses, with their wagons and such things as that, into the cañon of the Humboldt. There were three cañons there, and that was very heavy work. We had to send those horses and those men, with all their equipments, 300 miles in advance of the completed line to work there. I went over to Salt Lake that season and had made arrangements there, and graded substantially 160 miles from Ogden this way with what labor I could pick up and with the supplies over there. Our

supplies either came from California east, or to the end of the Union Pacific, starting in the spring nearly 500 miles away, and the supplies were hauled all that long distance. From Salt Lake I think that we used to pay \$12 to \$15 a day for teams that did very little work. Oats were 12 to 14 cents a pound, and I do not know but what more than that. And hay then was \$100 a ton, and then it had all to be hauled.

EXORBITANT PRICES FOR SUPPLIES.

Q. Was that 12 or 14 cents a bushel?—A. No; a pound. They did not deal in bushels over there. We dealt in pounds. And everything then had to be freighted to the front. I paid 13 cents a pound for freight hauled from the Sierra Nevadas over to Salt Lake, and then had to haul it from there up on to the line of the road, and it cost me 2 or 3 cents a pound, I think. Corn was hauled all the way from Iowa and other States there up to the end of the Union Pacific Railroad, and then was teamed through several hundred miles into Salt Lake Valley.

TIME COVERED BY CONTRACT OF CONTRACT AND FINANCE COMPANY.

Q. How long were you in effecting this construction; when did you begin?—A. We commenced our real active work in 1863.

Q. I mean the Contract and Finance Company. You commenced in 1867 with that company, did you not, according to the resolution I have read to you?—A. I can tell you how we went on with the work better than I can about those dates. We passed the summit in 1868, and we had worked down on the Truckee in the cañons, and by the next spring, in May, we were out to Promontory and had the work all done, ready for the track, from there to Ogden. At Promontory there was very heavy work, and it held us for some time.

Q. Eighteen months, then, would cover the whole construction under what was done by the Contract and Finance Company?—A. I should think it would.

POLICY OF COMPANY IN REGARD TO STOCK.

Q. Now, as to the terms of that contract, can you give us any information at all?—A. I can tell you rather the policy of the company. In the first place about the stock. We did not value that; that is, in our estimation of values it cut no figure. But we meant to get enough stock out so that we could have our own first mortgage bonds and the Government bonds, and we could not do that unless the stock was made equal in amount. So we estimated about what the stock would be and what the incumbrances upon the road would be, and made the stock in the contract accordingly.

Q. Do you remember at what figure the stock was to be taken in payment?—A. No; I do not think we figured that. I think we said: "We will take the bonds; we will put into this thing the bonds." Everything else, I believe, had been used up. That is, the first mortgage bonds, or what was left of them.

REAL OBJECT IN THE ISSUANCE OF STOCK.

Q. You had enough stock to make the bonds legal?—A. Yes. And that was the real object of the issuance of the stock at that time. We did not count the stock for much when the road was through, except as a

means to control it. We had devoted ourselves to this work with an intensity which few people understood. It was to us everything. Our fame and reputation were connected with its success, and we wanted to make it a success. That was the chief value to us in the stock, for the purpose of control at that time; but in a short time thereafter the road began to develop business all along its line, and in 1871 it began to show a good future; but even then we had done much work over here in California. I mean the Contract and Finance Company had done it. We had built the road and had, I think, negotiated for the Alameda and Oakland Railroad, and had done a great deal of work that had proved valuable, but Judge Crocker's health failed him and Mr. Charles Crocker was apprehensive; so they both sold their stock to Mr. Huntington, Mr. Hopkins, and myself, and that sale carried all their interest in other enterprises. The sale was made for 13 cents on the dollar. That was the estimate of the value then in 1871, or 1872, though the sale carried greater values with it than were in those companies, because all these local enterprises have been profitable ones. If you go over and notice some of the business done on the local roads you will see that every one of them has been a success.

METHOD OF PAYMENT.

Q. Now to go back to this contract. Have you any recollection of a payment per mile, of which a certain proportion was to be in gold?

The WITNESS. To the Contract and Finance Company?

Commissioner ANDERSON. Yes.

A. I do not remember. It may be that we made it in gold, thinking of about what we were to receive from the bonds—what would be realized—but I have the impression that we made it for bonds and stock.

Q. Our accountant reports that the entries in your books indicate that the terms of the contract were to construct and equip the road for \$80,000 per mile east of the State boundary, payable half in gold and half in the capital stock of the railroad company. Do those figures refresh your memory at all?—A. I think that must have been upon the calculation of what we were going to be able to get out of the bonds and the stock so as to make an amount such as to justify the mortgagee.

WEIGHT OF RAILS.

Q. Do you remember whether the weight of the rails was specified in the contract?—A. No. I do not. I know the rails were 56 pounds. That was our standard.

Q. How much would that make it per ton per mile, 56 pounds?—A. With side tracks it takes about a hundred tons.

Q. Is it not the customary rule to divide the number of pounds per yard by 7, and multiply the result by 11, in order to obtain the number of tons per mile?—A. I do not know as to that. That was not our rule. Practice satisfied us that about a hundred tons to the mile was about what is required, to include good side tracks, switches, &c.

Q. The entries in your books indicate that the weight of the rail was about 68 tons per mile, which, by the application of this rule, would agree with your statement of 56 pounds per yard. The entries also indicate that the contract required 5,200 pounds of spikes per mile. Do you recollect any provision relating to that?—A. No; I do not. I suppose those specifications were gotten up by the chief engineer. I know that we estimated the number of engines and the number of cars that would be needed.

NUMBER OF LOCOMOTIVES.

Q. Do you remember how the number of locomotives to be provided was fixed, whether it related to number of miles?—A. Yes, sir; I think it did.

Commissioner ANDERSON. The entries in your book indicate that there was to be one locomotive for each 5 miles.

The WITNESS. I presume that is correct. Of course it is correct if it is from the books. My recollection is that there was one engine to so many miles.

Q. The entries indicate one engine for each 5 miles, one passenger car for each 20 miles, one box car for each mile, two flat cars for each mile, and one hand car for each 6 miles. Are you satisfied that those figures are substantially correct?—A. I presume they are. I have no doubt that those were made upon the estimate of what the road would need.

THEIR COST.

Q. Do you remember whether the contract provided how much the locomotives should cost, or what grade of locomotives they were to be?—A. I think very likely we specified the size of the locomotives. I know, at any rate, that was taken into consideration at different times as we were building the road, as to what locomotive was most economical.

Q. Do you remember whether all the equipment called for in this contract was, in fact, furnished to the Central Pacific?—A. I think so. I think we needed it all, and I think we had to provide more.

Q. Do you remember what the locomotives purchased at this period cost?—A. No. I remember those two that I mentioned, because of their very great cost. They cost us more than any others on the road. Those were either \$63,000 or \$65,000 for the two. They could probably be put on the road to-day for \$6,500 apiece. Sometimes, at the beginning, we were very much troubled. On one or more occasions the Government, desiring engines, took from us the engines that we had ordered.

Q. That must have occurred before the end of the war?—A. Yes; it was in the early part of the war. Of course they were not many, but we did not have many, and it was to us quite an annoyance, because we needed them very much.

Q. Were the engines that you referred to as costing \$63,000 for the two bought under the Contract and Finance Company's contract?—A. I am not sure about that; I think the highest prices were before that.

LENGTH OF LINE FROM EASTERN BOUNDARY OF STATE.

Q. What was the total length from the eastern boundary of the State to the termination of the work done under this contract?—A. I ought to know exactly to a mile, and did know for many years, but I prefer to refer you to the books.

Q. It was about 600 miles?—A. Yes.

By Commissioner LITTLER:

Q. It was to Ogden, was it not?—A. Yes. Now, along the line of that road (as I think I stated to you before), when we started in, there was only one white man between there and Bear River, Utah. There were some off in the mining districts to the south.

AGGREGATE NUMBER OF LOCOMOTIVES AT COMPLETION OF ROAD.

Q. Can you tell us how many locomotives had been provided for this company when the work was all completed?—A. No; I could not tell you how many.

Q. I hand you a list of the locomotives which appear to have been bought during that year. Please look at the figures and see whether they accord with your recollection.—A. (After examining.) These are for the Contract and Finance Company.

Q. During the period they were constructing, the locomotives must have been bought by them. Those are the prices which your accounts show were paid for engines during the years 1867, 1868, and 1869. Are the figures about right?—A. I notice here that two were bought at \$36,000; they must be the two that I referred to, but that item has probably the freight added.

Q. That list contains substantially the prices, as you remember them, for locomotives at that period?—A. Yes, sir; they seem to me to be correct, about as my mind would indicate.

MANNER OF PAYMENTS UNDER THE CONTRACTS.

Q. Do you remember anything about the manner in which payments were made under this contract?—A. Yes; we paid the money when they had to have it. We did the best we could.

Q. But what proof did you require from them that they were entitled to receive the money, and as to the amount which they were entitled to receive?—A. Well, I suppose those payments were made upon the estimates of the engineers.

Q. The reports of the engineers stating the actual construction of the road?—A. Stating the actual progress of the work; yes. We apportioned it according to the number of miles and the comparative difficulty we thought they had to encounter in accomplishing their work.

AMOUNTS PAID CONTRACT AND FINANCE COMPANY FOR THE 600 MILES.

Q. Have you any recollection of the figures and the amounts paid to the Contract and Finance Company for all the work done by it on the 600 miles?—A. No; I have not; that is, I mean I have no present recollection. I have not thought of the subject for a long time. I have no doubt that at the time it was fresh I knew about it.

Q. Have you any recollection of the amount of stock that was transferred or issued to the Contract and Finance Company in payment for this work?—A. It seems to me that it was about twenty millions, but I would not be sure of that. It is rather an impression than anything else.

Q. That would be in addition to the stock that was transferred by Crocker & Co. to the Contract and Finance Company?—A. Yes; that does not account for all the stock.

CONSOLIDATED LINES.

Commissioner ANDERSON. There were consolidations, I know, to a large amount.

The WITNESS. Yes; and the lines consolidated are the best portion of the Central Pacific Railroad to day. Those lines are really its strength. I refer to the line of the road running up the San Joaquin Valley 150

miles and the California and Oregon road, running up the Sacramento Valley, and this Oakland and Alameda property over here, say up as far as Niles. By that I mean the Oakland lines, moles, and wharves, and all the surroundings there.

DISSOLUTION OF CONTRACT AND FINANCE COMPANY.

Q. I understood you to say that the Contract and Finance Company was subsequently dissolved?—A. Yes.

Q. What lawyer conducted those proceedings for you?—A. I do not know which one of the lawyers had it most particularly in charge. We have several in our office and it was done by our office lawyers.

Q. Before what court were the proceedings?—A. Before the county court at Sacramento.

Q. Do you know where the papers are on file?—A. I suppose they are on file at the county clerk's office in Sacramento County.

Q. Did you verify them?—A. I do not know. I may have done so.

Q. Did you see them before they were presented to the court?—A. I do not remember. I see so many papers and I sign so many as a matter of course, that I have hardly any recollection of any particular one unless my attention is called especially to it.

Commissioner ANDERSON. Cannot some one of the counsel of the company, or some one present, inform us who conducted those proceedings?

Mr. BERGIN. I think it is not at all improbable that Mr. Robinson attended to the matter. He at that time was the active counsel of the company.

Q. What Mr. Robinson?—A. Mr. Robert Robinson.

Q. Is he living?—A. He is living, I believe, or was living when last I heard of him, but he has not been in active business for several years. He has not been in condition to do business.

Q. Where does he reside?—A. Here in San Francisco.

DIVISION OF ITS STOCK.

Q. Do you remember whether these proceedings in court contained an account of the company's operations for the purpose of showing how it stood at that time, so as to enable the court to make a proper order of distribution?—A. No; I have no positive knowledge. It was all in the hands of our attorneys, but I have no doubt I signed whatever papers were necessary, if I was called upon to sign any, although I have no distinct recollection of signing them. My recollection is that the stockholders had to assume certain liabilities before the company could be dissolved.

Q. Do you remember that before the institution of the proceedings to dissolve the Contract and Finance Company the larger portion of its assets were divided up among the stockholders?—A. There have been divisions of stock. I do not know that the stockholders ever divided any money, but there have been divisions of stock of these roads that we built. We built these roads and issued a certain amount of stock, and out of those assets we managed to complete them. The profits, however, were always in the stock.

WITNESS' SHARE OF CENTRAL PACIFIC STOCK OVER THIRTEEN MILLIONS.

Q. What is your recollection of the amount of stock of the Central Pacific Company which you received from the Contract and Finance

Company by way of dividend?—A. I do not remember how much stock. I do not think that there was ever a dividend of stock of the Contract and Finance Company for some considerable time after that road was completed and other stock added to it; but I think that my share of stock eventually of the Central Pacific Railroad Company, after the consolidation, was something over thirteen millions, and I believe that each of the other gentlemen had substantially the same.

Q. In stock?—A. In stock.

HOW STOCK WAS ACQUIRED.

Q. Was all of that received through the Contract and Finance Company?—A. I think there was stock subscribed and paid in at different times to the amount of \$65,000 each. Then we each bought stock at different times. Whether the 650 shares were thrown into the Contract and Finance Company in the end I do not remember, but everything else that we had bought we put in there. Then at some time afterward—I do not remember when—there was a division of the Central Pacific Railroad Company's stock, which included, I think, stock that had been issued for the various consolidations, and I know there was something over thirteen million apiece.

Q. That would be 130,000 shares to each?—A. Yes.

Q. That would be substantially all the stock that there was at that time?—A. I think at that time we had bought substantially all except a few shares of stock, and almost all of it has since been acquired.

BUYING UP OUTSIDE STOCK.

Q. Four times thirteen million would be fifty-two million. I think your reports show that up to the year 1879, the total stock outstanding was not over fifty-four million.—A. Then I had something over thirteen million; I do not remember the exact amount. I bought up, and continued to buy up, other stock, and paid for it. Most of the outside stockholders had taken stock originally to help the enterprise along, and if afterward any of them wanted to part with their stock, when we were able to spare the money we, as individuals, gave them par for their stock voluntarily, because there was not much chance for them to dispose of it otherwise, and they had helped the road along to the extent to which they had paid in their money.

WHEN IT WAS PUT ON THE MARKET.

Q. After the division made by the Contract and Finance Company and the issue of this stock to yourself and your associates, how long was it before the stock was put on the market and became an object of customary purchase and sale?—A. I cannot tell the year, but perhaps you will remember better than I, at the time when there was a good deal of a boom in stocks.

Commissioner ANDERSON. I am not familiar with stock booms. I regret to say that I never got into them. Perhaps I can learn something by staying here a little while.

The WITNESS. I think it must have been about 1880 or 1881.

FIVE MILLIONS SOLD TO A NEW YORK SYNDICATE.

Q. You began paying dividends in 1873. How long after that was it before the stock began to be bought and sold?—A. We could not get it

on the market until, I think, about 1880 or 1881. I think it was 1880. Then we sold, I think, five millions to a syndicate in New York and they put it on the market. They were better manipulators than we were. They put that stock on the market and after that time it had a regular quotable value. I do not think it ever got below 60 cents on that market for several years, though we could not sell much of it. After that I believe it went down as low as 26. I think that was the lowest.

WITNESS PRESENT INTEREST \$3,200,000.

Q. What is your present interest in the Central Pacific Company?—A. I do not know how it stands on the books, because my stock was sent east and was put in shape there to be transferred. I do not care much generally about telling my private business, but in this case I have no particular objection. I think I have about equal in value to thirty-two thousand, which would make \$3,200,000.

Q. Thirty-two thousand shares of stock?—A. I think that would be about thirty-two thousand. I remember it rather according to its par value than otherwise.

Q. And that is your present interest which you own in your own right?—A. Yes.

DATE OF DISSOLUTION OF CONTRACT AND FINANCE COMPANY.

Q. In what year was this dissolution of the Contract and Finance Company? If you do not remember the date yourself I will take it from any one else present. I wish to get the date so that we may know where to look for the record.—A. Almost any of our people around the office could tell you, but my impression is that that occurred about 1874.

Q. You gave us the name of the court in Sacramento, did you not, in which the proceedings took place?—A. Yes. I think the court was known at one time as the county court. I believe now it is called the superior court.

Q. And the records are with the clerk of that court?—A. Yes.

NOTES GIVEN IN PAYMENT OF ITS STOCK.

Q. In relation to this matter I find the following memorandum in your minutes under date of September 2, 1873:

Resolved, That the secretary be directed to receive from the Contract and Finance Company the notes of Leland Stanford, Mark Hopkins, and C. P. Huntington, amounting to \$5,700,000, and indorsed by said Contract and Finance Company, in settlement of its indebtedness to this company, and credit the amount of the same to the account of said Contract and Finance Company.

Can you explain that transaction or to what it refers?—A. I could not tell you now. I have forgotten. I think when we subscribed to that stock of the Contract and Finance Company we gave our notes as a basis of credit for the Contract and Finance Company. The Contract and Finance Company used its credit a great deal at that time. But I cannot tell you exactly now to what that quotation refers. I do not know when this thing has come to me before and I do not like to undertake to tell you unless I can be exact. I think Mr. Miller probably would be able to recall it.

Q. Then I will put the question to you in this form: Did the four gentlemen who subscribed for the stock of the Contract and Finance Company ever pay for that stock in any other way except by loaning to it the credit of their notes?—A. That was the way according to the

recollection now. I do not fairly remember, but it is my impression that each of us gave our notes for that stock to the Contract and Finance Company.

NO CASH PAYMENTS.

Q. And is it your impression that these notes were returned to the Central Pacific Railroad Company, and through that company to you, in this way?—A. Well, I am not able to call that to mind.

Q. Are you able to say whether you ever paid any money for your stock in the Contract and Finance Company?—A. Not in cash; I think not.

THE WESTERN DEVELOPMENT COMPANY.

Q. What was the Western Development Company?—A. That was a company similar to the Contract and Finance Company, formed afterward.

Q. Who were the stockholders of that company?—A. I presume about the same. We took in with us about that time, I believe, another gentleman, and he may have had an interest in that, but whether we took him in after it was formed I am not certain.

Q. Mr. Colton, you mean?—A. Yes. Whether he was in at the organization I do not remember.

Q. It was organized after the other company was dissolved, do I understand you to say, or about that time?—A. About that time.

Q. Do you know whether the same explanation which you have made as to the manner in which you acquired stock in the Contract and Finance Company, by loaning the credit of your name, without cash payment, also applies to Mr. Hopkins, to Mr. Huntington, and to Mr. Crocker?—A. I presume what was done in the one case was done in the other, but I have been trying to recall about those notes and the circumstances connected with them, and I do not wish to say positively anything about them on my present dull recollection of how it was.

Commissioner ANDERSON. That can be as you desire; and if you desire to correct your testimony about it at any time hereafter the opportunity will be given you.

The WITNESS. I think if I could see Mr. W. E. Brown and confer with him, he probably could tell me the circumstances under which many of these things were done and that would bring them to my recollection.

WITNESS'S SHARE OF THE STOCK.

Q. What was the capital stock of the Western Development Company?—A. I do not know. It may have been five and it may have been ten millions.

Q. Do you remember what your interest was; what proportion substantially you held, whether one-fourth or one-fifth of the whole?—A. My impressions are that at that time it was one-fourth, and that afterward we gave Colton an interest in it. I think we agreed to sell him one-ninth, letting each of the others keep two-ninths.

WHAT WORK THE WESTERN DEVELOPMENT COMPANT DID

Q. What construction or extension did the Western Development Company do for the Central Pacific?—A. I do not think the Western Development Company ever did anything for the Central Pacific other than repairs and various things of that kind; I do not think that it ever had any contracts.

Q. Their relations were with what company?—A. With the Southern Pacific Company principally, and I think with some of these local roads also.

WHO CONSTRUCTED THE CALIFORNIA AND OREGON, AND WHEN.

Q. By whom was the California and Oregon road constructed from Roseville to Redding?—A. I think that a portion of that line from Roseville to Redding must have been constructed by the Contract and Finance Company, and the latter portion of it by the Pacific Improvement Company. There may have been a little piece of it constructed by the Western Development Company, but I think not.

Q. Do you remember when the construction of that road commenced from Roseville north?—A. The road from Roseville to a place called Lincoln was constructed, I believe, by the Central road—a little company which we bought out afterwards. Then we built up and gradually extended our line. We bought out, then, the California and Oregon line, and proceeded to build it from time to time until at last we got up to Red Bluff. That is substantially the head of navigation on the Sacramento.

CALIFORNIA AND OREGON CONTRACT WITH CONTRACT AND FINANCE COMPANY.

Q. To refresh your recollection, I will read from the minutes of the California and Oregon Company of April 2, 1868:

Mr. Crocker offered the following resolution relative to the contract with the Contract and Finance Company for the construction and equipment of the railroad and telegraph line of this company, which was unanimously adopted:

Resolved and ordered, That a contract be, and is hereby, entered into between this company [the California and Oregon Company] and the Contract and Finance Company for the construction and equipment of the railroad and telegraph line and fixtures of this company from the Central Pacific Railroad to a point at or near the town of Red Bluff, in Tehama County, to be paid therefor as follows: \$20,000 in gold coin and \$30,000 in the capital stock of the company for each mile of the said railroad and telegraph line, and the draft of such contract here now presented by the corporation is hereby agreed to, and the president and secretary are hereby ordered and directed to execute the same on behalf of this company and attach the corporate seal thereto.

Does that refresh your recollection as to the commencement of that construction?

The WITNESS. In what year was that?

Commissioner ANDERSON. Eighteen hundred and sixty-eight.

The WITNESS. Well, I do not remember the year positively, but I should think it was about that time. Are you sure it is 1868?

Commissioner ANDERSON. Yes. Then follows in the minutes the contract at length with the Contract and Finance Company, signed by Alpheus Bull, president of the California and Oregon Railroad; John P. Brodie, secretary of the California and Oregon Railroad; Charles Crocker, president of the Contract and Finance Company; and William E. Brown, secretary. Those gentlemen held those offices in 1868, did they not?

The WITNESS. Yes; I think they were the officers. They were the gentlemen who were in office at the time we purchased the control of that road.

HOW THE CONSTRUCTION PROCEEDED.

Q. Do you remember how the construction of that road then proceeded?—A. Not very rapidly. We pushed it along up toward Marysville, and into Marysville. There we stopped some time, and then we

on by pieces. The real trouble and stoppage at Red Bluff was because the California and Oregon road was in difficulties and there was no local business beyond that point to sustain our road, and it was of no use to go on any further with the financial proposition until there was a prospect of the California and Oregon road coming to meet us. By a provision of the act of Congress governing them, it was understood that the roads were to meet at the Oregon line. Whenever they were ready to start we always went on. The Oregon Company was first controlled by a gentleman named Holliday. He was unfortunate and the control of the road passed into other hands. At different times from one cause or another the road has been unfortunate, and failed to complete its portion. Anticipating that that company would build its road, we built ours away up into the Sierra Nevada Mountains, at a great deal of cost. It was very heavy work, and was of no use to us at all, unless we could make a connection with the Oregon line.

PURCHASE OF OREGON AND CALIFORNIA.

When we found that the road had stopped again, when Mr. Villard failed, after a time we commenced negotiations for the purchase of the Oregon and California road, in Oregon. The long negotiations were finally concluded, and the road is now likely to be brought to completion. We are operating all but, I think, 16 miles that is being staged between the two terminal points, and, when completed, that line will probably be a very important feeder to the Central Pacific. But as a local road, up there in the mountains, there is no value to it; that is, there is not, and perhaps never will be, business enough in the way of local traffic to support that road alone. But the through business, added to the local business, I think, is going to make it a very fine piece of property.

RATE OF PROGRESS.

Q. In connection with the rate of progress, I will read from the minutes of July 22, 1870, as follows:

The Contract and Finance Company presented a bill for the construction of 77.6 miles of railroad from Marysville on the line of the Central Pacific to Chico, amounting to \$3,880,000, under contract of April 2, 1868. It appearing that the road has been completed under said contract in all respects satisfactorily to this board, it is ordered that the said amount be allowed, and paid in cash and stock as in said contract provided.

That was in July, 1870. Do you remember the fact?—A. Well, no; I do not remember the particular fact, although I was here and cognizant of everything going on at that time.

LOCATION OF MARYSVILLE.

Q. Is Marysville about the same point as Roseville?—A. It is 34 miles, I think, from Roseville. Roseville is 18 miles from Sacramento. There was a short line of road built from a place called Folsom, across and going by Roseville, out to a place called Lincoln. That we purchased and consolidated in, and it makes a part of the California and Oregon line.

Q. Then is Marysville on the line of the Central Pacific?—A. On the line of the California and Oregon. The California and Oregon leaves the Central Pacific 18 miles east of Sacramento and runs up the Sacramento Valley.

Q. Why is Marysville described in your minutes as being on the line of the Central Pacific?—A. I do not know. There is a mistake there somewhere; maybe it is in your type-writer. I find, frequently, that they make mistakes. Marysville is on the line of the Central Pacific now, because that road has been consolidated with the Central Pacific and is a part of the Central Pacific, but in talking with you of the Central Pacific, generally, I understand we mean the aided line.

Q. Yes. Had the Central Pacific acquired this line from Roseville to Marysville before this contract was made with the Contract and Finance Company? That would explain it if that was so.—A. I do not remember. There are papers though that would show exactly. The consolidation papers would show.

CONSTRUCTION FROM TEHAMA TO DELTA.

Q. As to the construction after the termination of this contract by the Contract and Finance Company north to Delta, how was that done?—A. That was done by the Pacific Improvement Company.

Commissioner ANDERSON. The Pacific Improvement Company did not commence until you reached Delta. There must have been some construction between Tehama and Delta.

The WITNESS. Well, I think that must have been the Western Development Company.

Q. Under an extension of this contract?—A. I do not remember as to that.

Q. How far is it from Tehama to Delta?—A. I think it is a little over 50 miles.

FROM DELTA TO STATE BOUNDARY.

Q. Now, passing to the construction from Delta to the State boundary, that was done under your contract with the Pacific Improvement Company?—A. Yes.

Q. Do you remember the distance? From Delta up it appears by the contract to be 104 miles. Is that your memory?—A. It is about that.

Q. Have you been over the road?—A. Yes.

Q. And you are familiar with its character?—A. Yes; that is, fairly so.

DATE OF PACIFIC IMPROVEMENT COMPANY CONTRACT.

Q. Do you remember when that contract was made with the Pacific Improvement Company; it is quite a recent matter, is it not?—A. Yes; but I do not remember. I would prefer that you should look at the books. I am troubled somewhat about remembering dates lately. My memory seems, some way or other, lately to fail me in that regard, and I seem to be more troubled by colds and sickness than formerly.

Q. Was it not in 1886, just about a year ago?—A. Well, it occurred whenever we were certain that we were going to control the Oregon and California road, so that it would justify our building. I know those facts, but the dates I cannot call to mind.

Q. Who are the stockholders interested in the Pacific Improvement Company?—A. I think the chief stockholders were Mr. Crocker, myself, Mr. Huntington, and Mrs. Hopkins, and there were other stockholders.

STOCK OF PACIFIC IMPROVEMENT COMPANY.

Q. What is the total capital stock?—A. I do not remember whether it is five millions or ten millions; it is probably one or the other.

Q. What is your own personal interest?—A. I think it is shown there in that paper.

Q. It is stated to be 12,500 shares.—A. Well, that is given from the books.

Q. What is the par value of the stock, \$100?—A. Yes.

Q. What cash payments for your subscription to that stock have you made?—A. I do not know. We have been in the habit of furnishing it with money from time to time as it was required, often by direct loans, but as to payment on the stock itself, I do not remember anything.

Q. The stock was issued to stockholders and the stockholders loaned their credit to the company for the purpose of enabling it to work?—A. Yes. These were all instruments in the work of building these railroads.

TERMS OF THE CONTRACT.

Q. Do you remember the terms of the Pacific Improvement Company for the building of the road between Delta and the northern boundary of the State?—A. No.

Q. Do you not remember that they were to receive four and a half millions in bonds, and 80,000 shares of stock?—A. Yes; upon certain conditions.

Q. Do you remember what those conditions were?—A. One was, I believe, that we were to get control of the Oregon and California road and run it in connection with the Central Pacific, and never give anybody else any preference over the Central Pacific.

Q. Who is president of the Pacific Improvement Company?—A. Mr. Strobridge.

Q. Is it not Mr. Douty?—A. No. He is secretary.

Q. Then Mr. Huntington does not seem to be correctly informed?—A. Well, I do not think he or any of us paid much attention to the instruments. It was the end that we were after, whether we made use of a shovel or a harrow or a plow to obtain that proper end.

Q. Is this Mr. Strobridge the same gentleman that you referred to as having been connected with Mr. Crocker's construction a good many years ago?—A. Yes.

Q. Who are the other officers of this company?—A. I think those are the only officers of the company.

Q. Where are the offices located?—A. In San Francisco.

Q. And in the same building with the Central Pacific?—A. Yes.

COMPLETION OF WORK FROM DELTA TO STATE LINE.

Q. How far has that work progressed? I mean the construction from Delta to the State line.—A. It is all completed to the State line.

Q. When was it completed?—A. During this past season.

Q. Has all the equipment called for by the contract been furnished?—A. I presume so.

ACCOUNT OF PACIFIC IMPROVEMENT COMPANY WITH CENTRAL PACIFIC.

Q. In connection with your statement in regard to this construction I will read to you from your minutes of January 6, 1887, as follows:

E. H. Miller, Jr., offered the following resolution, which was unanimously adopted:
Resolved That the following voucher, drawn by the secretary of the company in favor

of the Pacific Improvement Company, be, and the same is hereby, ratified, approved, and allowed, to wit:

DECEMBER 31, 1886.

The Central Pacific Railroad Company to the Pacific Improvement Company, Dr.

For amount of bonds of Central Pacific Railroad, California and Oregon Division, payable to the Pacific Improvement Company on account of construction of road from a point near Delta station, 191.87 miles north from Roseville Junction, towards the Oregon State line, as per contract dated October 11, 1886, to wit:

The contract requires the delivery of all the first-mortgage bonds of said road now unissued when one-half of the work of the said road from Delta to the State line is completed.

Said first mortgage bonds cover the road from Roseville Junction to the Oregon State line, and may be issued to the amount of \$40,000 per mile and for 50 miles in advance of completed line.

The road from Roseville Junction to point near Delta completed in 1885, 191.87 miles.

Bonds issued on 192 miles of completed road and 50 miles in advance equals 242 miles, at \$40,000.....	\$9,680,000
Road completed, as per contract, from point near Delta to the point near Edgewood station, 60 miles, being more than half the distance from first main point to the State line, 104 miles, December 31, 1886. Road junction near Delta, 191.97. Near Delta to the State line, as per survey, 104 miles. Line of road under mortgage 295.87 miles, reserving $\frac{1}{10}$ of a mile for possible change in the road as constructed, leaves 295 miles, at \$40,000 in bonds per mile, is.....	11,800,000

Balance of bonds unissued, now payable to the Pacific Improvement Company	2,120,000
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Then, after that statement, showing the amount due, is a receipt, as follows:

Received bonds as above, with coupons, payable July 1, 1887, and all subsequent dates attached, said bonds being numbered as follows:

Then follow the numbers of the bonds.

The statement that I have read seems to show that under that contract at that time \$2,120,000 had been earned in bonds, which were actually delivered to the company. Then follows a receipt, signed by Mr. William E. Brown, showing the receipt of this amount of bonds.

ACCOUNT SHOWING BONDS DUE JUNE 1, 1887.

I now read from the minutes of June 16, 1887, a report of Mr. Miller's relating to the amount of bonds still remaining due under this contract, and a resolution approving the following voucher:

JUNE 1, 1887.

The Central Pacific Company to the Pacific Improvement Company, Dr.

For bonds dated October 1, 1886, due on contract for construction of Oregon Division from point near Delta station to Oregon boundary line, as per contract dated October 11, 1886, to wit:

Bonds payable under contract.....	\$4,500,000
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Against that credit are the following charges:

First mortgage bonds California and Oregon Division, paid by voucher No. 455, December, 1886.....	\$2,120,000
Bonds October 1, 1886, paid by voucher No. 456, December, 1886.....	1,373,000
Bonds October 1, 1886, due on completion of contract.....	1,007,000
Making a total of.....	4,500,000
Estimated amount of cost to finish the line, reserved from balance due as above	317,000
Leaving bonds now payable as follows.....	690,000

CONSIDERATION FOR CONSTRUCTION TO DELTA, THE CONTROL OF OREGON AND CALIFORNIA.

Then follows the receipt for this \$690,000 in bonds. It also appears from a statement made by you to Governor Stanford that 80,000 shares of the stock were issued to the Pacific Improvement Company in payment of this construction. Is it not correct, then, to say that the contract with the Pacific Improvement Company for the construction of the road from Delta to the northern boundary of California was for the consideration of four and a half millions, payable in bonds, and 80,000 shares of stock?—A. Well, that is a part of the consideration, but a very important part of the consideration was that they were to obtain control of the Oregon and California line of road, so that it might be used or run in connection with the main line, to make available really all of this, substantially from Redding up.

HOW OBTAINED.

Q. And has that control been obtained?—A. Yes; that has been obtained.

Q. In what shape has that been obtained?—A. By obtaining control of the stock of that road and the construction of the uncompleted portion of it, and assuming all the responsibility and management of that property. It was not a thing that we wanted to do, but it was a thing that we could not very well help, because we built the road up there and unless that connection was made all the road constructed from Redding up was substantially lost. There was not local business enough to sustain it.

Q. You say you did not want to do it. It was done by your own votes?—A. Yes; but that was better than not to do it. We would have a great deal rather the Oregon people should have completed their road down to the State line.

COMPENSATION ALLOWED PACIFIC IMPROVEMENT COMPANY: HOW DETERMINED.

Q. Who determined how much compensation should be paid to the Pacific Improvement Company—by what votes was it determined?—A. The Central Pacific.

Q. It was determined then by vote of yourself and Mr. Charles Crocker, and Mr. Huntington and the other directors?—A. Practically. Whether we were all present or not I do not know.

Q. When did that occur?—A. It occurred last fall. The final negotiation with the Oregon and California people (who are German and English) was consummated by Mr. Huntington. Of the general terms and intention, of course, I was cognizant; but the most of the negotiation was completed this winter when I was not present. As to going into details, I cannot give you anything near as complete as you would derive from the papers. The general terms of the negotiation had been discussed for two or three years and sometimes were almost complete and then difficulties arose and changes occurred in the terms.

TERMS OF CONTRACT DETERMINED BY DIRECTORS.

Q. Is it not true that the terms of the contract between the Pacific Improvement Company and the Central Pacific Railroad Company were

determined by the vote of the directors of the Central Pacific Company whom you have named?—A. Of course.

Q. And the prominent directors whom you have named of the Central Pacific Company were also the largest stockholders of the Pacific Improvement Company?—A. The largest stockholders.

Q. So that the question as to whether the price agreed to be paid was a proper price or not must be tested by those considerations which apply when the party receiving the consideration is the same person who votes the consideration?—A. No; not exactly. We hold (I do not know how you do on the other side) that two corporations are competent to deal with one another, even though they should be composed of the same stockholders and directors or a part in one company and a part in the other. They are always accountable to the stockholders for the integrity of their actions.

MANNER OF PAYMENT BY CENTRAL PACIFIC.

Commissioner ANDERSON. My question relates now to the manner in which it was determined that it was a proper price to pay for this 104 miles of construction as named in the contract—four and a half millions in money and 80,000 shares in stock—about \$120,000 a mile.

The WITNESS. Well, I think on the whole it was a very good trade for the Central Pacific.

Q. Who passed on it?—A. I helped to pass on it, I suppose, in part. All the negotiations and proceedings were determined in the interest really of the Central Pacific. We would never have thought as individuals to have individual interests independent of our interests in the Central Pacific, in touching that Oregon and California road.

ACTUAL COST OF CONSTRUCTION.

Q. Do you know whether the actual construction cost as much as the four million and a half of bonds and the 80,000 shares of stock were worth?—A. I have not seen it, but I suppose it did. The work was very heavy work, indeed. I do not know whether the work on the Central Pacific over the mountains is heavier or not, but I do not think there is any other work in the United States as heavy as the work over these mountains through Oregon.

Q. Where are the books of the Pacific Improvement Company?—A. At their office.

Q. They will show, will they not, the actual cost of this construction?—A. I presume so.

BONDS ISSUED TO PACIFIC IMPROVEMENT COMPANY.

Q. Do you remember what issue of bonds was delivered to the Pacific Improvement Company in payment for this construction? The question is whether you remember what bonds were issued?—A. No; I do not. Many of these particulars you can have exactly from the books, and it is a great deal better to get the exact figures in that way than to take them from my recollection, especially since, during the last few years, I have been frequently absent, and have not been very familiar with the details of the business.

LOAN FROM SINKING FUND TO THAT COMPANY.

Q. Do you remember the fact that during the last year over \$3,000,000 were loaned from your sinking fund to the Pacific Improvement

pany and that you held their note for this amount?—A. I do not remember the particulars with sufficient definiteness to state them. That occurred in my absence. It has been arranged since my return, I think; but as to the terms, and all about that, I should rather you should call on some of the others who were entirely familiar with them, or refer to the books themselves.

Q. I am not testing the accuracy of the figures, but the transaction is one which I think we ought to ask you to explain, as it concerns so large an amount of the sinking fund. I will read now from the minutes of May 2, 1887:

OFFER TO PAY BACK THE LOAN.

A communication was received from the Pacific Improvement Company offering to pay loan of \$3,032,410.33, with \$45,486.15 accrued interest in Central Pacific Railroad Company fifty-year 6 per cent. gold bonds of October 1, 1886. The proposition was accepted.

Do you remember that transaction?—A. Yes; I know those accounts were all settled.

Q. And that your company agreed that the sinking fund should receive these 6 per cent. bonds?—A. Yes.

Q. In payment of the money?—A. I do not know about "payment of the money," but I remember about the arrangement of putting the bonds in the sinking fund. Before that was done I think that the thing was submitted and approved of, without going very particularly into details. I cannot call to mind the details at all.

MORTGAGE OF OCTOBER, 1886.

Q. Assuming that the minutes, as read, are correct, what is this mortgage that is referred to here of October, 1886?—A. That is a mortgage made to take care of the floating debt, and to pay off another mortgage and to provide for \$6,000,000 coming due this winter; and we had another small mortgage over here and we thought to wipe out all those things with this \$16,000,000 mortgage.

Q. What property does it cover?—A. It covers the unaided portions of the Central Pacific. It would not cover any of the aided portions.

Q. It covers all of the terminal facilities?—A. I think everything excepting the aided portion.

PROBABLE EFFECT OF ITS FORECLOSURE.

Q. What would the effect of the foreclosure of that mortgage be on the interest of the United States?—A. Under our laws, by the consolidation the joint property becomes liable for the debts of each institution in the consolidation. Here, of course, the Government has its lien on what we call the aided portion. As to the remainder, the Government stands as a creditor would to a debtor who had large property beyond that which was under the mortgage.

Q. Then the effect of a foreclosure of this mortgage, which, as you say, applies to all except the aided portion, would be to strip the railroad of all property covered by the Government mortgage and leave it absolutely without terminal facilities or branches.—A. It does not change the relations of the Government at all, because all this \$16,000,000 mortgage would go to redeem the individual mortgages and debts of the various consolidated roads. A large portion of it consists of first-mortgage bonds on the road, which this mortgage is ex-

pected to take up, and then some exchanges have been made. There was also another mortgage that preceded it. It removed that, and really gets the roads free from floating debt and the smaller mortgages, and takes care of them at maturity, so that the relation of the General Government with the roads is not affected at all, except favorably, inasmuch as we pay off the smaller mortgages and floating debts. It is a good thing for the company.*

WOULD LEAVE ROAD FROM SACRAMENTO TO OGDEN WITHOUT TERMINAL FACILITIES.

Q. It is favorable as long as it holds the corporate responsibility of the whole Pacific system, I admit, and I do not mean to suggest that you intend to do anything which would unfavorably affect the Government, but as a matter of information I ask you whether the effect of a foreclosure would not be to leave the line from Sacramento to Ogden absolutely without terminal facilities, without an end, and without any connecting branch?—A. That, of course, would be. So would the debts that this proposes to take up do the same thing, if the mortgages securing them were foreclosed and the roads sold out to meet those debts. The present indebtedness of the company is not increased at all by this mortgage. It is only one mortgage of \$16,000,000 executed to take the place of and satisfy about an equal amount of first mortgages and floating debt.

Q. Can you tell us what other construction, if any, has been had by the Central Pacific Railroad, referring to any of the other branches connected with it? We have gone through the main line and the California and Oregon.—A. I believe that is all, except by consolidation.

LINES CONSOLIDATED WITH THE CENTRAL PACIFIC.

Q. I will read you the names of the branches and ask you to please state whether they came in by consolidation. First, there is the branch from Lathrop to Goshen.—A. That is a part of the San Joaquin Valley road.

Q. That came in by consolidation of what road with what road?—A. It was known as the San Joaquin Valley Railroad.

Q. And it came in through the consolidation of August, 1870?—A. Yes.

Q. How is it as to the branch from Niles to San José?—A. That is a mistake.

Commissioner ANDERSON. I am reading from your report of 1872.

The WITNESS. That is a portion of the Western Pacific. It is called the San José Division.

Q. How is it as to the branch from Alameda to Haywards, 17 miles?—A. That is one of these ferry roads that run from Alameda. Alameda is the place where the narrow gauge runs its ferry now.

Q. Then as to the Oakland and Brooklyn branch, 6 miles?—A. That is one of the short ferry roads.

Q. All these short roads to which you refer now, comprising the roads, as you may say, which extend from the Western Pacific to the bay here and then down to Goshen, I understand, were all brought together by consolidation into the Central Pacific, and subsequently gathered into the Southern Pacific by the consolidation of August, 1870. Is that correct?—A. There were some other consolidations; for instance, these two short lines of ferry road.

Q. But there was no construction by any of these companies for the Central Pacific, as applicable to any of these short lines?—A. I think not.

INTEREST OF OFFICERS IN THE SHORT LINES BEFORE CONSOLIDATION.

By the CHAIRMAN:

Q. Were any of the officers interested in any of the short lines?—A. In every case we had become interested before consolidation. Most of them we purchased.

Q. Had any of the officers been engaged in the construction of the short lines?—A. Only through the improvement company.

Q. What improvement company constructed them?—A. The Pacific Improvement Company.

The CHAIRMAN. It seems to be turning out that the Pacific Improvement Company constructed some of these short lines.

Mr. BERGIN. That is a misapprehension.

The CHAIRMAN. Let us understand it. I wish to know whether any of these short lines were built by any of the construction companies.

THE ROAD FOR MILES.

The WITNESS. A portion of the road from Niles, to meet and connect with the Alameda road, was built by, I think, the Contract and Finance Company. The Pacific Improvement Company was not organized until, I think, a later date. It was organized more particularly with reference to building a road through Arizona and New Mexico.

Q. Have you named all of the short roads that were built by a construction company?—A. I think whatever there are are mentioned there. There were some companies that never had any more than a paper existence. They were planned for roads around the bay here. I think they were all put in, to get them out of the way. It may be that I am mistaken, now, about the road from Niles this way. I am inclined to think that it was built by the Central Pacific itself, upon a contract. It was a little piece of road, and it is rather my impression that it was not built by any of our construction companies, but by individual contract. Upon reflection I am quite sure it is so.

LOAN OF PORTION OF SINKING FUND TO WESTERN DEVELOPMENT COMPANY.

By Commissioner ANDERSON:

Q. In regard to the sinking fund, do you remember that from time to time portions of it were also loaned to the Western Development Company until the amount exceeded \$3,000,000, and that as security for that your sinking fund held bonds of the Southern Pacific Railroad Company, and that finally the account was settled by the sinking fund taking the bonds of the Southern Pacific Railroad Company at 90 cents on the dollar?—A. I have a general recollection of the transaction.

Q. And that after that the bonds of the Southern Pacific were sold by order of the board, and the proceeds of the sale, with some other moneys in the sinking fund, were loaned to the Pacific company, and that loan was adjusted, as explained before, by taking bonds of the mortgage of October, 1886?—A. I think you have stated it about as I remember it, but there is a great deal of it that occurred in my absence, and I do not want to state exactly with regard to it, especially as there is documentary evidence for it.

Q. Who are the present trustees of the sinking fund or funds?—A. There are different trustees. I do not like to be inaccurate about that. I would prefer that you should ask Mr. Miller about it.

Commissioner ANDERSON. Very well; we will ascertain from Mr. Miller. There are some questions I want to ask you in regard to your preliminary statement, but if there is anything further to be asked about the details of construction, or the story of the road, perhaps it had better be asked now.

WHAT WAS PAID FOR CONSTRUCTION FROM SACRAMENTO TO OGDEN.

By Commissioner LITTLER:

Q. To recapitulate in respect to the construction of the Central Pacific road; as I understand you, the firm of Crocker & Co. and the Contract and Finance Company received for their services in constructing the Central Pacific road from Sacramento to Ogden all the first-mortgage bonds of the company, and all the subsidy bonds issued by the Government of the United States, and all the stock which has, in fact, been issued. Am I correct in that statement?—A. Not exactly. I doubt whether the Contract and Finance Company ever handled one of those bonds. They were all sold at the East, and the proceeds used for the company.

Q. At all events they received the proceeds arising from the sale of the bonds?—A. Of the bonds.

CONDITION OF CONTRACT AND FINANCE COMPANY AT FINAL SETTLEMENT.

Q. So that when you settled up the affairs of the Contract and Finance Company there remained nothing as clear profit to the company except the common stock of the Central Pacific road?—A. Yes; I think that that is all they had. And I do not know but what they were somewhat in debt; but their profit, if any, was in this stock. All those first-mortgage bonds were converted into money in New York and sent out here, and they all went into the road.

Q. Is it not somewhat remarkable that, in a transaction of such magnitude, the cost should come out even with the amount of money arising from these securities and leave the stock as a clear profit?—A. It would have been so if the Contract and Finance Company had come out exactly even; but, as I understand it, they did not. On the contrary, they owed a good deal of money.

Commissioner LITTLER. You had not stated that before.

The WITNESS. Well, that is the fact; they owed a great deal of money.

AMOUNT IT OWED AT THE COMPLETION OF THE ROAD.

Q. Give us an estimate of the amount they owed at the time of the completion of the road.—A. Several millions of dollars. I think Mr. Brown, when you get him on the stand, will be able to tell you exactly.

Q. Then, do you desire to be understood as saying that this Contract and Finance Company received this company stock, and yet it was not clear profit, but that they had to pay several millions of dollars in order to clear the stock?—A. That is my recollection. They were several million dollars in debt when they got through. If there had been a surplus of money over, we would have cried a halt with the Contract and Finance Company, and have said: "You are making money out of this,

and we cannot afford to have you do it." The Contract and Finance Company was really a means to an end, although it had its legal existence and was responsible for its liabilities.

CREATED FOR PURPOSE OF BETTER CONSTRUCTING THE ROAD.

Q. The Contract and Finance Company, when properly understood, was merely an instrument in the hands of the Central Pacific Railroad for constructing this road, as I understand you?—A. It was created for the better purpose of constructing the Pacific road.

Q. And yet, it is true that yourself and associates in that company received, as profits, all this stock amounting to between \$50,000,000 and \$60,000,000, less the amount the company had to pay after it had finished the work of construction?—A. Well, no. We only received about \$50,000,000, a very inadequate compensation for the risks that were incurred. It was not possible to find anybody else of responsibility in the United States that could be induced to take a part in it.

PERSONAL LIABILITY OF STOCKHOLDERS.

Q. Yet it is true that by reason of your being a corporation, the members of the corporation were not personally liable for any of the debts of the company?—A. They were liable for any debts that that company might be unable to pay. The corporation itself was a stockholder, and, as a stockholder, was liable for the debts of the company. The Contract and Finance Company proved a most valuable instrument in the construction of the road, but it never was compensated for the risks that it had to take, and there was no man to be found and no party of men that could be found that would take an interest and participate in the risks.

Q. This being a corporation under the laws of the State of California, I suppose its stockholders were not liable beyond the amount of stock subscribed, were they?

Mr. BERGIN. That is a mistake. Stockholders here are individually liable under the laws of this State to the extent of the debts and liabilities contracted or incurred while they are stockholders, regardless of the mere amount paid on the capital stock. The stockholder is liable, in the first place, for his subscription. In addition to that he is individually liable to every creditor for his proportion of the debts and liabilities of the company contracted or incurred while he continued to be a stockholder.

Commissioner LITTLE. Is that the law of the State of California.

Mr. BERGIN. Yes.

Commissioner LITTLE. I do not see any object in forming incorporations under your laws if that is so.

EFFECT OF THE LAW ON INVESTORS.

Mr. BERGIN. That is what Governor Stanford has referred to here, as a frightening of foreign capital from investment in California, and it has been a source of a great deal of financial embarrassment in this State.

Commissioner LITTLE. I now understand the personal liability that you have been talking about. I could not understand, under the laws of my own State or most of the other States, how a stockholder of a corporation became liable for debts beyond the amount of the stock subscribed.

The WITNESS. I think it is a very unfortunate provision of our laws. It has often hindered investments of capital, and we found that to be the greatest difficulty in obtaining capital in aid of our road. I see that your Commission is inclined to be thorough, and I hope you will be so thorough in your examination that there will be nothing left that anybody else will think worth prying into.

The Commission then adjourned to Saturday, July 30, 1887, at 10 a. m.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Saturday, July 30, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

FRANK S. DOUTY, being duly sworn and examined, testified as follows:

SECRETARY AND TREASURER OF VARIOUS CORPORATIONS.

By Commissioner ANDERSON:

Question. What is your occupation, sir?—Answer. I am connected with various corporations as an officer.

Q. Will you please enumerate them?—A. I am secretary and *ex-officio* treasurer of the Pacific Improvement Company; president and *ex-officio* treasurer of the Western Development Company; secretary and treasurer of the Southern Development Company; secretary and treasurer of the Los Angeles and Independence Railroad Company; secretary and treasurer of the Carbon Hill Coal Company; secretary of the Rocky Mountain Coal and Iron Company; secretary and treasurer of the Colorado Steam Navigation Company; secretary and treasurer of the Southern Pacific Railroad Company of Arizona; secretary and treasurer of the Southern Pacific Railroad Company of New Mexico.

Q. Which of these corporations have had any dealings with the Central Pacific Railroad Company?—A. The Western Development Company has had some dealings and so also has the Pacific Improvement Company.

THE WESTERN DEVELOPMENT COMPANY.

Q. Which of these two corporations was first formed, the Western Development Company or the Pacific Improvement Company?—A. The Western Development Company.

Q. Do you remember who were the incorporators of the Western Development Company?—A. John Miller, F. S. Douty, Frank C. Ross, H. K. White, and D. T. Philips, I think.

Q. Who were the first officers of the company?—A. F. S. Douty was president, and John Miller was secretary and *ex-officio* treasurer.

Q. What was the capital stock?—A. Five million dollars.

Q. Divided into 50,000 shares?—A. Fifty thousand shares of \$100 each.

Q. Do you remember who were the principal stockholders not named?—A. Governor Stanford, Mr. Huntington, Mr. Hopkins, Mr. Crocker, and General Colton.

REPRESENTATIVES OF OTHERS, AND NOT OWNERS.

Q. What stock had you standing in your name?—A. Ten thousand shares, I think.

Q. Did you ever pay for it all?—A. I did not.

Q. Did you understand whose stock it was?—A. I do not know, but my impression at the time was that I represented General Colton.

Q. Did you state the year when this company was organized and commenced business?—A. It was organized in December, 1874.

Q. How many members of the board were there?—A. Five.

Q. Please state their names; are they the same gentlemen who were the incorporators?—A. The same incorporators were the directors.

Q. Do you know whether the other directors held stock beside yourself, beside this 10,000 shares?—A. Each held 10,000 shares.

Q. In his own name?—A. Yes, sir.

Q. Frank C. Ross and White and Philips and Miller?—A. Yes, sir.

Q. Did you understand whether or not they owned this stock absolutely for themselves, or as representatives of the other gentlemen?—A. My understanding was that they were representatives and not owners.

Q. And that the real owners were the five gentlemen you have named, Governor Stanford, Mr. Hopkins, Mr. Huntington, Mr. Crocker, and Mr. Colton?—A. Yes, sir.

Q. And in all the dealings of the corporation, I assume that you would expect, unless you were asked to do something absolutely wrong, to be entirely guided by the ideas of these gentlemen?—A. I intended to represent them.

Q. And so did the other directors, as far as you could judge by their actions, intend to represent their principals?—A. That was my understanding of it.

THE PACIFIC IMPROVEMENT COMPANY.

Q. In regard to the organization of the Pacific Improvement Company, was it similarly done?—A. Yes, sir; it was similarly done, with the exception that General Colton was not there, and originally Mrs. Hopkins had no part in it.

Q. When was that company organized?—A. In November, 1878.

Q. The Pacific Improvement Company?—A. Yes, sir.

Q. Who were its first officers?—A. J. H. Strobridge was the president and F. S. Douty was secretary and treasurer.

Q. And the board of directors?—A. J. H. Strobridge, F. S. Douty, W. E. Brown, Arthur Brown, and B. R. Crocker. Of course, I am giving these from memory, and I would not swear positively that such was the case, but that is my recollection. There were five in all.

Q. How much was the capital stock? Also \$5,000,000?—A. Five millions.

Q. And who were the real owners of the stock in the company?—A. In the beginning Messrs. Stanford, Crocker, and Huntington.

Q. And then Mrs. Hopkins afterwards?—A. Yes, sir; Mrs. Hopkins afterwards.

ITS DEALINGS WITH THE CONTRACT AND FINANCE COMPANY.

Q. Did any of these companies have dealings with the Contract and Finance Company?—A. The Western Development Company bought

from the Contract and Finance Company a considerable amount of construction material. It had no other dealings.

Q. Did it not also take an assignment of a contract held by the Contract and Finance Company?—A. Yes, sir; with the Southern Pacific Railroad Company.

Q. For the construction of the Southern Pacific road?—A. Yes, sir; but this was subsequently made a contract direct between the two companies.

Q. Did you hold any office in the Contract and Finance Company?—A. No, sir.

EMPLOYÉS OF CONTRACT AND FINANCE COMPANY.

Q. Do you know who the clerks were in the office of the Contract and Finance Company, who were employed there?—A. By hearsay only. When I entered the service of the Western Development Company I did not take charge of its affairs until some time after its organization, and at that time the Contract and Finance Company existed in name only. John Miller, I know, however, was the secretary of that company.

Q. Were there not other employés of that company that you know of except John Miller?—A. There were employés connected with the Contract and Finance Company and the Western Development Company in the office of the Western Development Company. The employés of the Western Development Company at that time were F. C. Ross, John Miller, and C. H. Reddington, besides an office boy.

Q. Have you any knowledge of the books of the Contract and Finance Company?—A. I have not.

Q. You never saw them?—A. I never saw them.

TRANSACTIONS BETWEEN THE WESTERN DEVELOPMENT AND CENTRAL PACIFIC.

Q. What was the nature of the transactions between the Western Development Company and the Central Pacific Railroad Company?—

A. The principal relation was that of attending to certain repairs of bridges and buildings under the superintendence of Mr. Arthur Brown.

Q. For how long a period did these transactions continue?—A. Until January 1, 1879, I think.

Q. Where are the books of the Western Development Company?—A. In the office of the company?

Q. That is in the same building as the Central Pacific Railroad Company's offices?—A. Yes, sir; at the corner of Fourth and Townsend streets, in this city.

DEALINGS BASED ON COST WITH 10 PER CENT. ADDED.

Q. Can you tell us approximately what the amount of these transactions was per annum—these repairs?—A. I cannot from recollection.

Q. Can you inform us how these transactions were made, how the prices came to be fixed?—A. All the dealings between the Western Development Company and the Central Pacific Railroad Company were based on cost with 10 per cent. added. This 10 per cent. included superintendence and the use of tools, the depreciation of which could not be distributed to any particular piece of work.

NATURE OF REPAIRS.

Q. Please describe the kind of repairs that your company did for the Central Pacific.—A. Repairs to bridges and buildings.

Q. And the reconstruction of roadway or the laying of rails?—A. No, sir.

Q. Along the whole line of that road and all of its branches?—A. Yes, sir. I think the Western Development Company did make a heavy fill at a place called Secret Town and at Long Ravine. I do not recollect that it included any track-laying—simply replacing the trestle with earth embankments.

Q. Was the same rule observed in all of these companies of charging the cost with 10 per cent. added?—A. Yes, sir; I think that was the case in this instance.

PREPARATION OF STATEMENT OF COST.

Q. By whom was the statement of cost prepared?—A. That was prepared in my office.

Q. Taken from the books?—A. Yes, sir.

Q. Your books would show the cost?—A. Yes, sir.

Q. And were the vouchers rendered or the bills rendered to the Central Pacific Railroad Company made out in that way, a statement of the cost and an addition of 10 per cent. on the face of the vouchers?—A. Yes, sir, as I recollect it, but it is some time since I thought of it.

CENTRAL PACIFIC BOOKS CONTAIN ANNUAL AMOUNT OF COST.

Q. Can you furnish us with a statement showing the annual amount of money received for this work by the Western Development Company from the Central Pacific Railroad Company from 1872 to 1879?—A. I think that it could be furnished. It would take some little time, however. The Central Pacific books undoubtedly contain it all.

Q. Then I suppose we will get it. The items would naturally appear gathered together in a ledger account of those two companies, would they not?—A. Yes, sir.

Q. And the footing of the balances would give the answer to the question that I have asked?—A. We kept two or three different sets of books. For instance, the total of the work performed by Arthur Brown would appear in what we call the timber books—books devoted to this class of work entirely; and then another set, as distinguished from the other, we call the general books. The two gathered together would show the result.

Q. Are not all these accounts gathered together in the cash ledger?—A. In the general ledger. It would appear there simply as a balance; probably, representing the gross amount, without any details.

Commissioner ANDERSON. All that we want is some verified statement showing the magnitude of the transactions between the two companies, and what they amounted to during that period.

The WITNESS. The books will show that.

WORK OF WESTERN DEVELOPMENT FOR SOUTHERN PACIFIC.

Q. What construction did the Western Development Company do for the Southern Pacific Railroad Company?—A. It built the road from Yuma to San Fernando, and from Spadra to Yuma.

How many miles does that embrace?—A. I think it is about 405 miles. I think is the exact mileage.

Q. That the inception of the Southern Pacific Railroad—the action done for the Southern Pacific Railroad Company?—A. There had been other construction there which we found, between

San Fernando and Los Angeles, and between Los Angeles and Spadra. That portion of the road had already been constructed.

ROUTE OF THE SOUTHERN PACIFIC.

Q. Please tell us where the Southern Pacific road commences, describing its route, so that we can have it before us. As I understand it, it does not communicate directly with San Francisco?—A. No, sir. The Northern Division of the Southern Pacific Railroad enters San Francisco and runs between the Coast Range and the ocean, at that time ending at Soledad. It had two termini, one at Soledad and the other at Tres Pinos. The latter was a branch, which left the main line at Gilroy and went to Tres Pinos. The main line went to Soledad.

Q. And how far is Soledad south of San Francisco?—A. One hundred forty-two and 9.10 miles.

PARALLELED GEOGRAPHICALLY, BUT NOT AS TO BUSINESS.

Q. Please describe the rest of the Southern Pacific Railroad?—A. The other line, the Southern Division, begins at Goshen, goes to Los Angeles, and from Los Angeles runs to the Colorado River.

Q. And which was the part of that road which you found already constructed?—A. That part between San Fernando and Los Angeles and between Los Angeles and Spadra.

Q. There is a gap, as I understand it, between the Northern Division and the Southern?—A. Yes, sir.

Q. I understand that the two lines virtually parallel each other?—A. There is a range of mountains between them. But for that matter they parallel each other, so far as they go, in a geographical, but not in a business sense.

Q. Is the line to fill that gap now in course of construction?—A. No, sir; there is also another piece of road from Goshen to Huron, which was built by the Western Development Company.

Q. Belonging to the Southern Pacific?—A. Yes, sir.

ENTRANCE TO SAN FRANCISCO FORMERLY CONTROLLED BY CENTRAL PACIFIC.

Q. Over what route does the Southern Pacific now communicate with San Francisco?—A. It is now controlled by the Southern Pacific Company, but was formerly controlled by the Central Pacific.

Q. What was the name of it?—A. I do not know that I ever knew the corporate name. It has always been regarded as part of the Central Pacific.

Q. Does it run between San Francisco and Goshen?—A. Yes, sir.

Q. Is that the contract which was originally made with the Contract and Finance Company and purchased by the Western Development Company?—A. It is a portion of that contract.

Q. Is that contract in existence?—A. I suppose so. I do not know, however, that the Western Development Company purchased it.

ASSIGNMENT OF CONTRACT BY CONTRACT AND FINANCE COMPANY TO WESTERN DEVELOPMENT COMPANY.

Q. Did it take an assignment of it?—A. Yes, sir; it took an assignment of it.

Q. Is the original contract with the Contract and Finance Company in existence?—A. I do not know. It is not in my possession.

Q. Did you ever have it?—A. No, sir.

Q. Was it never among the papers of the Western Development Company that you know of?—A. I do not know that I ever saw it. I do not know that I ever had it. My only knowledge of it was derived from reading the minutes of the Southern Pacific Railroad Company.

By the CHAIRMAN:

Q. Who kept possession of it?—A. It would be among the papers of the Contract and Finance Company, and it may possibly be among my papers. I never saw it, however.

By Commissioner ANDERSON:

Q. You never examined it.—A. I do not recollect anything about it.

NEW CONTRACT BETWEEN WESTERN DEVELOPMENT AND SOUTHERN PACIFIC.

Q. You say that there was a new contract made directly between the Western Development Company and the Southern Pacific Railroad Company?—A. Yes, sir; that was what I referred to.

Q. Have you that contract?—A. Yes, sir; it is in my office.

Q. Was that for the whole of the 400 miles?—A. Yes, sir; and something more. It provided for all the uncompleted portions. As I understand it, the original design was to connect the lines between Tres Pinos and Huron; also to build the line between Mojave and the Needles, which was on the Colorado River. Those, however, were not built by the Western Development Company.

PACIFIC IMPROVEMENT BUILDS LINE BETWEEN MOJAVE AND NEEDLES.

Q. By whom were they built?—A. That line between Tres Pinos and Huron has not been built, and I do not know that it ever will be. The line between Mojave and the Needles was built by the Pacific Improvement Company.

Q. At a subsequent date?—A. Yes, sir; in 1882.

Q. At the time that this contract was made, who were the stockholders in the Southern Pacific Railroad Company?—A. I could not name them.

Q. Who were the directors?—A. That I could not say positively.

Q. Who was the president?—A. Charles Crocker.

CONSTRUCTION CONTINUED FOUR YEARS.

Q. How long did the construction continue, from the commencement to the end?—A. There was more or less work done on it during the active existence of the Western Development Company as a corporation between the latter part of 1874 and the latter part of 1878—four years.

SETTLEMENTS MADE WITH SECRETARY OF SOUTHERN PACIFIC.

Q. With whom were the settlements made when money came due to the Western Development Company—with what officers?—A. Under the contracts no money was due. Payments were made to the Western Development Company in the form of stock and bonds. The settle-

ments are usually made with the secretary of the Southern Pacific Railroad Company, Mr. J. L. Willcutt.

Q. Do you remember how many bonds in all were received on this contract with the Southern Pacific Railroad Company?—A. I cannot say that from memory. I would prefer to give it from the books.

Q. Were the bonds the first-mortgage bonds of the Southern Pacific?—A. Yes, sir.

Q. In what respect, if at all, were these transactions with the Southern Pacific Railroad Company intermingled with your transactions with the Central Pacific Railroad Company?—A. They were not intermingled at all, that I know of.

LOANS ON COLLATERALS.

Q. Were there not large loans of money made by the Central Pacific Railroad Company to the Western Development Company, for which you gave the Southern Pacific Railroad bonds as collateral?—A. Yes, sir; there was a loan of that character.

Q. Do you remember its amount? Was it over \$3,000,000?—A. Yes; I think it was in that vicinity, but I do not remember the exact figures.

Q. Were other loans of money made to the Western Development Company, from time to time, as it required money, or was it all in one lump?—A. I think that it was in one loan.

Q. Do you remember the rate at which the Central Pacific took these bonds as collateral?—A. I do not.

LOAN ACTED ON BY DIRECTORS OF WESTERN DEVELOPMENT COMPANY.

By the CHAIRMAN:

Q. Did the board of directors of the Western Development Company act upon that loan?—A. Yes, sir; I think so. I think that it is all a matter of record.

Q. Does it appear upon your minutes?—A. I think it does. If there was any action by the board of directors it would appear upon the minutes.

By Commissioner ANDERSON:

Q. Do you remember how the loan was paid?—A. I think that it was paid in bonds of the Southern Pacific Railroad Company.

CENTRAL PACIFIC NOTE PAID BY SOUTHERN PACIFIC BONDS.

Q. We find in the minutes of the Central Pacific Railroad Company, under date of September 1, 1879, a proposition from the Western Development Company to pay a note, due the Central Pacific Railroad Company, for \$3,086,259.72, with bonds of the Southern Pacific Railroad Company at 90 cents on the dollar. Is that the transaction as you recollect it?—A. Yes, sir; there was a transaction of that kind.

Q. Was that proposition accepted and carried through?—A. Yes, sir.

CONTROLLING INFLUENCES SUBSTANTIALLY THE SAME IN BOTH BOARDS.

Q. And at that time were the directors of both boards substantially the same persons that you have named—the board of the Western

Development Company and the board of the Central Pacific Railroad Company—such as we find on the books of the company?—A. The leaders of the board of directors of the Central Pacific Railroad Company and the owners of the Western Development Company were substantially the same.

Q. But the controlling influences were the same?—A. The controlling influences were the same, except for the deaths of General Colton and of Mr. Hopkins, which occurred during the meantime.

NO MARKET VALUE TO THE BONDS.

Q. Do you know what the market value of those bonds was at that period, or had they any market value?—A. I do not know that they had any market value. I think that it was about the time that they began to be placed upon the market.

Q. Has the interest on those Southern Pacific bonds always been regularly paid?—A. Yes, sir.

PRODUCTION OF WESTERN DEVELOPMENT BOOKS DESIRED.

Q. Could you not answer these matters more readily if you had present the ledger of the Western Development Company?—A. I certainly could, with the books of the Western Development Company.

Q. What books would you require?—A. The ledger, journal, and cash book, and possibly some vouchers. Frequently the detail will appear on the voucher and would not be written out in full on the books.

Commissioner ANDERSON. I should prefer to conduct the examination with the books present. Would it be convenient for you to have them brought here?

The WITNESS. If so ordered. I do not know that I have sufficient control over them to take them out of the office.

Commissioner ANDERSON. We have sufficient control, if we wish to exercise it, to order the books brought here, and we will give you authority or an order to bring them in order that we may examine them. I think that the examination would be more satisfactory with the books.

TRANSFER OF CENTRAL PACIFIC BONDS TO WESTERN DEVELOPMENT.

Q. Do you recall the fact of a number of bonds of the Central Pacific sinking fund coming into the possession of the Western Development Company?—A. I do not recollect the figures with sufficient accuracy to state. I think that it was something like four millions or thereabouts.

Q. Out of what transaction did the transfer of those bonds to the Western Development Company arise?—A. In pursuance of some policy which the directors had. I suppose that they were desirous of marketing bonds of the Southern Pacific Railroad Company.

Commissioner ANDERSON. These are Central Pacific Railroad sinking fund bonds that I am speaking of.

The WITNESS. They were Southern Pacific bonds.

Q. Had they been held in the sinking fund of the Central Pacific Railroad Company?—A. Yes, sir.

FOR DEBT DUE BY CENTRAL PACIFIC.

Commissioner ANDERSON. I will recall to you your statement, made in the Colton case, where this same subject was brought to your attention, and you were asked:

From whom did the Western Development Company acquire these bonds?

You answered:

From the Central Pacific Railroad Company.

Q. How?—A. In the payment of a debt, I think.

Q. They took them for the payment of a debt due by the Central Pacific Railroad Company to the Western Development Company?—A. Yes, sir.

The WITNESS. That is another class of bonds. They relate to the so-called income bonds. These are a different kind of bonds. I had the Southern Pacific of California bonds in my mind as belonging to the sinking fund. These were what were called "income" bonds, and I referred to them in that way. They were properly sinking fund bonds, I suppose.

CENTRAL PACIFIC USED AS A BANK.

Q. Out of what transaction did the indebtedness of the Central Pacific Railroad Company to the Western Development Company arise?—

A. The Western Development Company used the Central Pacific Railroad Company as a bank to deposit money with and to draw money out of, and I think that this amount of money represented the balance due on account current from the Central Pacific to the Western Development Company.

Q. You mean an overdraft or loan made by the Western Development Company to the Central Pacific Railroad Company?—A. It was an aggregate of deposits made by the Western Development Company in the treasury of the Central Pacific Railroad Company, in excess of what it (Western Development Company) had drawn out of the Central Pacific Railroad. The Western Development Company used the Central Pacific Railroad Company as a bank, and deposited more than it drew out. Naturally, there would be a balance due to the Western Development Company.

WESTERN DEVELOPMENT DRAFTS HONORED BY CENTRAL PACIFIC.

By the CHAIRMAN:

Q. Did the Western Development Company draw out more than it sometimes had in?—A. It is possible that that may have occurred. We usually, however, had a great deal more in the treasury of that company on deposit than we drew out of it.

Q. Was that with the consent of the Central Pacific as a banker?—A. There was never any objection to it that I was aware of. The drafts were always honored.

Q. Had the Western Development Company unlimited draft upon the Central Pacific Railroad Company for funds as a banker?—A. No.

Q. What was the limit of the draft?—A. I do not know that that question ever came up. I do not know that I ever drew a cent to which any objection was made.

LARGE BALANCE ON DEPOSIT.

Q. I understand you to say that it is possible that you drew out more than you had on deposit?—A. It may have been so. I stated that it might have been done, but I do not recollect whether it was or not. As a rule, the Western Development Company had a large balance on deposit with the Central Pacific Railroad Company.

Q. Would the Central Pacific Railroad Company honor the drafts of the Western Development Company if it had not sufficient funds on hand?—A. I do not know whether it would or not; unless some ar-

arrangement was made to take care of it. I do not think it would. If we wanted money we would be likely to make some arrangement for it, as we would with any other bank with which we were doing business.

Q. Was not the controlling influence in the Western Development Company and in the Central Pacific Railroad Company the same?—A. Yes, sir; the controlling influences were the same in both companies.

NO DIFFICULTY IN ARRANGING AN OVERDRAFT.

Q. So that there would be no difficulty or trouble in arranging or adjusting any banking account in case of an overdraft?—A. They could do whatever they pleased with regard to that.

Q. Would it be likely that the man making an overdraft would find any trouble, if he were the same person upon whom the draft was drawn?—A. I do not imagine that in case of myself there would be any trouble.

CENTRAL PACIFIC A DEBTOR TO AMOUNT OF \$3,000,000.

By Commissioner ANDERSON:

Q. The fact was that at this period the Central Pacific Railroad Company was the debtor of the Western Development Company in an amount exceeding \$3,000,000, as I judge from your testimony in the Colton case?—A. Yes, sir; whatever was stated there is correct.

Q. And the Western Development Company received these bonds in payment of the debt or as security?—A. In payment of that debt.

Q. What became of those bonds?—A. The Western Development Company parted with them by paying some of its own debts.

BONDS SOLD TO THOSE IN INTEREST.

Q. Do you know to whom those bonds were sold?—A. I think that Mr. Crocker had some of them and Mr. Huntington some.

Q. And were there not some sold to all of these gentlemen in interest?—A. Yes, sir; to all four.

Q. To the four?—A. Yes, sir.

Q. How did you designate the four?—A. S., H., H., and C.

Q. How did that transaction come about? Who directed you to sell those bonds? Was it by direction of Mr. William E. Brown?—A. I think that it was either by his direction or upon information which I received through him.

Q. Do you remember the price at which they were sold?—A. Par and accrued interest, I think.

"S., H., H., AND C."

Q. Were books kept of the transactions of "S., H., H., and C."?—A. Yes, sir; I think there are such books.

Q. Will you explain whom you mean by S., H., H., and C.?—A. Stanford, Huntington, Hopkins, and Crocker.

Q. By whom were these books kept?—A. By William E. Brown.

Q. Has he possession of those books now, so far as you know?—A. So far as I know; yes, sir.

Q. Have you ever had any connection with those books?—A. No, sir.

Q. You do not know what class of transactions they contain?—A. I do not.

NO OTHER TRANSACTIONS BETWEEN WESTERN DEVELOPMENT AND CENTRAL PACIFIC.

Q. What other dealings besides the construction of railroad and the interchange of loans occurred between the Western Development Company and the Central Pacific Railroad Company, as you remember?—A. I do not recollect of any aside from those that I have already mentioned.

Q. Were there any other occasions when loans of any magnitude existed between them, other than the two which you have given?—A. I do not recollect any other.

Q. What other railroad construction did you make besides the building of the Southern Pacific Railroad?

The WITNESS. You mean the Western Development Company?

Commissioner ANDERSON. Yes, sir.

THE NORTHERN RAILWAY.

The WITNESS. The Western Development Company built a considerable portion of the Northern Railway.

Q. Where is the Northern Railway?—A. It begins at Oakland Point and goes to a point near Martinez. Then it begins at Benicia and goes to Suisun, or to a place just beyond Suisun. Then it begins at Woodland and goes to Tehama.

THE CALIFORNIA PACIFIC RAILWAY.

Q. What is this line between the ends of the Northern Railway?—A. The California Pacific Railroad.

Q. Between Woodland and Suisun?—A. Yes, sir.

Q. What is this little road between Sacramento and the California Pacific?—A. That is a portion of the California Pacific extending to Vallejo. The California Pacific runs from South Vallejo to Sacramento, and also has a line from Napa Junction up the Napa Valley to Calistoga, called the Napa branch.

Q. There is a break near Suisun?—A. Yes, sir.

THE ROAD BUILT IN SECTIONS.

Q. When was that construction contract made with the Northern Railway?—A. The road was built in pieces, and had separate contracts for each piece.

Q. The first was when?—A. The first part of the Northern Railway the Western Development Company had nothing to do with in the beginning. It began at Woodland and extended to Williams. This, I think, was in 1875. Then the next work was done between Oakland and Martinez. That was in 1877; it may have been a little before that. Then it was built from Benicia to Suisun; then from Williams to Willows. That included the new work done by the Western Development Company.

Q. The Western Development Company did not build from Willows to Tehama?—A. It did not build that.

CHIEF STOCKHOLDERS OF NORTHERN RAILWAY.

Q. At the time of this construction who were the chief stockholders in the Northern Railway?—A. There was very little stock issued at that time, and I do not know who the stockholders were.

Q. Who was president?—A. I do not know. The secretary, was, first, E. H. Miller, jr., and then J. O. B. Gunn.

Q. Whom do you refer to as the men really interested in the enterprise?—A. Governor Stanford and the other gentlemen.

Q. Stanford, Huntington, Hopkins, and Crocker?—A. Yes, sir. My instructions at that time, in my dealings, were principally taken from General Colton. He seemed to be more actively engaged in the management of the Western Development affairs than the others.

CONSTRUCTION CONTRACTS.

Q. Between what parties was the construction contract made? The Western Development Company on your side, and who else?—A. The first contract between Woodland and Williams was under an assignment of a contract originally made between the Northern Railway and Charles Crocker. The assignment was made by Charles Crocker to the Western Development Company. The other contracts were between the Northern Railway Company and the Western Development Company direct.

Q. In conducting this construction did you have any financial transactions with the Central Pacific Railroad Company?—A. We used the Central Pacific as a banker during this time.

USED THE CENTRAL PACIFIC AS A BANKER.

By the CHAIRMAN:

Q. How did you keep your accounts with the Central Pacific as a banker?—A. We deposited money with it and took credit therefor, and drew money out as we needed it.

Q. You would make an interchange of receipts from time to time?—A. I deposited for the Western Development Company cash, or its equivalent, with the Central Pacific Railroad Company and took its receipts therefor. In drawing money out drafts were given generally, sometimes vouchers were receipted.

Q. With whom would you deposit your money?—A. With the treasurer of the Central Pacific Railroad Company.

Q. Would the money go into the general fund of the Central Pacific Railroad Company?—A. I cannot say what that company did with it; but I presume that it used it the same as any other money.

LEDGER ACCOUNT WILL SHOW TRANSACTION.

By Commissioner ANDERSON:

Q. You have a ledger account showing the whole transaction?—A. Yes, sir; I have a ledger account.

Q. This will show all the money that was deposited and how much money you drew out?—A. Yes, sir. The Central Pacific had a similar account.

DEPOSITS FURNISHED BY STOCKHOLDERS.

By the CHAIRMAN:

Q. Where did you first get your funds to make deposits in the Western Development Company?—A. From the stockholders of the Western Development Company.

By Commissioner ANDERSON:

Q. Did you deposit with the Central Pacific Railroad Company the funds of the Western Development Company which you received from

the stockholders of the latter company?—A. I think that they were largely made up of deposits by Messrs. Stanford, Huntington, Crocker, Colton, and Hopkins.

FORM OF DEPOSITS.

By the CHAIRMAN:

Q. Deposits made with the Western Development Company?—A. Yes, sir; in the form of cash, coupons, or other evidences of indebtedness on the part of the Central Pacific Railroad Company—cash or its equivalent.

Q. On what account were the deposits made?—A. They were made each on his individual account with the Western Development Company.

Q. Was there any action on the part of the board of directors of the Western Development Company, or of the stockholders, permitting these gentlemen to make such deposits?—A. I do not recollect any such action.

Q. Did they volunteer these deposits from time to time?—A. They deposited money, or its equivalent, at their pleasure, or as it might be needed. In the regular course of business, if we had more money than we wanted to use, we would give it to the Central Pacific.

WHERE THE WESTERN DEVELOPMENT GOT ITS MONEY.

The CHAIRMAN. I want to know where the Western Development Company got its money?

The WITNESS. I have already told you. It came from deposits made from time to time by these five gentlemen whom I have named.

Q. Were deposits made on call?—A. I should think so, yes. If they wanted a part of it back they could have it.

Q. Were deposits made on call with the Western Development Company?

The WITNESS. Do you mean made by the Western Development Company with the Central Pacific?

The CHAIRMAN. No; by the stockholders of the Western Development Company. Did they deposit money with that Company?

The WITNESS. Yes; I should say so. They paid the money in, and if they wanted it again they could have it.

HOW DEPOSITS WERE REGULATED.

Q. Would it be by an order of the board of directors, or by entries in the minutes of the board of the Western Development Company, or by any action on the part of the Western Development Company?—A. I do not recollect any such action.

Q. How did you regulate your deposits upon call with the Western Development Company?—A. The matter regulated itself. When we had to have money these gentlemen knew it very well and would supply us with what we required.

Q. How did you limit the amount of the call?—A. We did not limit it. They would simply put in what they had to spare and would be credited with that amount on our books.

THOSE INTERESTED FURNISH CASH OR ITS EQUIVALENT.

By Commissioner ANDERSON:

Q. As I understand you, these four gentlemen were all interested in the enterprise, they advanced money from time to time to the Western

Development Company, and that company used the Central Pacific Railroad Company as a banker?—A. Yes, sir. There were five interested at that time, however.

Q. You say that a large portion of the funds advanced by them consisted of coupons and obligations of the Central Pacific held by these five gentlemen?—A. Yes, sir; more or less of their deposits were of that nature; but how much I could not say at this time. However, it was cash or its equivalent. That is what it amounted to.

RELATIONS BETWEEN NORTHERN RAILWAY AND CENTRAL PACIFIC.

Q. What relations, by lease or otherwise, existed between the Northern Railway and the Central Pacific? Was it leased to the Central Pacific? I so understand it.—A. Yes, sir; that is the fact.

Q. At what time?—A. When it was ready to be operated.

Q. About 1878?—A. Yes, sir; in that vicinity.

Q. Do you remember the terms of the lease?—A. I do not. I do not know that I ever saw the lease.

Q. Did it remain in operation until the lease of the Central Pacific to the Southern Pacific Company?—A. Yes, sir. I have an impression that it was for some time after that.

ALLOWED INTEREST ON ACCOUNTS AT VARYING RATES.

By the CHAIRMAN:

Q. Were you allowed interest on the accounts by the Central Pacific Railroad Company?—A. Yes, sir.

Q. At what rate of interest?—A. Varying rates, depending upon the current rates at that time.

By Commissioner ANDERSON:

Q. What are they here? We are not familiar with your rates.—A. When I first came here, in 1874, 12 per cent. per annum was the current rate. It subsequently fell to 10 per cent., which was the highest rate paid to the Central Pacific Railroad by the Western Development Company, and then to 8 per cent.; then for a short space of time 7 per cent.; then, finally, 6 per cent.

Q. Do you remember the aggregate amount of the loans?—A. No, sir.

Q. Did you pay interest to the stockholders of the Western Development Company, to the gentlemen who made deposits with you?—A. Yes, sir.

NEVER PAID A DOLLAR ON ACCOUNT OF STOCK.

By Commissioner LITTLE:

Q. Did they ever pay a dollar on account of their stock?—A. No; not if the money they paid to the Western Development Company is regarded as a loan to that company.

Q. At the time they were receiving interest on deposits they still owed the Western Development Company the entire amount of their stock subscriptions, did they not?—A. I think that would be a matter of opinion. They owned the company.

Q. As I understand you they never paid any money on account of their stock, did they?—A. No, sir; I never treated their payments as payments on stock.

OWNED THE COMPANY.

Q. They owed for their stock all the time after they had subscribed for it, did they not?—A. Whether they owed anything for it or not I cannot say, as they already owned the company, and of course, I suppose, owned all the stock.

Q. How did they own it, unless they paid for it?—A. They created everything that the company had, and it would have been a mere matter of form if they had paid in money on account of the stock.

INTEREST CREDITED ON DEPOSITS.

Q. As a matter of fact, they never paid a cent on account of stock subscriptions, and yet when they paid in money, this same company credited them with the interest right along, did it not?—A. Yes, sir. The deposits were unequal. They did not deposit the same sums, or at the same time. They did not make deposits in proportion to the interest which each owned in the company, and this interest was allowed to equalize this difference.

By Commissioner ANDERSON:

Q. The deposits were in effect simply personal loans, then?—A. I so treated them.

Q. It would not affect the capital stock in any way?—A. No, sir.

Q. Was the stock on the market?—A. No, sir.

Q. Have the loans been repaid to the persons who advanced the money?—A. No, sir; they are still owing, except in the case of General Colton. They still remain a liability on the books of the Western Development Company. The Colton interest has been extinguished, but the other accounts are still drawing interest.

Q. Those other loans are still drawing interest?—A. They are.

NO ACCOUNT NOW BETWEEN THE CENTRAL PACIFIC AND WESTERN DEVELOPMENT.

Q. Is there still a balance due from the Central Pacific Railroad Company to the Western Development Company?—A. No, sir. There is no account between the Central Pacific and the Western Development Company at this time.

Q. There is no interest running against the Central Pacific?—A. No, sir.

Q. Do you remember the balance due these four gentlemen remaining out of the original five?—A. I do not know.

Q. Will your books show?—A. They will. They are in unequal amounts, but whatever the balance was that was due to each has been undisturbed since the Western Development Company ceased active operations.

Q. Is the interest regularly paid?—A. The interest is regularly placed to the credit of each account, at the end of each year.

Q. So that they ran as personal loans?—A. They do.

LAW OF CALIFORNIA IN RELATION TO STOCK ISSUES.

Q. Do you know whether, under the law of California, it is permitted to issue stock in such corporations to the subscribers without any payment whatever being made, and still vest a good title in the stockholder?—A. I think that it is perfectly legal to do so. I think that it is

a matter which can be decided by the stockholder; that is, except in the case of railroad corporations; stockholders in railroad companies are unable to do so. Some amount has to be paid in on subscription.

Q. Do you remember the amount?—A. I think it is 10 per cent.

Q. After that, may stock be issued without further payment so as to vest a good title in the subscriber to the stock?—A. After that, stock may be issued subject to assessments.

NORTHERN RAILWAY STOCK REGARDED AS FULLY PAID.

Q. In regard to the stock issued in the Northern Railway Company, do you know whether anything more was paid for that than the 10 per cent. of the subscription?—A. I think not. The Western Development Company took a contract to construct the road, and a part of that contract between the Western Development Company and the Northern Railway Company provided that a certain portion of stock be paid in that way. It would be regarded as fully paid stock.

Q. To whom was that stock paid? Was it to the Western Development Company?—A. Yes; to the Western Development Company.

ITS STOCK POSSESSED BY WESTERN DEVELOPMENT COMPANY.

Q. Has the Western Development Company possession of that stock, or has it distributed it in dividends?—A. It has possession of that stock.

Q. Do you know how much it amounts to?—A. I would not like to state from recollection.

Q. That stock substantially belongs to the stockholders in the Western Development Company?—A. It does.

Q. They get all the benefit, whatever it may be, derived from this stock?—A. The Western Development Company gets it, and through it, the owners of the Western Development Company get it.

RENT OF NORTHERN RAILWAY CREDITED TO WESTERN DEVELOPMENT COMPANY.

Q. To whom is the rent paid by the Central Pacific Railroad Company for the use of the Northern Railway Company?—A. It was paid through the secretary of the Northern Railway. I collected the money and placed the proceeds to the credit of the Northern Railway Company.

Q. To the credit of the company, or to the credit of the Western Development Company?—A. I gave a receipted voucher to the Central Pacific Railroad Company to be placed to the credit of the Western Development Company in the books of the Central Pacific Railroad Company.

Q. And the only credit to the Northern Railway would be entered on your books?—A. The only credit, arising from such a transaction, to the Northern Railway would be entered in the books of the Western Development Company.

Q. You would obtain control of the money and deposit it, crediting the Northern Railway with the amount?—A. It was paid out only on orders of the secretary of the Northern Railway.

Q. Have you an account showing to whom that rent was paid?—A. We, the Western Development Company, kept a running account with the Northern Railway and credited it with the amounts received, and

charged the Northern Railway with all amounts paid on its account. When I made collections from the Central Pacific it would be simply entered in the account between the Western Development Company and the Central Pacific Railroad. It was treated as a commercial account.

BONDED DEBT OF NORTHERN RAILWAY.

Q. Did the Northern Railway have a bonded debt?—A. It had.

Q. Do you remember the amount?—A. It had an authorized issue, I think, of about \$6,000,000, and something over \$4,000,000 have been issued. I cannot give the precise figures, however.

Q. Were those bonds issued by the Northern Railway Company to the Western Development Company in payment of construction?—A. Yes, sir; that portion which the Western Development Company now holds.

Q. And what became of those bonds; did you sell them, or did you hold them?—A. We sold them.

Q. Do you remember the price, or the limits of the price?—A. I do not; I think it was ninety or ninety-five. We held them for a great many years.

Q. When were they sold?—A. I think in 1882.

Q. Was interest collected from time to time?—A. It was.

Q. Did that interest come from the operation of the railroad, or can you tell us where the interest came from?—A. The coupons from the bonds were presented to the secretary of the Northern Railway, in return for which he gave a voucher authorizing the Western Development Company to charge to the Northern Railway Company's account in its books the amount of the voucher.

EARNINGS OF NORTHERN RAILWAY RECEIPTED FOR ON VOUCHER.

Q. What accounting was had of the earnings of the Northern Railway Company? Did they not naturally go to pay the interest coupons on these bonds?—A. I do not know.

Q. Who received the earnings of the Northern Railway Company?—A. They were virtually received and receipted for on the voucher which would be prepared.

Q. It was all in the rental?—A. Yes, sir; it was all in the rental.

DIVIDEND OF BONDS AND STOCK.

Q. What dividends did the Western Development Company pay?—A. It paid one.

Q. At what time?—A. It was in September, 1877.

Q. That was before the Northern Railway was completed?—A. Yes, sir.

Q. In what form was it paid?—A. I would not say that this dividend was declared before the Northern Railway was completed or not, but it was before we had any of the securities of that company.

Q. What was that dividend; do you remember?—A. It was a dividend of bonds and stock.

Q. Was it a division of all the bonds and stock which it had received in this construction?—A. It was a dividend of only a certain portion.

Q. Do you remember what it amounted to? If not, I suppose we can ascertain from your books.—A. Yes, sir; the books will show.

Q. What has been done with the rental and the other things received since that time by the Western Development Company?—A. It simply accumulated, and after deducting the charges against it the balance was on hand.

Q. Have there been dividends declared upon the Northern Railway stock?—A. Yes, sir.

Q. They were paid to whom?—A. To the stockholders.

WESTERN DEVELOPMENT COMPANY A STOCKHOLDER OF NORTHERN RAILWAY.

Q. To the stockholders of the Western Development Company? Was the Western Development Company a stockholder?—A. They were paid, while the Western Development Company was a stockholder, to the Western Development Company.

Q. The stock having been issued to it as you before explained?—A. Yes, sir; and it still holds that stock, or the most of it.

Q. Is the Western Development Company still in operation to-day?—A. It is still in existence, but not in operation, except passively.

LIABILITIES OF WESTERN DEVELOPMENT COMPANY EXCEED ASSETS.

Q. Do I understand that from 1877 to the present time there has been no distribution made, or any dividends declared, or payments of money made, to the stockholders of the Western Development Company?—A. You are correct in that understanding. The liabilities of the Western Development Company, I think, would exceed the assets, if there is an difference.

Q. Do I understand you to say that the liabilities of the Western Development Company are in excess of its assets?—A. I think so, as the assets are principally in the form of securities, upon which it would be difficult to place a value.

PRINCIPAL CREDITORS OF WESTERN DEVELOPMENT COMPANY.

By the CHAIRMAN:

Q. Liabilities to whom?—A. Liabilities to whomsoever the Western Development Company owes money.

Q. To whom was that company indebted?—A. To Governor Stanford, Mr. Huntington, Mr. Crocker, and Mrs. Hopkins, representing the estate of Mark Hopkins. They are the principal creditors of the company.

By Commissioner ANDERSON:

Q. They are substantially all of the creditors of that company?—A. All to any great amount. There are one or two smaller accounts that we owe, probably amounting to \$20,000 or \$30,000.

Q. What is the gross amount of the liabilities approximately?—A. I think about \$10,000,000 or \$12,000,000.

Q. And how near will the assets come to paying them in full?—A. At this time, I think, it may be about a stand-off.

Q. So that substantially, when you say that there is no surplus, you mean that all the assets of the company are owned by these four gentlemen?—A. Substantially; yes, sir.

By the CHAIRMAN:

Q. Owing to themselves?—A. Yes, sir.

Q. The banker, the liabilities, and the assets consisted of the same individuals. Is not that true, as a fact?—A. Substantially; yes, sir.

By Commissioner ANDERSON:

Q. In other words, these four gentlemen have gone into an enterprise; they made a dividend in 1877 of a portion of the assets; the transactions have continued to this day; they have advanced the money needed to carry on the enterprise, and have the whole of the proceeds of that enterprise received from the construction of railroads, repairs of buildings and bridges, the amounts received from rental, &c., and these amounts will be about sufficient to pay for these advances made by the four projectors and promoters?—A. That would be a fair statement, depending upon the value at which the securities, forming a part of the assets, are rated.

BOOKS SHOW EXACT STATUS OF ACCOUNTS.

Q. Your books will show the proportions existing between the exact advances made by these gentlemen and the ledger balances due them to-day?—A. The books will show everything. There are quite a number of them.

Q. I mean to say that the accretions by way of interest, or any other form of benefit that may be given to the persons who loaned you the money, would all appear on the books, so that we can ascertain the proportion between the original advances and the balances as now appearing due to them. Is that correct?—A. Yes, sir; you can see the exact status of every one's account in the books.

Q. And the balance due each individual at this time?—A. Practically, at this time.

SAN PABLO AND TULARE RAILROAD.

Q. Now, in regard to other constructions; what other roads did the Western Development Company build?—A. The San Pablo and Tulare Railroad.

Q. Where is that road?—A. That begins where the Northern Railway leaves off, at a point near Martinez, thence to Tracy, along the south side of Suisun Bay.

Q. Along the south side of Suisun Bay, and thence in a southwesterly direction to Tracy?—A. Yes, sir; and there joins the Western Pacific.

THE WESTERN PACIFIC RAILROAD.

Q. Please trace the Western Pacific?—A. It begins at San José and runs to Niles, and thence goes through the Livermore Canon, via Tracy and Lathrop, to Stockton. There is a connecting road between Niles and Oakland.

Q. In that way the road approaches San Francisco?—A. Yes, sir.

Q. When was this construction effected?—A. The San Pablo and Tulare road was completed about the same time that the Northern Railway between Oakland and Martinez was completed. The construction was carried on simultaneously, or practically so.

WESTERN DEVELOPMENT BUILD SAN PABLO AND TULARE RAILROAD.

Q. Who were the controlling parties who advanced the money to build the San Pablo and Tulare Railroad?—A. The stockholders of the Western Development Company.

Q. These same gentlemen whom you have already named?—A. Yes, sir.

Q. Between what parties was the contract made?—A. Between San Pablo and Tulare Railroad Company and the Western Development Company.

Q. Who was the president of the San Pablo and Tulare Railroad Company?—A. I do not recollect who was the president. The secretary was Mr. J. O. B. Gunn.

Q. How many miles of construction were there?—A. It was something like 46 miles.

Q. Have you that contract in your possession?—A. I have.

Q. The distance was 46 miles?—A. About 46 miles.

Q. By whom were the funds furnished for that building?—A. By the stockholders.

Q. By the stockholders of what company?—A. The Western Development Company. We had only one source.

SAME COURSE PURSUED AS IN CASE OF NORTHERN RAILWAY.

Q. In this matter, was the same course pursued as you have described in regard to the Northern Railway?—A. Yes, sir; the same line of policy and the same method of doing business was carried out.

Q. Were the sums received by you from the stockholders of the Western Development Company for the purpose of constructing the San Pablo and Tulare Railroad also deposited with the Central Pacific Railroad Company?—A. Mainly.

Q. Had you an account with the Southern Pacific Railroad Company at that time?—A. We banked with that company also.

Q. In respect of all deposits made by you with the Central Pacific Railroad Company, was the same allowance made by them of interest as before described?—A. Yes, sir.

METHOD OF PAYMENT FOR SAN PABLO AND TULARE.

Q. How did your contract with the San Pablo and Tulare Railroad Company provide for reimbursement?—A. In bonds and stocks.

Q. Do you remember the amount of bonds and the amount of stock which were issued to the Western Development Company?—A. The stock was 18,610 shares, and the bonds 1,023, and there was an item of cash or credit in account of \$116.

Q. What became of those bonds; were they sold?—A. Yes, sir.

Q. About when?—A. I have nothing by which I can fix that date.

Q. Were they sold before or after the sale of the bonds of the Northern Railway?—A. I think that they were sold afterwards.

Q. What became of the stock?—A. The Western Development Company still has it.

Q. It is one of your assets?—A. It is one of the assets of the Western Development Company.

Q. Was the interest on the bonds paid in the same way as described for the Northern Railway Company?—A. It was.

Q. By direction to you to charge the amount to that company in your accounts?—A. Yes, sir.

Q. Was that road rented to the Central Pacific also?—A. Yes indirectly.

RECEIPT OF RENTAL OF SAN PABLO AND TULARE RAILROAD

Q. Did you receive the rental in the same way as described for the Northern Railway?—A. No; not in precisely the same way. The

Northern Railway, I think, leased the San Pablo and Tulare Railroad, and the Central Pacific leased them both. For a time a separate rent voucher by the San Pablo and Tulare was collected and a credit was made in the books of the Western Development Company in favor of the San Pablo and Tulare Railroad Company at the end of each six months for the preceding six months' rent.

COMPARISON OF NET EARNINGS WITH RENTAL.

Q. Have you any knowledge of how the actual net earnings of either of these companies, the Northern Railway or the San Pablo and Tulare Railroad Company, compared with the rental paid by the Central Pacific Railroad Company?—A. No, sir; I have not.

Q. You do not know which was in excess of the other?—A. No; I do not. I presume that the rental was in excess by reason of the fact that certain dividends were paid by the Northern Railway Company. I say that I presume that the rental was in excess of the amount required to pay the interest coupons. I cannot say anything as to what the net earnings of those roads amounted to.

Q. My question was whether the rental was in excess of the actual net earnings from that portion of the road, and I understand you to say that you do not know anything about that?—A. I do not know anything about that.

Q. You do not remember the amount of these rentals, do you?—A. They were varying figures. I do not remember them.

TWO OR THREE DIVIDENDS DECLARED.

Q. What dividends can you recall? How many of them arising from these rentals?—A. Whether they arose from rentals or not I cannot say; but I think that there have been two or three dividends declared by those companies; maybe more. I will not state that precisely.

Q. When dividends were declared how were the dividends paid, and to whom?—A. To the Western Development Company. The Western Development Company would simply charge the Northern Railway, or the San Pablo and Tulare Railroad Company, as the case might be, with the amount of the dividend, and credit its interest account.

VOUCHERS GIVEN COVERING DIVIDENDS DECLARED.

Commissioner ANDERSON. You receiving the rent, and having control of all the moneys, ought to be able to say whether the rental exceeded the amount required to pay the fixed charges, and ought to be able therefore to say whether there was anything to meet the credits.

The WITNESS. I am not familiar with the Northern Railway Company's books. The Northern Railway would declare a dividend in regular form and give me, through its secretary, a voucher covering the amount which was so declared, which voucher I would charge to the Northern Railway Company and credit the Western Development Company's interest account in the Western Development Company's books.

Q. The account between the Western Development Company and the San Pablo and Tulare Railroad Company stands in the same position as that with the Northern Railway, as I understand it?—A. The same principle was observed, varying in amount only.

ROAD FROM GALT TO IONE.

Q. What other construction, if any, did the Western Development Company do?—A. It built the road from Galt to Ione.

Commissioner ANDERSON. I am referring only to roads in which the Central Pacific got some interest or had some financial interest.

Q. You built the line from Galt, which is a point on the Western Pacific, to Ione?—A. Yes, sir.

Q. How many miles?—A. About 27 miles.

Q. And when was that constructed?—A. In 1876, I think.

Q. What was the object of that road?—A. It was to develop some coal mines and to do other business; we wanted to get some coal from mines in which we had an interest at Ione. Fuel at that time was scarce.

IONE COAL AND IRON COMPANY.

Q. Do you know by whom the coal mines were owned?—A. By the five gentlemen, including General Colton.

Q. What was the name of the coal mine?—A. The Ione. The name of the company owning the coal mine was the Ione Coal and Iron Company.

Q. Were the funds for this construction also provided by the stockholders in the Western Development Company?—A. Yes, sir.

Q. And between what parties was the contract made?—A. The railroad company and the Western Development Company.

Q. Was there a written contract?—A. I do not recollect whether there was a written contract between this company and the Western Development Company or not.

PAYMENT FOR CONSTRUCTION MADE IN STOCK AND BONDS.

Q. How was payment made?—A. Payment was made in stock and bonds.

Q. You remember the amount of stock and bonds?—A. No, sir.

Q. Have you sold the bonds?—A. I think that we have a few of them. I think that they were principally divided in that September, 1877, dividend.

Q. Has interest on the bonds always been paid?—A. So far as I know.

Q. You still hold some of them?—A. We got some back from the Colton estate. Interest on these bonds has always been paid.

Q. Was that road leased to the Central Pacific, or to one of the other roads and then to the Central Pacific?—A. Whether it was leased or not I cannot say. It was operated by the Central Pacific at a certain fixed rental.

Q. Did the Western Development Company receive their rental in the same way?—A. In the same way.

Q. The bonds that you hold are a lien simply on this branch?—A. The Amador Branch bonds are a lien on the property of the Amador Branch Railway.

Q. And have any dividends been declared on the stock?—A. Not to my knowledge.

DISPOSITION OF RENTALS.

Q. The rental, as you received it, was credited to the company which pays it, and stands among your assets to-day?—A. It would stand with the Western Development Company as a liability. Whatever credit there was arising from these rentals would be due to the Amador Branch Railway Company. The Western Development Company owed the Amador Branch Railroad Company for whatever the Amador Branch deposited with it, less what it drew out.

Q. Has the Amador Branch a deposit account?—A. It had.

Q. Is this road from Galt to Ione called the Amador Branch?—A. Yes, sir.

THE AMADOR BRANCH.

By the CHAIRMAN:

Q. Has the Central Pacific Railroad Company guaranteed the bonds of the Amador Railroad Company?—A. I do not think so. I cannot say, however.

By Commissioner ANDERSON:

Q. When you say it would owe money to the Amador Branch you mean to say that receiving the rental from the Central Pacific the Western Development Company would be accountable to the Amador Branch Company for the money?—A. I do.

Q. And you would apply it under the direction of the Amador Branch to the payment of interest on the bonds of that company, or the payment of dividends, when dividends would occur?—A. Yes, sir. The balances, however, would not justify dividends. There was a very close or a very little margin one way or the other.

Q. In all these companies to which you refer, was the same course of proceedings in relation to construction and management followed as you have already described?—A. The same general proceedings; yes, sir.

THE BERKELEY BRANCH.

Q. Was there any other construction?—A. There was a short piece of road from a point on the Northern Railway near Shell Mound to Berkeley. It is a little branch 3 miles long.

Q. Is that what is called the Berkeley Branch?—A. Yes, sir.

Q. Was that constructed in the same way?—A. In the same way practically.

Q. Is it operated by the Central Pacific Railroad Company?—A. It was.

Q. Before the lease to the Southern Pacific Company?—A. Yes, sir.

Q. And the rental paid for it?—A. Yes, sir.

Q. And entered and credited in the same way?—A. Yes, sir.

By the CHAIRMAN:

Q. Did the Central Pacific pay the interest on the bonds?—A. The Western Development Company paid the interest on the bonds. The account has been overdrawn for some time.

LOS ANGELES AND SAN DIEGO ROAD.

By Commissioner ANDERSON:

Q. Who built the Los Angeles and San Diego road?—A. As I understand it, it was built in part by the Contract and Finance Company, and by the Western Development Company to Santa Ana. The Western Development Company built about 27 miles of it. I think that the Contract and Finance Company built to Florence, about 6 miles. When construction was continued it was continued and built by the Western Development Company until it reached Santa Ana. Of the Southern Pacific Railroad, the road from Goshen to Sumner was built when the Western Development Company took hold of it, also the portion between San Bernardino and Los Angeles, and between Los Angeles and Spadra. The Western Development Company built from Sumner to San Fernando, and from Spadra to the Colorado River.

LEASED TO CENTRAL PACIFIC THROUGH SOUTHERN PACIFIC.

Q. Was there any portion of this construction to which you refer, this 27 miles, operated by the Central Pacific Company, except through the lease by the Southern Pacific to the Central Pacific?—A. That I do not know. I think it was leased to the Central Pacific through the Southern Pacific, but I am not prepared to say.

Q. Did the rental by the Central Pacific to the Southern Pacific pass through your accounts at all?—A. No, sir; I don't think it ever came through my books.

Q. That would be in the books of the Central Pacific or the Southern Pacific?—A. Yes, sir; or in the books of the Los Angeles and San Diego Railroad Company.

RELATIONS OF CENTRAL PACIFIC AND SOUTHERN PACIFIC.

Q. Can you give us any information as to the relations existing between the Central Pacific and the Southern Pacific, arising out of the rental paid by the Central Pacific for the Southern Pacific, and in any connected with the construction of the Southern Pacific road as constructed by the Western Development Company?—A. No. I only know that the Central Pacific leased the Southern Pacific and some of its branch lines, but I do not know anything further than that.

Q. You do not know how the rental was determined or what relation it had to the cost of the road?—A. No, sir.

RELATIONS OF WESTERN DEVELOPMENT TO SOUTHERN PACIFIC.

Q. What were your financial matters as between your company and the Southern Pacific? Were they similar to those which you have described for the other branches? Did the parties interested in the construction of the Southern Pacific road advance some money to the Western Development Company? Did the Western Development Company bank with the Southern Pacific, and receive from the Southern Pacific the same rates by way of interest on the moneys so deposited?—A. Yes, sir.

Q. But whether that affected the Central Pacific in any way, you do not know?—A. No, sir; I see no connection.

Commissioner ANDERSON. There might be, but of course you would not know it. Therefore, I will not ask you any questions about it.

DEPOSITS WITH BOTH CENTRAL AND SOUTHERN PACIFIC.

By the CHAIRMAN:

Q. How many bank accounts did you keep?—A. Two; we had two places of deposit.

Q. Where were they?—A. The Central Pacific and the Southern Pacific.

Q. Was the deposit with the Central Pacific subsequent to the Southern Pacific?—A. No; they ran together.

Q. Did you make your first deposit with the Central Pacific or with the Southern Pacific?—A. I think they were both opened at the same time. We had business transactions with both companies.

RELATIONS OF CENTRAL PACIFIC TO WESTERN DEVELOPMENT COMPANY.

By Commissioner LITTLER:

Q. Is it not true that the Western Development Company is an instrument by which Messrs. Stanford, Huntington, Crocker, and Hopkins—

performed work and furnished materials to the Central Pacific Railroad Company, and that they, as officers of the Central Pacific Railroad Company, furnished the Western Development Company with funds belonging to the Central Pacific Company, and charged a profit of 10 per cent. on all work done and materials furnished, which profit they appropriated to their own use?—A. I do not call that a true statement. I never should regard it as that way. No funds belonging to the Central Pacific Railroad Company were ever advanced the Western Development Company by the gentlemen you have named.

Q. Please explain in what respect their operations differed from what I have described?—A. I do not understand that they used the Western Development Company as officers of the Central Pacific, but in their individual capacity. Each of these companies stood on its own bottom. The Western Development Company derived its capital from its stock owners, Stanford, Huntington, Crocker, Hopkins, and Colton, and from no other source. It never used a dollar of Central Pacific money, except such as may have been borrowed, and then repaid with interest.

THE 10 PER CENT. ADDED TO EVERY BILL.

Q. Can it be otherwise if they are one and the same thing?—A. It is just as I have stated it. While the Western Development Company was doing work for the Central Pacific Railroad Company it added 10 per cent. to each and every bill to cover certain contingent expenses which could not be included in the bill, such as superintendence, the use of tools, &c. There may have been some element of profit in the 10 per cent., but to the best of my judgment and belief it was slight.

Q. Can you explain in what respect their relations to these two companies differed from the manner in which I have stated it?—A. These individuals virtually owned the Western Development Company.

Q. And they were the chief officers of the Central Pacific?—A. They were the chief officers of the Central Pacific.

Q. And as chief officers of the Central Pacific, they furnished the Western Development Company with the funds of the Central Pacific to operate with?—A. No; as chief officers of the Central Pacific they never furnished a cent of the Central Pacific money.

Q. You stated that they never paid a dollar to the capital stock of this Western Development Company which they subscribed for. If they never paid a dollar as capital stock—A. (Interrupting.) Unless you should treat the deposit they made with the Western Development Company as deposit on account of stock.

Commissioner LITTLE. You cannot do that for the reason that they were treated as personal advances, and they charged and received interest for them.

The WITNESS. That would be a matter for you to construe, not for me.

ONLY INDIVIDUAL FUNDS ADVANCED.

Commissioner ANDERSON. The witness means to state that the money advanced by Messrs. Stanford, Huntington, Hopkins, and Crocker was their own funds, not derived from the Central Pacific Railroad Company.

The WITNESS. That is as I understand it.

Commissioner ANDERSON. Of course it is very difficult to state whether that is so or not.

The WITNESS. Of course it would be impossible for me to say from what source their money was derived, having no knowledge of their affairs outside of their connection with the companies I represent, but

if any ever came from the Central Pacific, the books of that company will certainly show.

The CHAIRMAN. To the best of his knowledge and belief, the money advanced by these gentlemen was from their own individual funds, and not from the funds of the Central Pacific Railroad Company.

The WITNESS. If any one or all of them had matured coupons from securities which they owned themselves, and those coupons came to me to collect, I would not collect for them as officers of the Central Pacific Company, but in their capacity as individuals, and when I gave the necessary credit, it would be to their individual deposit accounts with the Western Development Company.

THE 10 PER CENT. NOT CONSIDERED AS PROFIT.

Q. Is it not true that the Central Pacific was compelled to pay this company a profit of 10 per cent. on the work and materials which it furnished the Central Pacific?—A. That 10 per cent. I never considered as profit. It was 10 per cent. over and above the cost, so near as the cost could be ascertained, of any work for which we would render a bill, but there are certain elements of cost entering into work of that character which cannot be distributed to any particular piece of work, such as the depreciation of tools, machinery, and superintendence.

WAS INTERVENING CORPORATION NECESSARY?

Q. Is it not true that this Western Development Company used the tools, the shop, and the materials of the Central Pacific Railroad Company?—A. It never had anything from the Central Pacific that it did not pay for, with 10 per cent. added to it.

Q. Do you not think that good railway management would require the officers of this company to perform this labor and conduct repairs, and do any new construction on behalf of the company, without any intervening corporation, which would naturally require a profit for its labor?—A. That is a question which I do not regard myself as qualified to answer.

Q. You are a railway man, are you not? You are secretary and treasurer of all the companies in this part of the State, and I ask you for your opinion as an expert in railroad matters.—A. I am not an expert in railroads. None of those companies are railroad companies in active operation.

ADVANTAGES IN USING WESTERN DEVELOPMENT COMPANY.

By Commissioner ANDERSON:

Q. Would you not think it more advisable to do these repairs through master mechanics and shops than through the Western Development Company with 10 per cent. added?—A. That is a question which I cannot answer. There was no contract between the respective companies. I recollect at the time this method was adopted it was considered as good management, because the Western Development company had an organization to do this work, which was large and expensive, by use of which the Central Pacific was saved the investment of a large capital.

By Commissioner LITTLE:

Q. Do you know of any other great railway corporation of America that has its construction and repairs done through the intervention of another corporation?—A. I do not know anything about the matter.

I do not know that to be the case, but that is not saying that it is not the case, as I do not know anything about any other railroad.

Q. Is it not true, as far as your knowledge extends, that all this kind of work is carried on by the railway corporation requiring the work to be done, through its chief officers, its master mechanics and superintendents of construction and repairs, &c.? Is not that true?

The WITNESS. It is true that the Western Development Company.—

Commissioner LITTLE (interrupting). That is not an answer to the question.

The WITNESS. So far as I know, that may be the case; but the reverse may also be the case for all I know. My experience is confined to this particular railroad.

By Commissioner ANDERSON:

Q. Is there any other construction which was carried on by the Western Development Company by any railroad which was subsequently leased or operated by the Central Pacific Railroad Company?—A. I think I have enumerated all the roads built by the Western Development Company.

Q. Have you enumerated all of the Southern Pacific and its branch line which were constructed by the Western Development Company?—A. I have.

THE SOUTHERN PACIFIC OF ARIZONA.

Q. Who built the Southern Pacific of Arizona?—A. Pacific Improvement Company.

Q. Did the Western Development Company build any part of it?—A. Yes, sir; there was a little piece built by the Western Development Company. The termination of that road is at Yuma. The Western Development Company built a bridge spanning the Colorado at that point, and it built a little of the road extending from the end of that bridge to the town of Yuma. All that the Southern Pacific of California paid for was to the Colorado River.

Q. Is the Southern Pacific of California a separate corporation?—A. Yes, sir. It is a corporation organized under the laws of Arizona.

Q. It dealt with the Pacific Improvement Company?—A. Yes, sir; entirely.

Q. What was the Speyer & Co. contract?—A. I do not know anything about that. I presume you mean the New York bankers.

Commissioner ANDERSON. Yes, sir.

The WITNESS. I do not know anything about that.

By the CHAIRMAN:

Q. Have you named all the contracts and all the construction performed by the Western Development Company?—A. Yes, sir; I think so.

By Commissioner ANDERSON:

Q. You mean all of those different parts of road which were operated by the Central Pacific afterward?—A. I have named everything so far as the Western Development Company's work is concerned; everything of any consequence.

COLORADO STEAM NAVIGATION COMPANY.

Q. You had a contract with the Colorado Steam Navigation Company, did you not?—A. No; the stock of the Colorado Steam Navigation Company was bought on behalf of certain individuals.

Q. These same gentlemen?—A. Yes, sir; we simply advanced the money and charged the individuals with the amount in the end.

Q. Were those steamers subsequently transferred to the Central Pacific?—A. No; they were operated by the Central Pacific, and if they earned anything over and above expenses it would be turned over to the Western Development Company.

Q. Was that line between San Francisco and Sacramento?—A. No; you have in mind now the California Steam Navigation Company. This other corporation is the Colorado Steam Navigation Company, and has a line of steamers on the Colorado River between Yuma and points up the river.

Q. How many steamers were there?—A. I think there were four.

Q. When did you buy them?—A. In 1878, I think.

Q. When did the Central Pacific undertake their operation?—A. As soon as we bought them. It desired to use them to connect with the Southern Pacific road at that point.

ROUTE OF STEAMERS.

Commissioner ANDERSON. Please indicate on the map the points over which the steamers passed.

The WITNESS. It is difficult to do that. They start at Yuma and run up the Colorado River to various points on the river, depending on the stage of the water. Sometimes the water is low and the steamer cannot be operated very far; at other times there is a full supply of water, when the river runs bank full, and then the steamers go up further.

Q. Do they run below Yuma?—A. They do not go below Yuma.

Q. What was the object, then, of navigating the river?—A. There were Government supplies to be transported to the Government forts and reservations on the river, and mining supplies for the mines which were being developed.

Q. The steamers, then, were used in connection with the operations of the Central Pacific?—A. Yes, sir; they were used to take freight, and also as an inducement to ship freight over the railroad with which they connected, the line connecting with different points on the Colorado River.

RELATIONS OF WESTERN DEVELOPMENT COMPANY AND STEAMSHIP COMPANY.

Q. Did the Central Pacific pay rental to the Western Development Company for these boats?—A. No, sir.

Q. In what form was compensation made?—A. They operated the boats and paid all expense of running them, and if there was anything left they would pay it to the Western Development Company.

Q. Did the Western Development Company receive money from this source?—A. Yes, sir.

Q. How long did this operation continue?—A. I think to January 1, 1879.

Q. What became of the boats?—A. They have been sold out since to the former superintendent of the line.

Q. For whose account, the Western Development Company?—A. No, sir; for account of the stockholders of the Colorado Steam Navigation Company.

STOCKHOLDERS OF STEAMSHIP COMPANY.

The CHAIRMAN. Who were the stockholders of the Colorado Steam Navigation Company?

Commissioner ANDERSON. The same five gentlemen.

The CHAIRMAN. Put it on record. We might as well have it there.

The WITNESS. Messrs. Stanford, Huntington, Crocker, Hopkins, and Colton were the original owners.

STEAMSHIPS FIRST BOUGHT BY WESTERN DEVELOPMENT COMPANY.

By Commissioner ANDERSON:

Q. Did you not first purchase these boats for the Western Development Company, and did not these gentlemen buy them from that company?—A. The Western Development Company bought the boats and carried the account on its books as a charge against the Colorado Steam Navigation Company for some time. And in 1879, I think, I made up the account and charged each individual with his proportion.

Q. And when you sold the boats you credited each individual with his proportion of the proceeds, did you not?—A. I have not done so yet, because the account is overdrawn some \$30,000, and whatever proceeds come in I shall apply to that.

Q. The operation and sale then did not result in a profit?—A. At times the line was profitable. And two or three dividends were declared. But after 1878, business fell off very much and there was no more profit. It did not earn enough to pay for the operation of the boats; there was a deficiency every month. When the Central Pacific was operating it, it paid all expenses, and in case of any surplus would pay it to the Western Development Company, and the Western Development Company would credit it to the Colorado Steam Navigation Company. In case of a deficiency, that would be charged against the Colorado Steam Navigation Company.

Q. In other words, you would get the net proceeds, if any, and stand the loss, if any?—A. Yes, sir.

Q. Do these entries all appear on the books of the Colorado Steam Navigation Company?—A. They do.

FROM WHOM PURCHASED.

By the CHAIRMAN:

Q. From whom were the boats purchased?—A. From no particular one. It was simply a transfer of the stock of the Colorado Steam Navigation Company.

Q. From whom were the boats purchased; they must have been bought from somebody?—A. The Colorado Steam Navigation Company was an organization before we bought it. We simply bought the stock of the different stockholders in that organization. I think that a man by the name of Birmingham, was the principal stockholder. He is an old resident here.

Q. Were the four gentlemen that appeared in the several companies interested in the steamship company with Mr. Birmingham?—A. No, sir; we bought the stock from Mr. Birmingham and his associates.

The CHAIRMAN. I thought they were selling to themselves.

The WITNESS. No, sir.

The CHAIRMAN. That appears so often to be the case that it is difficult to distinguish.

THE CALIFORNIA PACIFIC.

Commissioner ANDERSON. Was there any other construction or was there any other property purchased by the Western Development Company which, after its purchase, was operated by the Central Pacific Railroad Company?

The WITNESS. I do not recollect anything else.

Q. Was any portion of the California Pacific Railroad?—A. There is a little link that was built for the California Pacific Railroad Company near Suisun.

Q. Which was built by the Western Development Company?—A. Yes, sir; and which the California Pacific subsequently paid for.

Q. Did the Western Development Company receive any rentals paid by the Central Pacific Railroad Company for the use of the California Pacific Railroad?—A. No, sir.

Q. When was the road built between Sacramento and Brighton?—A. I do not know; that was before my time.

Q. The Western Development Company did not have anything to do with it?—A. No, sir; it was not in existence then.

THE LOS ANGELES AND INDEPENDENT ROAD.

Q. Was the Los Angeles and Independent Railroad before your time?—A. No, sir; the Western Development Company bought that in 1877, I think.

Q. Was that road operated by the Central Pacific?—A. Yes, sir.

Q. And when was the lease made, shortly after you bought it or before?—A. About the same time.

Q. From whom was it bought?—A. From John P. Jones and others, who owned the stock in it. The corporation was not changed. We simply bought the stock in that concern and its control passed to the Western Development Company. The road extends from Los Angeles to Santa Monica, and was built principally by Senator Jones.

Q. Do you know how the rental was paid or fixed? What relation had it to the price you paid for the stock?—A. I cannot say as to that. I was not a party to the settlement of the rate.

Q. Did you buy the stock only, or the bonds also?—A. There were no bonds.

Q. Did you buy all the stock?—A. Yes, sir.

Q. Do you remember the price?—A. I do not now. It was something like \$300,000.

Q. Do you still own that stock?—A. Yes, sir.

Q. Who receives the rental of that road now?—A. The road itself, of course, receives the rental. The Western Development Company opened an account with the Los Angeles and Independent Railroad Company and it credits the proceeds to that account.

Q. And rent was received from the Central Pacific up to 1885, and since then from the Southern Pacific Company?—A. I think so.

HOW RENTED BY THE SOUTHERN PACIFIC.

Q. Or is it still rented to the Central Pacific and through the Central Pacific rented to the Southern Pacific Company?—A. I do not remember when the change occurred, but I know that at this time we are collecting the rent from the Southern Pacific Company.

Q. Do you not remember what that rent is? Do you receive it now?—A. Sixteen hundred and eighty-three dollars a month.

Q. Did the Western Development Company have anything to do with the Stockton and Copperopolis Railroad Company?—A. No, sir.

Q. Either by purchase or construction?—A. No, sir.

Q. The Western Development Company has had nothing to do with that road?—A. No, sir.

SOUTHERN PACIFIC OF NEW MEXICO AND OTHER ROADS.

Q. Regarding the Southern Pacific of New Mexico, has the Western Development Company had anything to do with that?—A. No, sir.

Q. And the Galveston, Harrisburg and San Antonio Railway Company?—A. The Western Development Company has had nothing to do with that.

Q. The Sacramento and Placerville Railway Company?—A. Nothing to do with that.

WORK OF PACIFIC IMPROVEMENT COMPANY.

Q. When was the Pacific Improvement Company formed?—A. In November, 1878.

Commissioner ANDERSON. I think that you have stated that the same gentlemen were the principal stockholders?

The WITNESS. I stated that in the beginning there were only three of them.

Q. And then Mrs. Hopkins came in afterwards?—A. Mrs. Hopkins went in afterwards. General Colton did not.

Q. What construction was undertaken by the Pacific Improvement Company?—A. It built the Southern Pacific of Arizona, the Southern Pacific of New Mexico, the branch from Mojave to the Needles, and the extension from Soledad to San Miguel. It is now engaged in building the California and Oregon Railroad, or completing it, and the Oregon and California Railroad to Ashland, Oreg. It is completing the "C. and O." and building the "O. and C." to Ashland.

CALIFORNIA AND OREGON AND OREGON AND CALIFORNIA.

By Commissioner LITTLER:

Q. What I want to know is what the initials "C. and O." and "O. and C." mean?

The WITNESS. California and Oregon and Oregon and California. It has built the California and Oregon to the State line. At that point it began construction at the Oregon and California.

By Commissioner ANDERSON:

Q. Your answer was that it was building the one and completing the other?—A. Yes, sir.

Q. Have you enumerated all the construction undertaken by the Pacific Improvement Company?—A. It built the continuation of the Northern Railway from Willows to Tehama.

THE OAKLAND WHARVES AND FERRY SLIP.

Q. Did it not build the Oakland wharves and also the ferry slip?—A. The Western Development Company built what is known as the Oakland Ferry slip; that is, where the freight ferry boats now land.

Q. By contract with whom?—A. With the Central Pacific Railroad Company.

Q. Have you that contract?—A. Yes, sir; I think so.

Q. Do you remember what it amounted to; how much was it?—A. We did not complete the work as per contract, but completed all that the Central Pacific required, and made a settlement on that based on the engineer's estimate; it amounted to about two-thirds or three-fourths, I think.

Q. How much did the contract amount to?—A. One hundred and eighty-seven San Francisco, Oakland and Alameda bonds.

Q. This was after the Alameda Railroad Company was in operation by the Central Pacific?—A. Yes, sir.

Q. This was after the Northern Railway was completed?—A. Yes, sir.

IMPROVEMENTS AT MISSION BAY.

Q. While on that point, did you effect any of the improvements at Mission Bay, or erect any of the buildings of the Central Pacific Railroad Company?—A. Yes, sir; there was some work done on what is known as the Illinois street cut, filling in Mission Bay.

Q. How much of a transaction was it?—A. It was an account jointly between the Southern Pacific and the Central Pacific; I think that the aggregate may have amounted to \$100,000; I am not positive of that, however; but my impression is that it was about that amount.

Commissioner ANDERSON. I will ask you generally to examine your books with reference to any other construction, if there should be any, which the Western Development Company effected for the Central Pacific. Any other construction or repairing or building done by the Western Development Company for the account of the Central Pacific, or for any of the branch roads operated by the Central Pacific. You know what has been done, and if you find on examination that there has been anything omitted, we would like to have our attention called to it. Anything in addition to what you have been over with us to-day.

CONSTRUCTION OF CALIFORNIA AND OREGON ROAD.

Q. Let us now go back to the Pacific Improvement Company; when was your contract made for the construction of the California and Oregon road; it extended, I believe, from Delta to the State line?—A. It did.

Q. Do you know who had built the 60 miles south of Delta?—A. The Central Pacific Railroad itself, I think.

Q. How far is Tehama from Delta?—A. I cannot say from memory. Commissioner ANDERSON. I understand that the Contract and Finance Company built to Tehama, but we never have been able to learn who built from Tehama to Delta.

The WITNESS. The Western Development Company did not.

Q. Neither did the Pacific Improvement Company?—A. No, sir; the road from Tehama to Redding has been in operation for many years.

PRICE TO BE RECEIVED WHEN COMPLETED.

Q. What price were you to receive for building from Delta to the State line?—A. It was a lump sum, I think.

Q. Was it not four and one-half millions in bonds and eighty thousand shares of stock?—A. That is it.

Q. Will your book show what the actual cost of that construction was?—A. So far as construction has proceeded, they do not show what the cost will be.

Q. How far has construction proceeded?—A. The track is laid across the State line. There is a good deal of rolling stock yet to be furnished; a good many buildings to be erected and fences to be built.

Q. Has the entire price been paid?—A. No, sir.

Q. Have all the bonds been issued to you—the four and a half millions?—A. They have not.

Q. How much has been reserved?—A. Three hundred and seventeen.

Q. Has the stock all been delivered?—A. Yes, sir.

Q. Does this reserve amount represent approximately the amount which will be required to complete the work?—A. Yes, sir.

Q. It can be done for that?—A. It is estimated that it can be done for that.

Q. It can be done for \$500,000, certainly?—A. I think so.

Q. Are you sure of that?—A. It ought to be.

Q. Who prepared the estimate?—A. I think that Mr. G. L. Lansing looked up the matter.

Q. What is he?—A. Assistant controller of the Southern Pacific Company.

Q. Is he an engineer?—A. No, sir; but he would probably go to the engineers for information. It came to me from him.

COST OF CONSTRUCTION AND WORK STILL TO BE DONE.

Q. What do your books show to have been the cost of that 104 miles?—A. I do not know. I could easily ascertain for you, however.

Q. Under your contract, what additional work and obligations are you required to perform?—A. To furnish rolling stock and complete fences and buildings, and complete the road in all respects.

Q. Has all the rolling stock called for by the contract been furnished?—A. No, sir.

Q. How much of it has been furnished?—A. That I do not know. I do not know that any has, but orders are out here and in the East for all the rolling stock called for in the contract.

Q. How does it happen that you received all the bonds and stock payable to you and yet your work is not completed; and none of the rolling stock has been delivered?—A. The railroad company is enjoying the earnings derived from the operation of that road, a part of the Central Pacific system. At present they have passenger cars enough to take care of the traffic and freight cars sufficient to handle the business together with what will come in a little later, when the orders are completed.

AGREEMENT TO CONTROL OF OREGON AND CALIFORNIA ROAD.

Q. What other obligations did you undertake, besides the construction you have enumerated, in relation to this contract? Did you undertake to get control of the other road?—A. Yes, sir; we agreed to get control of the Oregon and California road.

Q. What has been done in that respect?—A. I think that we have got control of it.

Q. What has been done?

The WITNESS. Do you mean now in regard to the construction? What construction forces are doing there?

Commissioner ANDERSON. No; I mean what has been done with regard to getting control of the Oregon and California Railroad.

The WITNESS. I think that we have got control of it.

Q. By the ownership of stock?—A. By the ownership of stock. We have been a couple of years negotiating for it and acquiring it.

ENOUGH BONDS RETAINED TO INSURE PERFORMANCE OF CONTRACT.

Commissioner ANDERSON. The point of my inquiry is whether the Central Pacific should pay the entire consideration which it has agreed to pay in advance of performance.

The WITNESS. It was part of the contract that it would pay the eighty thousand shares of stock upon the signing of the contract. And in regard to the bonds, enough bonds have been retained to insure what is estimated will be required to complete the contract.

Q. To complete the California and Oregon road?—A. Yes, sir.

THE 16 MILES YET TO BE CONSTRUCTED.

Commissioner ANDERSON. But there is no reservation to secure the construction of the 16 miles of road that remain to be built, as I understand it.

The WITNESS. No; but there is no question that it will be done.

Q. Was that not a part of the consideration, that that 16-mile gap should be filled up and built?—A. I think that the consideration was that we should acquire control of the Oregon and California roads.

Q. And to build that 16 miles?—A. Yes, sir; which we are doing. The important part was to obtain control.

Q. But you have not built the 16 miles?—A. No; but we are building it.

COST OF REMAINING CONSTRUCTION.

Q. What was the estimated cost of that 16 miles?—A. I do not know; I have not seen the estimate, but I understand that it is very heavy and expensive work.

Q. Will it amount to as much as \$50,000 a mile?—A. Yes, sir; probably more. I have never seen the profiles and have never seen the estimates of the engineers.

Q. Is there any part of that construction in that country that has cost as much as \$100,000 per mile?—A. That I am unable to say, but from descriptions of the country which I have seen I should say, yes.

Q. Is there a large amount of tunnel work?—A. Yes, sir; a good deal of tunnel work.

DISPOSITION MADE OF BONDS.

Q. What disposition have you made of these bonds?—A. We have most of them on hand.

Q. What bonds were they; what issue?—A. There were 2,120 of them which were an issue of the California and Oregon Railroad Company. I do not know what its proper corporate name is. They have always been called California and Oregon bonds. Then enough more of the Central Pacific fifty-year 6 per cent. bonds to make up the total amount under the contract.

Q. Of October, 1886?—A. The difference is made up by bonds of that issue.

Q. Have you turned over three millions of these bonds to the Central Pacific?—A. Yes, sir; we took up a note with them.

Q. A note for funds which you had borrowed from the Central Pacific sinking fund?—A. Yes, sir.

Q. What bonds did you deliver in payment of that note?—A. Central Pacific fifty-year 6 per cents.

Q. Any of the others; any of the California and Oregon?—A. No, sir.

Q. Where are they?—A. Those are all in New York, if I recollect rightly. I sent them on there to get signatures.

Q. But they are all owned by the Pacific Improvement Company?—A. Yes, sir.

Commissioner ANDERSON. We would like the statement showing the actual cost of the Pacific Improvement Company of the construction from Delta to the State line. Can you prepare it from your books?

The WITNESS. Yes, sir.

HOW PACIFIC IMPROVEMENT COMPANY OPERATED.

Q. How was this construction carried on? Was it from the Pacific Company direct, or by contracts made by the Pacific Improvement Company with particular contractors?—A. Do you mean how we did the work?

Commissioner ANDERSON. Did the Pacific Improvement Company actually do the construction?

The WITNESS. Yes, sir. It has an organization in the field under the charge of J. H. Strowbridge, the president of the company and superintendent of construction. The masonry work, however, was sublet.

Q. So that your statement of costs would include the amount of work done by you and the amount of masonry work, including your pay-rolls and other expenses for the employment of your engineers and assistants and workmen?—A. It will include everything in connection with expenses up to this time.

Q. And material?—A. Material and labor.

Q. What is the rail which you have laid?—A. Principally a 60-pound steel.

Q. In regard to the construction of the north end of the Northern Railway. When was that built?—A. In 1882, I think.

Q. By a contract between the Pacific Improvement Company and the Northern Railway?—A. Yes, sir.

Q. How many miles of construction?—A. About 37.

METHOD OF CONSTRUCTING CALIFORNIA AND OREGON.

Q. In regard to the California and Oregon road, how much of that road was in your possession during construction? Only the part north of Delta?—A. I have no recollection, but we began at Redding and did some little work, but no contract was ever made for that piece. The Central Pacific paid us for what we had expended in that direction. It repaid us and carried on the work itself.

Q. Until you began at Delta?—A. The Central Pacific began again at Delta and carried on considerable work. What they had expended, however, north of Delta the Pacific Improvement Company repaid with interest.

Q. By crediting them in account?—A. Yes, sir; by crediting them in account.

CENTRAL PACIFIC RECEIVED ALL RETURNS DURING CONSTRUCTION.

Q. What I want to know is whether the Central Pacific Railroad Company received all the returns from that road while you were construct-

ing it. I mean all the returns from the operation of the road?—A. Yes, sir.

Q. The contractors did not operate any portion of the road themselves?—A. There is always an interval between what is called the operating terminus (that is, the point to which the road that has been turned over to the operating department is operated) and the end of the track. I think quite likely—in fact I know it to be the case—that we have collected fares of people who desired to go farther than the operating terminus, but it is not intended to make a business of it. It was intended almost exclusively for the transportation of our own men and material. Of course there would be occasionally people traveling over there who wanted to take advantage of our line, and the conductors of the construction trains would collect fares. This did not amount to much, however. It might amount to \$25 a month or something like that, but after the road passed into the hands of the operating department our jurisdiction ceased.

THE NORTHERN RAILWAY.

Q. In regard to the Northern Railway; that contract was made, you say, in 1882?—A. That is my recollection.

Q. How many miles of construction were there?—A. About 37 miles of that road.

Q. Do you remember whether the rental paid by the Central Pacific for its operation was increased by reason of such construction? I presume it was increased.—A. It must have been. I do not recollect, however, anything about that. There must have been some change.

Q. You continued to receive the rental after the change?—A. Yes, sir. We continued to receive it, and are receiving more now than when the first arrangement was made. There have been several changes in the rate of rental.

Commissioner ANDERSON. Whenever you built additional miles of road, I presume that the annual rental paid for it by the line operating that railroad would be increased so as to cover the extension?

The WITNESS. That would be naturally the case.

ROAD FROM WILLOWS TO TEHAMA.

Q. How long did this construction take from Willows to Tehama?—A. About six or seven months.

Q. When was it completed?—A. I think some time in September, 1882.

Q. Does that road from Davis to Tehama interfere with the operation of the California and Oregon road? It seems to substantially parallel it.—A. I never heard that there was ever any material interference. As I understand it, there is room enough for two roads.

Q. Are you familiar with this country through which the California and Oregon road passes?—A. I am not; only by hearsay.

Q. You do not know the nature of the traffic that it gets or the amount of it?—A. No, sir; anything of that kind is not in my line.

Q. Will your books show the cost of the road from Willows to Tehama?—A. Yes, sir.

Q. How was your company paid—in stock and bonds also?—A. In bonds and stock.

Q. Do you remember the amount?—A. I do not.

Q. Do you remember whether an addition to the rental was made, or a sum sufficient to pay interest on the bonds and dividends on the

stock?—A. I do not know what object they had in view in making it. I had nothing to do with making the contract; but the interest on the bonds was paid so long as we held them, and there have been dividends on the stock.

Q. That is, since this construction from Willows to Tehama?—A. Yes, sir.

Q. So that it would include the stock issued on that portion of the road?—A. Yes, sir.

THE RAILROADS BANKERS FOR PACIFIC IMPROVEMENT COMPANY.

Q. Has the course of procedure under the Pacific Improvement Company been the same as with the Western Development Company; that is to say, have the chief stockholders put you in funds, and have you used the Central Pacific and Southern Pacific as your bankers?—A. Yes, sir.

Q. What interest allowance have you received on the money so deposited; what rates?—A. The ruling rates. I think the Pacific Improvement Company received 6 per cent.

RATE OF INTEREST ON DEPOSITS.

By the CHAIRMAN:

Q. Who fixed the rate of interest?—A. I do not know who did.

Q. Was there any negotiation as to the rate of interest?—A. No; there was no negotiation.

Q. Who notified you, as secretary, that the rate was 6 per cent.?—A. I charged that rate.

Q. Why?—A. Because in my judgment we were entitled to it.

Q. Why did you fix 6 per cent.; why did you not fix 10 per cent.?—

A. That was the rate for which we could obtain money elsewhere.

Q. Was there any order by the board of directors or by any officer directing you to carry the rate of the Western Development Company into the Pacific Improvement Company?—A. No, sir.

By Commissioner ANDERSON:

Q. What other construction has the Pacific Improvement Company conducted?—A. I think that covers substantially all of it. Of course we are engaged in construction all the time. The Pacific Improvement Company is an active company and constantly has projects under way.

CONSTRUCTION OF SOUTHERN PACIFIC OF ARIZONA.

Q. I have not asked you as to the details of construction of the Southern Pacific of Arizona and the Southern Pacific of New Mexico. When were those roads built?—A. We began in November, 1878, building the Southern Pacific of Arizona, and construction proceeded continuously until the Rio Grande River was reached. It was in 1880 or 1881, I do not remember which.

Q. How many miles of construction did that embrace?—A. About 550 miles.

Q. Have you that contract?—A. It is in the office of the company.

PRINCIPAL STOCKHOLDERS.

Q. Who are the principal stockholders of the Southern Pacific of Arizona?—A. The original subscribers were David D. Colton, Charles

F. Crocker, and some local people of Arizona. I have forgotten their names.

Q. Did Messrs. Stanford and Huntington subsequently become interested in the other projects?—A. They became interested there through their interests in the Pacific Improvement Company. Their names do not appear upon the books of the Southern Pacific of Arizona, or did not appear at that time on the books of that company.

Q. Was the same course pursued in regard to this road; that is to say, the stockholders of the Pacific Improvement Company advanced you the money as you required it from time to time, and you kept that money on deposit with the Central Pacific or Southern Pacific, as the case might be, at interest, just as with the others?—A. Yes, sir.

CAPITAL STOCK OF THE COMPANY.

Q. Do you recollect what is the capital stock of the Southern Pacific of Arizona?—A. Twenty millions.

Q. Do you know whether any money was paid for that stock, except the 10 per cent. required by law?—A. I do not.

Q. Is 10 per cent. required in Arizona?—A. I do not think so.

Q. Do you know whether any money was paid?—A. I do not think so.

Q. What is the bonded debt of that road?—A. Ten millions.

Q. What did your contract call for?—A. It called for stock and bonds.

Q. Do you remember the rate per mile?—A. The rate, I think, was \$25,000 in bonds.

Q. And how much of the stock?—A. And all the stock, except the fifty shares.

Q. Have you ever been over that road?—A. No, sir.

Q. Do you know the nature of the country through which it passes?—

A. No; only by hearsay.

Q. Do you know whether it is mountainous or level?—A. I do not; but I suppose, from what I learned, that there are mountains and plain mixed in.

RENTAL PAID BY CENTRAL TO SOUTHERN PACIFIC OF ARIZONA.

Q. Was that road also leased to the Central Pacific?—A. Yes, sir.

Q. And how is the rental fixed?—A. It is fixed on the basis of what the interest would be on the outstanding bonds.

Q. Was that all that the Central Pacific paid?—A. They paid \$10 more. We began on just what the interest was, but that was intended to be temporary, and was to last until we could get some rolling stock. It was afterwards increased \$10 per mile per month, or to \$135.

Q. Do you mean that the interest charged was \$125 per mile per month in the start, and that this was afterwards increased?—A. Yes, sir; at the start it was \$125, and then there was an additional amount of bonds issued, owing to certain extra work which was done there, which increased the amount of interest accruing monthly to something like \$133 per mile.

Q. Do you remember what year this was made?—A. Some time in 1880, I think.

Q. And is that rental entered in your books in the same way as the rental from other sources?—A. No; I collect that direct.

ACTUAL NET EARNINGS OF SOUTHERN PACIFIC OF ARIZONA.

Q. Do you know anything about the actual net earnings of the road, whether they were more or less than the rental?—A. They were considerably more.

Q. So that the operation of that road was an advantage to the Central Pacific?—A. It was very profitable to the Central Pacific.

Q. It operated it at a considerable profit?—A. It was to the Central Pacific, but not to the Southern Pacific of Arizona.

Q. They have not paid anything for their stock, but they have paid interest on their bonds; is that not so?—A. The Southern Pacific of Arizona did not make enough to pay interest on certain extensions which they were compelled to make. There was a deficiency, and this addition to the rental of the road was made towards meeting it.

Q. Will your books show the actual cost of the construction of that road?—A. They will.

Q. Do you know whether it equaled the par value of the bonds, \$10,000,000?—A. It came very near it.

THE SOUTHERN PACIFIC OF NEW MEXICO.

Q. In regard to the Southern Pacific of New Mexico; when did you construct that?—A. In 1881, I think; it may have run into 1882.

Q. Was that constructed in the same way, by moneys advanced by your stockholders, and the same banking method practiced between your company and the Central Pacific and Southern Pacific?—A. The methods were substantially the same.

Q. How many miles of road did you build?—A. 167.22 miles. In regard to the distance; you asked me the distance a few moments ago, as I understood it, of the two roads—the Southern Pacific of Arizona and the Southern Pacific of New Mexico. I gave you the two together. I think now that you are asking me separately. The Southern Pacific of Arizona is 384.17 miles, and the Southern Pacific of New Mexico is 167.22, as I recollect the figures.

RENTED TO CENTRAL PACIFIC.

Q. Was that road leased to the Central Pacific?—A. It was.

Q. How was its rental fixed?—A. It was based upon what money was required to pay interest on the bonds.

Q. What was its bonded debt?—A. Five millions.

Q. What was its stock issued?—A. The authorized stock was ten millions. The stock issued was less than that.

STOCK HELD BY PACIFIC IMPROVEMENT.

Q. Does the Pacific Improvement Company hold the stock of these two last-mentioned roads?—A. It holds none of the stock of the Southern Pacific of Arizona. It holds about two thousand shares of the stock of the Southern Pacific of Mexico.

Q. How has it disposed of the stock which it got and which it no longer holds? Was it by dividends?—A. It was afterwards sold to the Southern Pacific Company in exchange for stock of that company.

Q. Then the Pacific Improvement Company holds the stock of the Southern Pacific Company?—A. Yes, sir.

By Commissioner LITTLE:

Q. Was it exchanged dollar for dollar?—A. No, sir.

Q. What were the terms of the exchange?—A. It was about either a half of Southern Pacific Company or six-tenths for one, or something like that.

By Commissioner ANDERSON:

Q. Is it the Southern Pacific Railroad Company, or the Southern Pacific Kentucky Company?—A. The Southern Pacific Company of Kentucky.

By the CHAIRMAN:

Q. Does not the controlling influence that prevails in the companies that you have named prevail in all the companies that you are secretary of?—A. Yes, sir.

The CHAIRMAN. Therefore, I want to examine you on the books of those companies.

Q. Has your banking been done for these companies through the Southern Pacific or Central Pacific?—A. No, sir; these companies have bank accounts with the Pacific Improvement Company.

REQUEST FOR BOOKS OF THE WESTERN DEVELOPMENT AND PACIFIC IMPROVEMENT COMPANIES.

By Commissioner ANDERSON:

Q. Can you let us have the minute books of the Western Development Company and the Pacific Improvement Company?—A. I do not know that I have any right to take them out of the office. I will let you have them if you will procure for me the necessary authority.

Q. You are president of one of these companies, are you not?—A. Yes, sir; of the Western Development Company.

Q. If we issue a subpoena *duces tecum*, will that quiet your conscience?—A. It might have that effect.

Commissioner ANDERSON. I move that Mr. Douty be requested to produce the minute books of the Pacific Improvement Company and the Western Development Company, and I will ask him now to state whether he will produce those books without subpoena, or would prefer to have a subpoena served?

The WITNESS. I would prefer to have a subpoena served, as I doubt my authority to take those books away from the office, of my own motion.

F. S. DOUTY.

Commissioner ANDERSON. I move that a subpoena *duces tecum* issue. It was so ordered, and a subpoena was issued.

The Commission adjourned to Monday, August 1, 1887, at 10 a. m.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Monday, August 1, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

FRANK S. DOUTY, being further examined, testified as follows:

By Commissioner ANDERSON:

Question. Mr. Douty, do you prefer to wait for your counsel, Mr. Bergin, before you testify in reference to the whole matter, or in reference to the books chiefly?—Answer. In reference to the books chiefly.

Q. How soon will Mr. Bergin be here?—A. He expected to be here at 10 o'clock when I saw him.

(Pending the arrival of Mr. Bergin the witness was excused from testifying further.)

F. S. DOUTY.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Monday, August 1, 1887.

DANIEL Z. YOST, being duly sworn and examined, testified as follows:

By the CHAIRMAN:

Question. What is your full name?—Answer. Daniel Z. Yost.

Q. What is your business?—A. United States appraiser.

Q. How long have you been connected with the Department?—A. I was appointed two years ago in June.

Q. What were you engaged in prior to that time?—A. I was a member of the San Francisco Stock Exchange, sir, for several years.

FORMERLY PRIVATE SECRETARY OF MR. STANFORD.

Q. Were you employed by Mr. Stanford, the president of the Central Pacific, at any time?—A. Yes, sir; I was his private secretary.

Q. What was the date of your employment?—A. It was 1869 or 1870, I think; I forget which it was; I think it was from about 1870 up to 1878.

Q. How long did you act in the capacity of private secretary?—A. Well, during my term there; I think from about 1870 to 1876, or December, 1877. I have forgotten the exact time.

Q. What were your duties as private secretary?—A. Mostly to attend to his correspondence and answer letters.

Q. Did you have charge of all his business correspondence?—A. Yes, sir; except perhaps those letters that he wrote himself. His general business correspondent attended to most of it.

BOOKS KEPT BY WITNESS.

Q. Did you keep any of his account books?—A. Yes, sir.

Q. What books did you keep?—A. I kept a ledger and a book containing daily transactions.

Q. Have you named all his books?—A. I don't know but what there are some other books; I do not recall now. I do not remember what they were. These were not a full set of books; I did not keep a full set of books.

Q. Had you an assistant?—A. No, sir.

Q. What character of entries did you make in the books?

The WITNESS. What character of entries?

The CHAIRMAN. Yes; what accounts. In this book of daily transactions, for instance?

The WITNESS. Well, that book, if I remember rightly, was more of a memorandum book, as regards whatever transactions he had in his private business.

Q. How long had you possession of the books?—A. Until the day I severed my connection with him by resignation.

Q. To whom did you deliver the books at that time?—A. To himself.

THE CONTRACT AND FINANCE COMPANY.

Q. Had you any business transactions, on account of Mr. Stanford, with the Contract and Finance Company?—A. I don't remember any transaction of that nature; I do not remember any transaction that I had of the Governor's with the Contract and Finance Company.

Q. Had you any communication with any of the officers of the company?

The WITNESS. Of the Contract and Finance Company?

The CHAIRMAN. Yes, sir.

The WITNESS. I do not remember any communications that I had with them. No official communications. Of course I knew them very well, but transactions of that character generally the Governor attended to himself.

Q. Did you keep an account of Governor Stanford's with the Contract and Finance Company?—Yes, sir.

Q. Did you keep an account with the Central Pacific Railroad Company of Governor Stanford's?—A. No, sir; his individual accounts were kept on the books of those companies; we thought that one account was enough; that is, he did not keep his individual account separate from the account, as it was connected with the company's.

Q. Have you any knowledge of the business conducted by the Contract and Finance Company?—A. No, sir; I have not, except in a general way.

BOOKS OF THAT COMPANY.

Q. Did you ever see the books of the company?

The WITNESS. To make an inspection of them?

The CHAIRMAN. No; to see them.

The WITNESS. Yes, sir.

Q. When did you see them?—A. I saw them last in Sacramento, in 1873, in charge of Mr. Mark Hopkins. I think that was in the year that the company moved from Sacramento to San Francisco; I do not remember positively about that year. It may have been 1874, but I think it was 1873 that I saw the books with Mr. Mark Hopkins.

THEIR LOSS.

Q. Did you hear subsequently that the books were lost?—A. I heard so; yes, sir.

Q. How long after?—A. That I could not tell you; I have forgotten now; it was some time ago, however, that I heard that they were lost.

Q. Was it while you were in the employ of Mr. Stanford?—A. Yes, sir.

Q. Was there any discussion at the time as to the disappearance of the books, with Mr. Stanford or in the office?—A. No, sir; my hearing of it was incidental, but it was not in any connection or conversation with them concerning the books. It was with some of the employes, or something of that kind.

Q. What employes?—A. That I could not say now. I do not remember the particulars of how I heard about their being lost. I think it was in connection with some suit, perhaps, that I heard that the books could not be found.

WHEN LAST SEEN BY WITNESS.

Q. What was the condition of the books when you last saw them in 1873?—A. They were being packed in large cases.

Q. Who was packing them?—A. Mr. Mark Hopkins.

Q. Was he connected with the Contract and Finance Company at that time?—A. I don't know whether he was or not. He was treasurer of the Central Pacific Railroad Company at that time, and I think Mr. John Miller was secretary of the Contract and Finance Company at that time, but the two offices adjoined each other, the Contract and Finance Company and Mr. Hopkins' office.

Q. Were they being packed for the purpose of shipment?—A. That I don't know, but I suppose so from the fact that we were moving.

Q. Where were you moving?—A. The offices of the railroad company were being moved from Sacramento here to San Francisco.

Q. Who also was present at the time?—A. That I don't remember. There may have been some one present, but I have forgotten if there was.

Q. What was the occasion of your presence there?—A. Well, I was with the Governor there, as his secretary, at that time, and I was out, and all the time attending to business matters.

Q. Had you any conversation with the Governor concerning the books?—A. No, sir.

Q. Did you ever make any inspection for the Governor of the Contract and Finance Company's books?—A. No, sir; not that I remember of.

Q. Did you ever take off an account from the Contract and Finance Company's books for the governor?—A. No, sir; I think not.

Q. Did you ever receive at any time an account taken off from the Contract and Finance Company's books for Governor Stanford?—A. No, sir; I don't remember that I ever received an account for Governor Stanford.

Q. Do you know of a settlement with the Contract and Finance Company on account of Governor Stanford's interest at any time?—A. No, sir; I do not remember of any.

Q. Did you visit the office of the Contract and Finance Company at any time while in the employ of Governor Stanford for the purpose of securing a settlement with the company on account of Governor Stanford?—A. No, sir, I do not think I did.

Q. Did you collect from the Contract and Finance Company a dividend for Governor Stanford at any time?—A. I may have, but if so, I have forgotten it now.

RELATION OF WITNESS TO GOVERNOR STANFORD.

Q. What did you do for Governor Stanford with the Contract and Finance Company?—A. Well, I cannot say that my capacity with him was of a fiduciary character. I do not know whether it is proper for me to answer as regards those companies. I was with him more in an individual capacity, and not as connected with the road. If I have to tell of his private matters—I do not know if that is what you are more desirous of finding out, or as regards railroad matters.

The CHAIRMAN. That is just what I am asking you about, railroad matters.

The WITNESS. And I do not know to what extent you recognize, of course, the fiduciary capacity that I held.

By Commissioner ANDERSON:

Q. You are not an attorney, are you?—A. No, sir; I am asking you more for information as regards that.

By the CHAIRMAN:

Q. Do I understand you that in all your answers you have qualified them with reference to your private capacity?—A. No, sir; I simply ask that now, as regards that question which you asked me, whether I had received dividends from the Contract and Finance Company for Governor Stanford. I may have done so, but if so I have forgotten it. I do not remember of receiving any. It is some time ago now, since 1878, to remember any particular thing.

Q. Did you make an entry of the dividends in the books which you kept for Governor Stanford?—A. I would have, if I had received them; yes, sir; in Governor Stanford's private ledger.

NO TRANSACTIONS WITH CONTRACT AND FINANCE COMPANY.

Q. What business transactions had you with the Contract and Finance Company on account of Governor Stanford?—A. Whatever I did have I have forgotten any individual transactions that I may have had for the Governor and Finance Company on account of Governor Stanford. Well, whatever I did have, I have forgotten any individual transactions that I have had.

Q. What business transactions have you had while you were employed in the capacity of private secretary with the Contract and Finance Company?—A. Well, as I said, if I had any transactions, they have passed from my mind now; what they were and what nature they were.

Q. Did you have many?—A. Well, that I could not state; I think very few. As I tell you, I think that his private account was kept on the books of these companies and not in my account.

Q. Did you at any time receive from the Contract and Finance Company Central Pacific Railroad stock on account of Governor Stanford?—A. No, sir; I don't remember that I did.

WITNESS'S LACK OF MEMORY.

Q. Did you receive from the Contract and Finance Company any checks or bonds or sums of money on account of Governor Stanford?—A. I don't remember that I did; no, sir.

Q. Did you receive at any time any stock or bonds or checks or sums of money from the Contract and Finance Company on account of anybody?—A. No, sir.

The WITNESS. I beg your pardon, I did not understand you.

The CHAIRMAN. Did you receive at any time any stocks or bonds, or checks or sums of money, from the Contract and Finance Company during your capacity as private secretary for Governor Stanford?

The WITNESS. Well, I may have, but I have forgotten what they were.

Q. Have you any papers, correspondence, or accounts, showing any transactions with the Contract and Finance Company?—A. No, sir; I don't remember that I had.

Q. Had you at any time any papers or accounts showing business transactions with the Contract and Finance Company?—A. As I say, it is so long ago now that I have forgotten. I may have had, but I do not remember now.

BUSINESS TRANSACTIONS WITH OTHER COMPANIES.

Q. What other companies had you business transactions with on account of Governor Stanford?—A. Well, I had business transactions with his account with all of them, more or less, in different ways.

Q. What do you mean by all of them?—A. All the companies, naturally, that he was connected with.

Q. Will you name them?—A. I cannot remember them all.

Q. Name as many as you can remember.—A. I had business transactions for him with the Southern Pacific and the Central Pacific and the California and Oregon and the Sacramento and Placerville.

Q. And the Western Development Company?—A. I do not remember any transactions that I had with them.

Q. The Southern Development Company?—A. No, sir; I don't remember any transactions that I had with them.

Q. Have you named all the companies that you can recall?—A. The California and Pacific.

Q. The Carbon Hill Coal Company?—A. No, sir; I do not recall any transactions that I had with them. His books, however, will show any transactions that I may have had with them. It is so long ago that I have forgotten.

THE "S. H. H. & C." SET OF BOOKS.

By Commissioner ANDERSON :

Q. Mr. Yost, do you know of a set of books kept under the title of "S. H. H. & C."?—A. S. H. H. & C.? Yes, sir.

Q. Do you know that Mr. Douty kept them?—A. I was not aware that Mr. Douty kept them.

Q. Who did keep them?—A. I was under the impression that Mr. William E. Brown kept them.

Commissioner ANDERSON. Perhaps I am mistaken.

The WITNESS. I speak of the time when I was there; I don't know.

Q. Did you occasionally see Mr. Brown in regard to matters contained in those books?—A. No, sir; I don't remember that I did.

WHAT THEY CONTAINED.

Q. Do you know what those books did contain?—A. Those gentlemen's private accounts, I think.

Q. With the Contract and Finance Company, Western Development Company, the Pacific Improvement Company, and Central Pacific Company?—A. I think so; yes, sir. That is my remembrance, that they were their private accounts.

Q. Well, do you know as to the dividends had from time to time and the interests of these four gentlemen (of whom Governor Stanford was one), how they were adjusted and collected?—A. No, sir; I don't think I do.

Q. Do you know who received the stocks and bonds and money belonging to each of them?—A. No, sir; that did not come to my attention.

Q. Did you receive Governor Stanford's share from any source?—A. No, sir. I think the Governor attended to that business himself. I may have some time received moneys for him in that connection, a dividend or something of the kind; if so, I have forgotten, but his books will show what the amount was, or if I did receive it. I don't remember now.

Q. Did he himself make any entries in his private books, or did you make them all?—A. I think in the private account he never made any entries.

Q. Did you make the entries?—A. Yes, sir.

THE THIRTEEN MILLIONS OF CENTRAL PACIFIC STOCK.

Q. Now, without asking you the exact figure, do you not remember entering, on the occasion of the division of the assets of the Contract and Finance Company, the receipt of a quantity of Central Pacific stock amounting to something like thirteen millions of stock?—A. No, sir; I don't remember.

Q. No such entry occurs in the books which you kept, do you mean?
—A. I don't think it does, sir.

Q. Did you keep a journal?—A. No, sir; I don't think I did.

Q. Or a day-book?—A. Well, that is what I referred to when I said a book of daily accounts or daily occurrences, or whatever it was. That is what I meant as a day-book.

Q. If you had received for him in his private capacity thirteen millions of Central Pacific stock on a given day, would that have been an entry that you would have made in this book such as you kept?—A. I don't think so; no, sir.

Q. Why not?—A. Well, because, as I told the chairman, his private account of those amounts and nature generally were kept in the Central Pacific books, as I understand it, and it was credited up to him on those books, and on other books, but not on mine.

Q. Did you keep a book of accounts receivable of the various stocks and bonds held by the governor?—A. No, sir; I do not think I did.

Q. Do you know that such a book was kept?—A. Well, outside of the regular company's books, I do not think there was; no, sir.

HOW BONDS WOULD STAND ON THE COMPANY'S BOOKS.

Q. How would the company's own books inform Governor Stanford of the amount of dividends or the amount of coupons that he was entitled to on bonds?—A. That I do not know, because I did not see those books. I have not seen those books. I should judge, however, they were credited to his individual account.

Q. How would you know what bonds he held?—A. Because those would be credited to him when they would be paid to him, I should judge.

Commissioner ANDERSON. The coupon bonds stand in the name of no person.

The WITNESS. They would be probably placed to his credit, I suppose, on the books of the company.

Q. Do you assert that, or do you just think that there was not kept amongst the books to which you had access a book of bills receivable which would inform the governor when his coupons became due and when his dividends became due?—A. Yes, sir. I did not keep those accounts. I may have made some particular entry of some kind or amount, but I do not recall it now. But that account, as a rule, was not kept in my books; that is, in his private books.

Q. Did you have any relations with the Pacific Improvement Company on account of Governor Stanford?—A. No, sir; not that I remember of.

BOOKS OF CONTRACT AND FINANCE COMPANY.

Q. Did you ever see these boxes in which the books of the Contract and Finance Company were placed, in the city of San Francisco?—A. I may have; if so, I have forgotten it.

Q. If you saw them, where is your best impression that you saw them?—A. In the office at Fourth and Townsend streets, at the railroad offices.

Q. How long after you had seen them at Sacramento?—A. That I could not say; I am not sure that I ever saw them there.

PLACED IN BOXES BY MARK HOPKINS.

Q. How many boxes were there here?—A. That I could not tell you.

Q. How long did you remain in that room when Mr. Hopkins was packing these boxes up?—A. I do not remember.

Q. Do you mean to say that he himself was engaged in placing the books in the box or boxes?—A. Yes, sir.

Q. Did you see him nail up the boxes?—A. In the process of nailing them up, or rather screwing them with screws—

Q. He was doing that work himself?—A. Yes, sir.

Q. Was John Miller there?—A. If there was some one else there at the time, I have forgotten who it was. There may have been some one in the room at the time.

Q. Have you seen John Miller since that time?—A. Yes, sir.

Q. Has he ever alluded to this occurrence in your presence since?—A. No, sir.

Q. He said nothing about these books at all?—A. No, sir.

Q. Have you said anything to him about them?—A. Not that I remember of.

Q. Well, think it out and see if you do not recall that you heard that they had disappeared, and of saying something to John Miller about them?—A. No, sir; I don't remember.

Q. Did you speak to any of the officers of the company or any person about it after it was ascertained that the books had disappeared?—A. I may have; if so, I have forgotten it now, though. It has passed from my mind and I did not fix it at all in my memory.

Q. In connection with what suit was it that you think that you learned of this disappearance?—A. That I do not remember. I think it was a suit that called the subject up. What suit it was I do not remember.

Q. Do you remember any lawyer in connection with it?—A. No, sir; I do not.

Q. Do you remember Mr. Cohen in connection with any such transaction?—A. No, sir; I don't remember him in connection with it.

Q. Did you ever have an interview with him about these books?—A. Not that I remember of.

WITNESS'S CONNECTION WITH CHARLES CROCKER.

Q. Did you ever have any connection with Charles Crocker, as employé, clerk, or book-keeper?—A. Yes, sir; I was with him for a few months, I think.

Q. When was that?—A. I cannot give the exact date.

Q. Was it about the time they were building this road?—A. It was when I first went there, about 1869 or 1870. I was with him there, I think, two or three months, and then I went with Governor Stanford. No, sir; I had no connection with him while he was building the road. It may have been at that time—

Commissioner ANDERSON. This contract was between 1864 and the end of 1867, or the beginning of 1868.

The WITNESS. No, I was not connected in any way with him during that time; no, sir.

Q. Did you ever see the books of Crocker & Company relating to the construction of this road?—A. I may have in a casual way, but never to inspect them.

Q. Do you know who kept them?—A. I think Mr. W. E. Brown did; I am not sure, however, but I think Mr. W. E. Brown was the secretary of the company at that time.

RESIGNS HIS POSITION WITH GOVERNOR STANFORD.

By the CHAIRMAN:

Q. When did you resign from the employment of Governor Stanford?—A. I think it was December, 1877, I am not sure, or the begin-

ing of 1878; I could tell by referring to certain memoranda, and give the exact date.

Q. What memoranda have you?—A. There is the time that I went to the stock exchange.

Q. What memoranda did you keep while in the employ of Governor Stanford for yourself?—A. I may have kept some memoranda as regards his transactions.

Q. As regards your own transactions, I mean. You spoke of some memoranda. What memoranda do you refer to?—A. Oh, when I became a member of the board, I can give the exact date when I resigned my position with the governor, because I resigned from there and went into business the next day.

Q. In answer to Mr. Anderson's question, you spoke in reference to Mr. Crocker's contract, and said that you could tell by some memoranda that you had; what memoranda did you refer to?—A. Mr. Crocker's contract. I did not understand that question, I think. Would you be kind enough to repeat that?

REQUEST FOR MEMORANDA MADE WHILE PRIVATE SECRETARY.

Q. Did you keep any memorandum during your connection with Mr. Stanford to enable you to recall the business transactions that you had in his employ?—A. Oh, yes, sir; I did.

Q. What kind of memoranda did you keep?—A. Just ordinary memoranda, like one would jot down to jog the memory, or something of that kind. Nothing especial at all.

Q. Have you got them in your possession now?—A. No, sir.

Q. What did you do with them?—A. I guess they are in the archives with my old books and memoranda, but I don't remember where they are.

Q. Have you got them in your possession?—A. They are stored at my brother's store, on Bush street.

Q. Can you secure possession of the memoranda?—A. I do not know that I can. I will see, however.

Q. Will you produce them to the Commission?—A. I will endeavor to find them; yes, sir.

DISBURSEMENTS OF MONEY WHILE SECRETARY.

Q. Did you pay any money out under the direction of Mr. Stanford while in his employ?—A. Yes, sir.

Q. For what general purpose did you make payments under his direction?—A. I don't know. Any transactions that he might want me to attend to.

Q. Did you ever attend to any legislation on account of Governor Stanford?—A. In a general way; yes, sir.

Q. What did you do in a general way, concerning legislation?—A. I would get up statistics and facts, anything that he requested me to do in that direction.

Q. What did you do with the statistics and facts?—A. Turn them over to him, generally.

NO EFFORTS TO INFLUENCE LEGISLATION.

Q. Did you make any payments under the direction of Governor Stanford for the direct purpose of influencing legislation, or any that you know of that were indirectly used for the purpose of influencing legis-

lation?—A. Not that I remember of now. I think not. No, sir; not that I remember of.

Q. Would you not remember such a circumstance?—A. Well, no; I don't think it is likely that I would recall any such circumstance.

Q. Was that such an ordinary occurrence that you would not regard it as of any importance?—A. Perhaps, extraordinary.

Q. What is the difficulty about recalling such a transaction?—A. Well, as I say, I do not recall any that I had.

VISITS TO THE LEGISLATURE.

Q. Did you visit the legislature under the direction of Governor Stanford?—A. Yes, sir.

Q. How often did you visit the legislature?

The WITNESS. How often during the entire term, do you mean?

The CHAIRMAN. During your connection here in his employ from 1863 to 1868?

WITNESS. At almost every legislature there was, I was there, I think.

Q. Did you go alone?—A. No, sir.

Q. Who accompanied you?—A. I generally went with the governor. I acted in the same capacity there as I acted here; to attend to his correspondence and hunt up any figures for him, or any facts that he wanted to find.

LEGISLATIVE INVESTIGATING COMMITTEES.

Q. He was not governor during that time, was he?—A. No, sir; at the expiration of his term of office as governor he became president of the Central Pacific Railroad.

Q. What was he doing there then?—A. Very frequently he was sent for to reply to questions of committees appointed to regulate freights and fares, and he was generally there to explain to them about fares and freights and the condition of the road, or answer any questions that were asked of him.

Q. What did you do?—A. I generally kept all his letters and replied to all inquiries, and if there was anything in the way of getting up statements for him or anything of that kind, I generally would obey his instructions about it.

OTHER OFFICERS OF CENTRAL PACIFIC.

Q. Who else was there besides Governor Stanford? what other officers of the Central Pacific Company?—A. Generally, Mr. Stubbs; he was there frequently; I remember he was our general freight agent; at that time he was there to explain in reference to freight matters. Mr. Goodman was also there.

Q. Who is Mr. Goodman?—A. He was general passenger agent.

Q. Who else was there to represent the company?—A. Well, Col. W. B. Hyde, I think, used to be there also. He was a civil engineer, and a very good statistician.

Q. Who else was there?—A. Generally, there were a good many.

The CHAIRMAN. I want to know who representing the Central Pacific Company.

The WITNESS. Oh, representing the Central Pacific. Well, I don't remember. Generally, that was all, I think, that was there to represent the company.

WHO ATTENDED TO LEGISLATIVE MATTERS.

Q. Who looked after the legislation for the company?—A. I think Governor Stanford did, generally; in answer to those bills that were generally called before the legislature.

Q. Who was regularly employed and on duty there to watch the legislation and see that it was not hostile or injurious in any way to the railroad interests?—A. That I do not remember.

Q. Did the company have any one there?—A. Well, I think, generally, most of the time the governor himself was there. He had his home there in Sacramento.

Q. Did he do all the explaining to members of the legislature during the whole session?—A. Generally, when he was called on, he was always willing to explain.

Q. Who were stationed there during the session of the legislature and known to be Central Pacific Railroad men, looking after the interests of the Central Pacific Railroad Company in the legislature?—A. I do not remember any particular one now. As I say, I think the governor was, generally, the one that was looked to.

LEGAL REPRESENTATIVES.

Q. Who explained the law matters?—A. Perhaps some of the law firm would be called on.

Q. Who were they?—A. Judge Silas W. Sanderson was one, and Harvey S. Brown and Robert S. Roberson were others.

Q. Were there any others?—A. That is all that I recall just now who took part at that time; there may have been some outside lawyers, but those were lawyers directly connected with the office there of the company.

Q. Were there any individuals known and designated as railroad lobbyists in attendance upon the legislature?—A. Not that I remember of.

Q. Did you ever hear of the term before?—A. Yes, sir.

Q. Did you hear of it while in the employ of Governor Stanford?—A. Yes, sir.

Q. Whom did you hear were there?—A. Oh, I do not remember.

Q. Did you ever hear any names mentioned in connection with that company?—A. Not that I remember—any particular name; no, sir.

NO MONEY FOR INFLUENCING LEGISLATION.

Q. Do you know of any payment of money for the purpose of influencing any legislation or elections?—A. No, sir; I do not remember of any.

Q. Would there be any difficulty in remembering such a circumstance as that?—A. I think it would impress itself.

INTEREST IN ELECTIONS.

Q. Do you know of the participation of any of the officers, or employés, or agents, or directors of the Central Pacific Company in general or primary elections?—A. I do not remember of any now; they have taken a general interest.

Q. What do you mean by general interest?—A. Governor Stanford has always been a very prominent Republican, and has always taken a general interest in his party matters.

Q. Who else was connected with the road?—A. Come to think of it, I think they were all Republicans.

Q. Did they all take a hand at the general and primary elections?—A. Well, hardly, I think; that is, not that exact expression. They generally took an interest in the success of their party. Oh, there was one Democrat, by the way—General Colton, I remember.

Q. Did they take an interest in the general elections or local elections as railroad men?—A. No, sir; I do not think they did as railroad men.

TO WHOM PASSES WERE ISSUED.

Q. Did you issue any passes while in the employ of Governor Stanford?—A. Yes, sir.

Q. Had you authority from him to issue passes?—A. I think on some few occasions only. Generally he signed all the passes that I made out.

Q. To whom did you issue them generally?—A. I do not remember. Generally to a good many of the employés in the law department, and their families and friends.

Q. Did you issue passes to the members of legislature?—A. Yes, sir.

Q. And to members of Congress?—A. Yes, sir.

Q. And judges of courts?—A. Yes, sir.

Q. Did you issue passes to the friends of members of the legislature on the application of the member?—A. That I cannot remember; but, I think, possibly we did.

Q. What other inducement, or what other preference or privilege, rather, was given by way of bonus that you recall by the railroad company?—A. I do not remember, now, of any.

Q. Do you recall any advantages that were offered to members of the legislature by way of bonus, other than a pass?—A. No, sir; I do not remember.

PERSONAL ACQUAINTANCE WITH MEMBERS.

By Commissioner ANDERSON:

Q. Were you generally personally familiar with members of the legislature?—A. Yes, sir; I have resided here so long that I generally know them.

Q. You know a large number of them personally?—A. Yes, sir.

Q. Where did the legislature meet, in Sacramento?—A. Yes, sir.

Q. Did you remain there generally throughout most of the sessions?—A. Well, I think so; yes, sir.

Q. How long were the sessions?—A. I think about three months, perhaps, or a little longer.

DISCUSSION OF BILLS WITH MEMBERS.

Q. Where did you stay while there?—A. Most of the time, I think, at the governor's house. Sometimes at the hotel.

Q. At the governor's house?—A. Yes, sir; he had a home there in Sacramento. During the daytime I was there, most of the time.

Q. And when at the hotel?—A. When at the hotel? I had rooms at the hotel.

Q. When at the hotel you had a parlor besides a bedroom?—A. Yes, sir.

Q. Was it a common occurrence for members of the legislature to be in your parlor?—A. Not a common occurrence; no, sir; I don't think it was.

Q. It did happen occasionally, though?—A. Yes, sir.

Q. When there, would the subject of railroad legislation be discussed between you and the members?—A. Without remembering exactly now, I think very probably it was; yes, sir. We would discuss the bills, whatever was before the legislature.

Q. How did you come to have charge of discussing these matters, was it at Governor Stanford's request?—A. No; I do not think he ever made a particular request.

Q. What kind of discussion would you use with these gentlemen; what would you say to them?—A. I do not remember now; it is so long ago. And it depended on the bills entirely.

OBJECT OF DISCUSSION.

Q. What was your object; to try to get them to vote reasonably and in the interest of the company?—A. Yes, sir. And try and take our view of the bills, and to see the injustice that it would work to the company by high charges.

Q. Did you ever suggest to any of those members of the legislature that it would be of advantage to them to so vote?—A. No, sir; I do not remember that I ever made that suggestion.

Q. Cannot you remember a little more exactly what the nature of your persuasive power was?—A. Well, I do not know about the persuasive powers, except the explaining to them.

DINING MEMBERS AT PERSONAL EXPENSE.

Q. Did you dine them at the hotel?—A. I think—yes, sir—I have dined them there and elsewhere. They were acquaintances of mine and friends of mine, and I have known some of them for many years.

Q. At whose expense did you dine them?—A. At my own expense.

Q. Was the account so expended ever charged up to the company?—A. I do not think it was.

Q. Was this a frequent occurrence; did you give them many dinners?—A. Oh, no, sir.

Q. Were they generally given to single members of the legislature, or were they dinner parties?—A. Oh, that I don't remember; it is too long ago now.

MEMBERS WERE NOT STOCKHOLDERS.

Q. Did you know whether any of these members were holders of stock of the Central Pacific at the time that you talked to them?—A. No, sir; I don't know that they were. I don't remember now that any of them were holders of stock.

Q. Do you know whether any of them became holders of stock afterwards?—A. No, sir; I do not remember that they did.

Q. Can you name some of those gentlemen who dined with you and were familiar with you during those sessions?—A. It is so long ago now that it really has passed out of my mind as to any particular persons.

APPEARANCES AT WASHINGTON.

Q. Did you ever attend any sessions of Congress in Washington with Governor Stanford?—A. No, sir; not in the capacity of secretary; I was there a year ago.

Q. When?—A. A year ago.

Commissioner ANDERSON. I refer to those periods we have been speaking of.

The WITNESS. No, sir; I did not.

Q. You did not attend at all until a year ago at Washington?—A. Well, that was a mere accident of my being in Washington. When Congress was in session a year ago last April I was there, and the governor was there as Senator.

Q. And before that time you never attended the sessions of Congress?—A. No, sir.

ATTENDANCE AT OTHER STATE LEGISLATURES.

By the CHAIRMAN:

Q. What other State legislatures did you attend with Governor Stanford?—A. I think California was all.

Q. Do you recall going to any other legislature?—A. No, sir; I do not think that I attended any other legislature except that of California.

Q. Were any of the members of the present legislature, or were any members of the last legislature, members of the legislature when you were in attendance?—A. Well, really, I do not recall the members of the last legislature; I would if I saw a list of them. I could then tell you, and answer that question more correctly; but I was here at the time; and busy, and I paid no attention to the last legislature.

ATTENDANCE OF STEVEN T. GAGE.

Q. Have you named all of the officers, employes, or agents of the Central Pacific Railroad Company that were in attendance at any time upon the legislature for the purpose of watching legislation?—A. Well, now, it just comes to me about another gentleman, Steven T. Gage, who was there.

Q. Who is Steven T. Gage?—A. He occupies some official capacity, I think, with the company. I think he is a director.

Q. What was he doing there?—A. He was very well posted on our freight and fares matters, and very familiar with the subject.

HIS FRIENDLY ACQUAINTANCE WITH MEMBERS.

Q. How were members of the legislature approached?—A. I think he knew quite a number of them as friends and as acquaintances. He has an acquaintance with them.

Q. Did he talk with them individually, or as members of committees?—A. Well, I suppose both.

Q. To whom were reports made of the effect of such explanations during the session of the legislature?—A. I guess Governor Stanford kept pretty well posted as to the individual views of members.

Q. Did the officers and agents report to Governor Stanford from time to time?—A. Incidentally, if there was anything to talk over.

Q. Did the officers which you have named gather information as to how the members were going to vote on the different bills pending?—A. I don't remember that they did. They may have done so where they expressed their opinion to them.

Q. Did they report to Governor Stanford?—A. I think they did. Yes, sir; they would post him as to their opinions.

Q. That is all, Mr. Yost, unless you can produce the memoranda. Is there anything else that you desire to say to the Commission?—A. No; I don't know that there is.

Q. Have you any information that you can give the Commission other than what you have said?—A. No, I don't know of anything at this time. I may have in a few days if I can think of anything.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Monday, August 1, 1887.

FRANK S. DOUTY, being further examined, testified as follows:

By Commissioner ANDERSON:

Question. Have you with you the books of minutes which were called for at the last session?—Answer. I have not.

REFUSAL TO PRODUCE BOOKS.

Q. Why have you not produced the same?—A. Under the advice of counsel.

Q. Do we understand that you decline to produce them?—A. Yes, sir.

Q. Either here or at your office?—A. Either here or at my office.

Q. Have you at your office the books of account of the Pacific Improvement Company and the Western Development Company?—A. Yes, sir.

Q. Are those books open to our inspection?—A. Subject to the advice of counsel. I have not been instructed in that particular.

Commissioner ANDERSON. Perhaps you had better inform yourself in regard to that matter before we proceed further.

(The witness retired for a few moments, and, after consultation with his counsel, returned to the witness chair.)

Q. What is your answer, Mr. Douty?—A. They are not. I cannot produce them.

THE BOOKS ARE SUBJECT TO INSPECTION.

Q. The question is whether they are open to our inspection at the office of the respective companies?—A. Yes, sir; that is my understanding.

Q. They are open to our inspection?—A. So far as the accounts relate to the Central Pacific.

Q. Well, to avoid any possible mistake, do you make a distinction between the minutes of these corporations and their books of account?—A. No, sir; I make no distinction.

Q. The minutes are also open to our inspection?—A. Well, I say that any books relating to the Central Pacific directly I understand to be subject to your inspection.

Q. Including the books of minutes?—A. Yes, sir; if there is anything in there relating to the Central Pacific, that I understand would be open to your inspection. I will say for your information this: There is nothing between the Central Pacific and the Western Development Company that the Central Pacific books do not fully contain, as I understand it.

REFUSAL TO PRODUCE BOOKS OF WESTERN DEVELOPMENT COMPANY.

Q. In order to present the question clearly to you, and referring first to the Western Development Company, we desire to see the accounts which will inform us of the exact cost of construction of all roads or

parts of roads which were either built for account of the Central Pacific, or subsequently leased to the Central Pacific, by the Western Development Company, and which accounts will show the cost of such construction to the Western Development Company. Now, my question is whether that account is open to our inspection.—A. Well, sir, I have a variety of accounts. I shall make the same answer in regard to that. Under the advice of counsel I decline to disclose the accounts.

ALSO THOSE OF PACIFIC IMPROVEMENT COMPANY.

Q. I now ask you the same question in regard to the accounts of the Pacific Improvement Company as to disclosing the cost of construction to the Pacific Improvement Company of the California and Oregon Railroad from Delta to the northern boundary of the State, and also all other accounts which disclose the actual cost of construction of all railroads or parts of railroads constructed by the Pacific Improvement Company for the account of the Central Pacific Company, or which were subsequently leased to the Central Pacific Railroad, which accounts will disclose the actual cost of the construction of such railroads or parts of railroads to the Pacific Improvement Company. I ask you whether those accounts are open to our inspection and examination?—A. Under advice of counsel I am compelled to say they are not.

AND OF SOUTHERN DEVELOPMENT COMPANY.

Q. Now, I ask you the same question in regard to the Southern Development Company as to all books and accounts which show the cost of construction of any road or part of road, either for the account of the Central Pacific or subsequently leased to the Central Pacific. What is your answer in regard to those accounts?—A. The same answer.

OR THOSE OF OTHER COMPANIES.

Q. I ask you the same question in regard to the accounts showing the cost of the Los Angeles and Independence Railroad Company?—A. The same answer.

Q. The same question with regard to the accounts of the Carbon Hill Coal Company?—A. The same answer.

Q. The same question with regard to the Rocky Mountain Coal and Iron Company of Wyoming?—A. The same answer.

Q. The same question with regard to the Colorado Steam Navigation Company?—A. Same answer.

Q. The same question with regard to the Southern Pacific of Arizona?—A. The same answer.

Q. The same with regard to the Southern Pacific of New Mexico?—A. Same answer.

COST OF CONSTRUCTION BY PACIFIC IMPROVEMENT COMPANY.

Q. Have you an account amongst the books and accounts of the Pacific Improvement Company which would show the exact cost of the construction done by that company under its contract with the Central Pacific road from Delta to the northern line of the State?—A. I have an account of that construction, which will show the cost up to the date when the last entries have been made.

Q. That is, the cost to the Pacific Improvement Company?—A. That is, the cost to the Pacific Improvement Company.

Q. Are you able to state from memory how much that amount is?—A. I am not.

Q. Well, will the accounts of the Western Development Company show the cost to the Western Development Company of the various roads or parts of roads constructed by that company which have been referred to in the call hereinbefore specified.—A. Yes, sir; the books of the company will show everything that it has ever done.

COST OF CONSTRUCTION TO OTHER COMPANIES.

Q. And will the books of the other companies hereinbefore specified also show the actual cost of construction to the respective construction companies of the various lines specified in the call?—A. Yes, sir.

Q. Will these books also show, in each case where the line has been leased to the Central Pacific, the amount of rental charged to the Central Pacific Company, as explained in your evidence Saturday?—A. I don't know that it will in all cases.

Q. Will it in some of the cases where such rentals were credited by you?—A. Wherever those companies you have named had anything to do with the rentals, the books will show the rentals.

Q. Will the books which you have referred to show the amounts charged to the Central Pacific Company or received by you from the Central Pacific Company for the interest on the amounts which the respective companies had on deposit with the Central Pacific Company?—A. I cannot answer that; that is, if I understand the question aright. Will you read it again?

INTEREST PAID ON DEPOSITS WITH CENTRAL PACIFIC.

Q. You stated on Saturday, as to a number of these companies, that they kept their funds with the Central Pacific, and that company allowed them interest at 10, 12, 8, and 6 per cent., and the question is, whether the amounts of interest so allowed will appear in those books.—A. Well, the Western Development Company books will show all the transactions it ever had with the Central Pacific Railroad Company, and also the interest which was allowed by that company, but if I stated on Saturday that the interest paid by the Central Pacific was 12 per cent., that is an error. I was asked, as I understood it, the ruling rates of interest at the time, and I think the highest rate of interest we ever received was 10 per cent., and it got down to 6.

BOOKS OF "S. H. H. & C."

Q. The answer was 12, 10, 8, and now 6. It is not material. Have you the books which you referred to on Saturday as the S. H. H. and C. books?—A. I have not.

Q. In whose custody are those books?—A. Well, I cannot state that positively.

Q. Is it Mr. W. E. Brown?—A. Mr. William E. Brown is supposed to have them. He keeps the books.

Q. Will the books above referred to, relating to the Pacific Improvement Company, the Western Development Company, and the other construction companies, show the profit, if any, which was made under the construction contract by the stockholders of those respective companies?—A. I think it would be a difficult thing to figure out profits on a contract.

Q. That is hardly an answer. Will those accounts show whether any profits were made or any losses sustained?—A. You are asking me

whether a profit or loss was made or sustained, and I will answer it in this way: The pay that the company received was in stocks and in bonds. Now, it depends entirely at what you value the stock and the bonds, as to whether the Pacific Improvement Company made or did not make a profit.

Q. I will now put the question to you in this form: Will those accounts show just what was expended for the account of the stockholders of the various companies, and, on the other side, what form of consideration was received for their benefit from the Central Pacific Company?—

A. The Central Pacific or any other company.

SUFFICIENCY OF NOTICE TO PRODUCE BOOKS.

Q. Are you willing to place on record an admission that the notice to produce the books, papers, contracts, agreements, documents, and accounts which have been called for is sufficient, as matter of form, to give you notice of the demand of this Commission and of the nature of the books and papers called for?

Mr. BERGIN. There is no objection to the mere form.

A. That is my answer.

By the CHAIRMAN:

Q. Do I understand you that you decline to produce any books, papers, contracts, or agreements, of any kind whatever, of the several companies you have named?—A. Yes, sir.

T. I. BERGIN.

Q. Who is your counsel?—A. Mr. Bergin.

Q. What is his full name?—A. T. I. Bergin.

Q. Is he the attorney for the Central Pacific Company?—A. Well, I cannot say as to that. He is probably one of the retained attorneys of the Southern Pacific Company.

Q. Does he appear here as the attorney for the Central Pacific Company?—A. I can only state that he does appear here as my attorney in this case.

F. S. DOUTY.

DECLINES TO STATE IN WHAT CAPACITY HE APPEARS.

The CHAIRMAN (to Mr. Bergin). Do you appear before the Commission as the attorney of the Central Pacific Railroad Company?

Mr. BERGIN. I do not exactly know that it is very material to know whether I do or not.

The CHAIRMAN. I desire to know whether you appear before the Commission, and have appeared from time to time, as the attorney of the Central Pacific Railroad Company.

Mr. BERGIN. Well, I do not see that it is very material whether I do or not.

The CHAIRMAN. Do I understand you to decline to answer?

Mr. BERGIN. Yes; I decline to answer in that way.

The CHAIRMAN. Well, gentlemen, I do not see, unless we hold a secret session and make our application to the court, that we can proceed further at this time. We will excuse all other gentlemen.

The Commission here went into secret session.

PALACE HOTEL, SAN FRANCISCO,
Monday, August 1, 1887.

Afternoon session.

Mr. Alfred A. Cohen, at 2 p. m., appeared on behalf of the Central Pacific Railroad Company in relation to the refusal of the witness Frank B. Dooty to produce the books of the Western Development Company, the books of the Pacific Improvement Company, and the books of sundry other corporations of which that witness is an officer, which have been called for by this Commission, and said:

PROPOSAL TO PRODUCE BOOKS AND PAPERS RELEVANT TO INVESTIGATION.

I wish to say that this witness and these corporations are willing to produce all books and papers which will in any way instruct this Commission, or explain the testimony of any of the witnesses before it, or which will in any way enable this Commission to pursue its inquiry within the scope of the act of Congress under which it derives its appointment; and I ask that the witness be recalled for examination, and that he be questioned on the particular subject-matter concerning which the Commission desires to derive information from the books or papers under his control.

It is the intention of all the companies allied, or in any way connected, with the Central Pacific Railroad Company, and the officers of all those companies, to afford this Commission every aid in their power to enable it properly to perform its duties.

ACCOUNTS DESIRED BY THE COMMISSION SPECIFIED.

Commissioner ANDERSON. The exact accounts which we desire to see are the accounts kept by the Western Development Company, showing the cost of construction to the Western Development Company of any roads, or parts of roads, either constructed for the account of the Central Pacific Railroad Company, or which were leased to the Central Pacific Railroad Company, in order to ascertain whether the stockholders of the Western Development Company have received from the Central Pacific Railroad Company portions of its assets, or portions of its earnings, which have been realized by them as a profit on said contracts, the proof being that they were the controlling influence both in the Central Pacific and the Western Development Companies.

We therefore ask you whether your proposition includes the production of the accounts of the Western Development Company showing the cost of construction of the railroads and parts of railroads above specified.

I make the same explanation in regard to the Pacific Improvement Company, without repeating it at length, and also in regard to the sundry other corporations of which Mr. Dooty is an officer.

COUNSEL OF CENTRAL PACIFIC.

Mr. COHEN. I think that my offer is broad enough to include every subject-matter and thing which this Commission, by the terms of the act of Congress, is authorized to inquire into. Therefore I have suggested that specific questions be put to see whether we have any record

or written evidence that bears upon the specific matter to be inquired into.

OBJECT SOUGHT BY COMMISSION IN EXAMINATION OF BOOKS.

Commissioner LITTLE. This Commission desires not only the examination of the books for the purposes stated, but for the purpose of ascertaining whether the chief officers of the Central Pacific Railway Company have not used these several corporations as mere instruments to benefit themselves personally, and whether their conduct is not really an abuse of these trusts as such officers.

Commissioner ANDERSON. I want to say that the specific questions that you allude to were put to the witness Dooty, and he made answer thereto that the accounts in his possession would show the cost of construction of these various roads to the Western Development Company and to the Pacific Improvement Company, and I call your attention to the fact that the mere statement of a willingness to show us anything which we are entitled to see under the act of Congress will not lead to a solution of the difficulty, on account of a difference between ourselves and the representatives of the company as to the permitted scope of inquiry; and that unless a representative of the company is prepared to say that the accounts which we have specified can be inspected by us it would be a mere loss of time to recall the witness, as it would be necessary to obtain the judgment of the court as to whether we are entitled to see those accounts.

The Commission then adjourned to Tuesday, August 2, 1887, at 10 A. M.

PALACE HOTEL, SAN FRANCISCO,
Tuesday, August 2, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

LELAND STANFORD, being further examined, testified as follows:

RELATION OF THE CENTRAL PACIFIC TO THE GOVERNMENT.

If the Commission please, perhaps it would tend to a better understanding of the case if I should read a short paper which I have just had prepared. It would, at least, give our views a little better. I wish to read it partly because of a remark which you, Governor Pattison, made to me. I infer from remarks made by some of the Commissioners about the time of adjournment last Friday, that it was supposed that the Central Pacific Railroad Company did not occupy towards the Government the position of an independent contracting party, but was in some way an agent acting in a fiduciary capacity. The Federal courts have in several cases construed the Pacific railroad acts, and have determined what are the property rights of the company under the acts of Congress. It has been repeatedly held by those courts that the grants of lands and bonds made in aid of the construction of the road became the property of the company upon compliance with the conditions named in the acts. Several actions have been prosecuted by the United States upon the theory that the Government could compel an accounting with

the directors of the corporation constructing the Pacific railroad for the disposition they made of the bonds issued by the United States.

UNITED STATES VS. UNION PACIFIC.

The case of the United States vs. The Union Pacific Railroad Company, in the circuit court of Connecticut, was the first of this character of suit. (See 2 Blatchford, 404.) The case was appealed to the Supreme Court and affirmed. Mr. Justice Hunt, in delivering the opinion of the circuit court, said:

The grants of land and the issuing of bonds are to be considered gratuitous, voluntary contributions to aid in the construction of works which it was supposed would develop the resources of the country, advance civilization and improvement, and upon which the mails and munitions of war could be transported. When given and accepted the power of the donor is at an end, and the absolute ownership is in the corporation.

It was upon the theory that the bonds issued by the Government were the private property of the company, that the court refused to order an accounting of what disposition was made of them by the directors.

COURT OF CLAIMS CASE.

A case involving similar questions and of the same title was commenced in the Court of Claims and appealed to the Supreme Court. (See 1 Otto, 72.) Mr. Justice Davis in delivering the opinion of the court, said:

The act itself (Pacific railroad act) was an experiment. It must be considered in the nature of a proposal to enterprising men to engage in the work, for with the extraordinary obstacles in the way there was no security that capital could be enlisted; if enlisted at all it would only be on condition which would insure in a case of success remuneration in proportion to the risk incurred. The proffered aid was in lands and interest-bearing bonds of the United States.

The court in this case affirmed the same doctrine that was maintained in the case previously cited. No contrary view has been expressed by the Supreme Court. In construing the Thurman act it was assumed throughout by the Supreme Court that the aid granted by the Government to the roads was private property. (See 9 Otto, 700 to 709.) Nor was it decided that Congress had power to change the contract, but it was argued by the court that the provision for a sinking fund did not interfere with the rights of the company or require payment from it before maturity of the bonds.

I believe that it has been reaffirmed in our case before the Court of Claims, and again by the Supreme Court of the United States, on the question of compensation to the aided roads. I put this in to give you an idea of our side of this matter, as I do not seem to have been able to have made it sufficiently clear in my former statement.

It is unnecessary to examine in detail the expenditure of the company in the construction of the road. The aggregating expenditures for all purposes can be readily ascertained.

The following is a list of all the available resources, with the exception of those originally contributed by the promoters to inaugurate the enterprise:

Central and Western Pacific Railroad. Memorandum regarding receipts from all sources, to December 31, 1889.

	Par value.	Approximate realized.
United States bonds:		
Central and Western Pacific	\$27,353,680	\$26,735,000
Central and Western Pacific of same amount	27,353,580	26,750,000
Central Pacific:		
Convertible bonds	1,493,000	890,000
State aid bonds	1,500,000	800,000
County bonds:		
San Francisco to Central Pacific	400,000	300,000
Sacramento to Central Pacific	300,000	180,000
Placer to Central Pacific	230,000	190,000
San Francisco to Western Pacific	350,000	175,000
San Joaquin to Western Pacific	350,000	175,000
Santa Clara to Western Pacific	150,000	100,000
and sales balance Central Pacific Railroad		107,000
Credit and loss balance January 1, 1870		1,010,000
Total		48,002,000
Company owed Contract and Finance Company		1,527,000
Grand total		49,529,000

Under the act of Congress we were permitted to issue bonds secured by a first mortgage on our road to an amount equal to the Government loan. The State aid bonds referred to in the table were our own bonds, to the amount of a million and a half, on which the State paid the interest for twenty years, the company paying the bonds at maturity.

These bonds issued to the Western Pacific Railroad Company were given before the Central Pacific gained control of that road, and we never handled them. The bonds given by these various counties were for subscriptions to the stock of the railroad company.

COUNTIES AUTHORIZED TO SUBSCRIBE AID.

Commissioner LITTLE. Before passing from this schedule of securities I wish to call your attention to a list of counties which, under the laws of California, were authorized to subscribe aid to railways, and ask you to state, as I name them, whether the Central Pacific Railroad Company received aid from any of them. First, Yuba County was authorized to subscribe \$200,000.

The WITNESS. Not to the Central Pacific.

Commissioner LITTLE. Sutter County, \$50,000.

The WITNESS. Not to the Central Pacific.

By Commissioner LITTLE:

Q. Or to any of its branches?—A. No, sir; I know that that county issued some bonds, or was authorized to issue some for a road that was intended to have been built to Marysville, but we had nothing to do with it, and never have had.

Commissioner LITTLE. Solano County, \$200,000.

The WITNESS. That has nothing to do with the Central Pacific.

Commissioner LITTLE. Yolo County, \$50,000?

The WITNESS. Not to the Central Pacific.

AID GIVEN TO ROADS PRIOR TO CONSOLIDATION.

Commissioner LITTLE. As I call this list over, if any of the railways are named which have subsequently been consolidated with the Central Pacific and now form a part of that road, please mention that fact.

The WITNESS. The county of Yuba subscribed to some railroad, but not one that we were connected with; and whether stock in some of these roads was taken by the county, or not, I do not know, but the Central Pacific had nothing to do with it, directly or indirectly. The only counties that have ever contributed to the Central Pacific are the ones that I have mentioned. The aid given by San Francisco, Santa Clara, and San Joaquin Counties to the Western Pacific Railroad was given before the Central Pacific took hold, and never came into our hands.

Commissioner LITTLE. In order to get through with my list, I will read them to you and you can answer. San Mateo County, \$100,000.

The WITNESS. That was given to the road then called the San Francisco and San José Railroad. The Central Pacific had nothing to do with it.

THE \$600,000 SUBSCRIPTION OF SAN FRANCISCO COUNTY.

Commissioner LITTLE. San Francisco County, \$600,000.

The WITNESS. That county was authorized by law to subscribe for \$600,000 of our stock. We had trouble with the county. The people here had lost faith in our road, did not believe that we could ever construct it, and were very much afraid of the liability to which they might be subjected, and instead of subscribing for the stock and issuing \$600,000 in bonds, the matter was compromised by the county giving us \$400,000 of its bonds and taking no stock.

Commissioner LITTLE. Santa Clara County, \$200,000.

The WITNESS. That went to the Western Pacific before we had any connection with it.

Commissioner LITTLE. Placer County, \$200,000.

The WITNESS. Yes; that went to the Central Pacific.

Commissioner LITTLE. I see some of these counties repeated here. Santa Clara County \$200,000, and San Mateo County \$100,000.

The WITNESS. That was to this San Francisco and San José Railroad.

Commissioner LITTLE. San Francisco County again, \$300,000. These were authorized by different statutes of the State of California.

The WITNESS. The Central Pacific had nothing to do with that. I have no doubt that San Francisco gave it, but I have no positive knowledge of it. I do not remember the circumstance.

Commissioner LITTLE. Los Angeles City, \$50,000.

The WITNESS. That has nothing to do with the Central Pacific.

Commissioner LITTLE. Los Angeles County, \$100,000.

The WITNESS. That has nothing to do with the Central Pacific.

Commissioner LITTLE. Placerville City, \$100,000.

The WITNESS. That was to another railroad.

THE COUNTY AID TO CENTRAL PACIFIC.

Commissioner LITTLE. These are under statutes authorizing subscriptions to the stock of railroad companies. These various statutes, I mean, referred to in this list. I do not know whether they are to your road or not. I am calling them off for the purpose of getting your answer.

The WITNESS. There was nothing of this in favor of the Central Pacific except from those counties along the line of that road. Sacramento County, and Placer County, and San Francisco gave \$400,000 in bonds. That is all that the Central Pacific had.

Commissioner LITTLER. If you are quite sure that you have enumerated all the subscriptions paid to this company and its branches, as now constituted, I will not trouble you with this list.

The WITNESS. I cannot be mistaken about that.

The CHAIRMAN. I would put it all on the record. I would not stop it now, inasmuch as you have commenced it.

AID FOR ROADS THAT NEVER WERE BUILT.

The WITNESS. There was a time when aid was voted for roads that never were built. Some of them I do not remember, for we had nothing to do with them.

Commissioner LITTLER. San Joaquin County, \$250,000; El Dorado County, \$200,000; Placer County, \$250,000; Santa Clara County, \$150,000; Stanislaus County, \$25,000.

The WITNESS. I do not remember anything about that. There were never any roads built in this last county under such statutes, and whether any bonds were issued or not, I can not say. I think it doubtful, however.

Commissioner LITTLER. Alameda County, \$220,000; San Francisco County, \$1,000,000, authorized by the statute of 1863.

The WITNESS. Are you reading the complaint filed in some of these cases that have been brought against us?

Commissioner LITTLER. No, sir; I am reading from a list of the statutes passed by the State of California, authorizing subscriptions to railroad companies.

The WITNESS. It sounds a little similar to some of the complaints that I have heard. That is why I ask the question.

SUBSCRIPTIONS OF OTHER COUNTIES TO RAILROADS.

Commissioner LITTLER. Sacramento County, \$300,000, under the statute of 1863; Calaveras County, \$50,000; Tuolumne County, \$50,000; El Dorado County, again, \$100,000; Calaveras County, again, \$50,000; Napa County, \$70,000; Stanislaus County, \$25,000; Yuba County, \$65,000; Yolo County, \$100,000; Los Angeles County, \$150,000; Los Angeles City, \$75,000; Plumas County, \$230,000; Sutter County, \$50,000; San Joaquin County, \$200,000; Stockton City, \$300,000; San Francisco, \$1,000,000, authorized by the statute of 1869.

In this list it is stated that Yuba County actually issued \$265,000; Solano County, \$200,000; San Mateo County, \$100,000; San Francisco, \$950,000; Santa Clara County, \$350,000; Auburn Town, \$50,000; Los Angeles County, \$150,000; San Joaquin County, \$250,000; Placerville City, \$100,000; El Dorado County, \$300,000; Placer County, \$250,000; Sacramento County, \$300,000, making a total of \$3,265,000.

The WITNESS. I do not know anything about how correct that statement is, but I think that the person who prepared it is mistaken. There were a great many statutes passed authorizing different counties and places to vote on propositions to aid railroads, but they never availed themselves of the opportunity. I presume that this statement is prepared from the law books, and the person preparing it did not go farther.

By Commissioner LITTLE :

Q. Do you still stick to your list as read here?—A. Yes, sir.

Q. Do you state that it contains all that the Central Pacific or its branches secured?—A. Yes, sir; it contains all that I remember, and I am sure that I have forgotten nothing.

The CHAIRMAN. Go ahead with your statement.

CONSTRUCTION OF ROAD FROM SAN JOSE TO OGDEN.

The WITNESS (continuing). With the foregoing funds and credits the company constructed 860.66 miles of road, which extended from San José to Ogden. The entire resources of the company, as above stated, were \$47,889,000, which would allow the company to expend on each mile, in round numbers, \$55,600.

I would say here that it was estimated that the road would cost \$90,000 a mile, and there were good engineers who estimated that portions of that road would cost from \$250,000 to \$300,000 a mile, if it ever could be built at all. I will state, however, that that statement came from those who were hostile to the road and did not wish to see it constructed; but we built the road in spite of them, and at a cost very much less than the estimates.

They could not have exceeded that expenditure, having no more money. I submit that no board of competent engineers, taking into consideration all the facts and circumstances connected with the construction of the road, including the price of labor and material at the time of construction and the difficulties encountered, will say that \$55,600 per mile was unreasonable.

GOVERNMENT ONLY INTERESTED TO EXTENT OF ITS GRANTS.

The Government, however, had no interest in the money contributed for the construction of the road in addition to the grants of Congress. The bonds granted by the United States, together with first mortgage bonds of the company authorized by the acts of Congress, produced in the aggregate the net amount of \$41,485,000. If no other money but the bonds issued and authorized by the Government had been used in the construction of the road, it could not have cost more than \$48,200 per mile, for that was the full amount realized from the Government aid and the first-mortgage bonds.

COMPANY AUTHORIZED TO USE THE ENTIRE GRANT IF NECESSARY.

It will not be denied that the company was authorized to use the entire grant of the Government in the construction of the road, and if it could be completed with the bonds issued and authorized to be issued by the Government without other funds, the company was not called upon to appropriate additional money. In other words, the Government offered to the company the grants named in the act upon condition that the company should build the road and perform for the Government the service required. If the road could have been built for one-half, or any other fraction of the amount granted by the United States, the amount saved would have been the property of the company and not of the United States. The Government named its conditions, the company accepted them, and is entitled to whatever benefits may result from the contract. This position is in accordance with the decisions of the Supreme Court of the United States. Does any one suppose that the road would have been built if it had been understood

that if the company was successful the Government would take the profits, and if unsuccessful the stockholders would have to make up the loss? But, strange as it may seem, that is the position assumed by those who, at the completion of the work, demand an accounting from the company for the moneys received from the Government, without regard to the terms and conditions of the contract.

POSITION ASSUMED FOR SAKE OF ARGUMENT.

But suppose that we assume, for the sake of argument, that the company occupies toward the Government the position of an agent or employé, and that it must account to the Government for the moneys received, and must pay over to the United States every dollar over and above reasonable compensation for the construction of the road, we submit with the utmost confidence that the \$48,200 per mile which the company obtained from the bonds issued by the United States, and its own first mortgage bonds authorized by the act of Congress, was less than the reasonable cost of the road, and that without other aid the road could not have been constructed at that time and under those circumstances, so that, so far as the original amount paid for construction of the road is concerned, we say:

POSITION TAKEN BY COMPANY.

First. No money or aid from the United States was used which was not granted to the company on condition that it construct the road, and when the road was constructed and the conditions complied with that the United States had no right to inquire what disposition was made of the bonds granted for its construction.

Second. That if the company is bound to account to the Government as a faithful agent in the construction of the road, the aid granted by the United States was insufficient for its construction, and that upon this basis the Government ought to make good the deficiency.

I shall be pleased, at the proper time, to offer further evidence as to what was a reasonable compensation for the construction of the road.

I thought proper to offer this paper this morning, that the Commission might better understand our views in regard to the relations between the Government and the company, as it might facilitate somewhat the investigation.

By the CHAIRMAN:

Q. Have you anything to add to that statement?—A. No, sir; not now. I am at the service of the Commission. I take it for granted that at some time or other we will have an opportunity to present our views as to the matters concerning which the Commission desires to examine us.

The CHAIRMAN. Oh, yes; any information you desire to present we will be glad to have.

RELATIONS OF THE COMPANY AND THE GOVERNMENT.

Commissioner ANDERSON. The Commission has listened to your explanation in regard to the distinction which arises between an agent acting in a fiduciary capacity and accounting for trust hands, and an account rendered by a beneficiary under a right to dispose of property. I will, however, at this point: That while, of course, we do not differ down in the Connecticut case by the Supreme

States, and could not differ from it, the relations which the parties hold to each other are somewhat different.

We understand that we are appointed in order to give Congress intelligent information with reference to a question of proposed future legislation; and the question presented to Congress is whether it is desirable and proper that the debt of this company, which matures between 1895 and 1897, shall be extended for a long period of years at a reduced rate of interest.

GOVERNMENT'S INTEREST IN ABILITY OF ROAD TO MEET OBLIGATIONS.

The United States, in addition to its interest as an ordinary creditor having a lien, is vitally interested in the corporate power of the Central Pacific Railroad Company to meet its obligations; and therefore, when the Central Pacific asks for an extension, it seems but just and reasonable that information should be given to Congress as to whether its management and the administration of its affairs have been fair and honest, or whether the officers of that company and its stockholders have impaired its corporate power to pay its obligations by the manner in which they have carried on the affairs of the company.

If the company says it has no legislation to propose, and desires an extension whatever for the payment of the debt—that it holds itself ready to pay the United States the amount of its obligation when the same becomes due—then I think that the statement which you have read in connection with the decision of the Supreme Court of the United States would have great weight. But if we are to report with reference to proposed future legislation on the part of Congress, it seems to me that it does not bear on the question upon which Congress desires to be informed.

COMPENSATION FOR SERVICE ESTIMATED TO BE SUFFICIENT TO PAY DEBT.

The WITNESS. As I understand, this Commission was appointed to impartially investigate the affairs of the company, in order that the Government itself may have a proper understanding and that it may devise some way in which to secure itself against loss. I have endeavored to show you that the only reason why the company is not able to pay, or may not be able to pay, these obligations at maturity arises through the act of the Government itself. If you will read the debates which took place in Congress at the time of the passage of the Pacific Railroad bills you will see that Congress did not, and that we did not, anticipate any trouble over this matter. You will see that at that time everybody recognized the fact and it was taken for granted that the Government would pay for services rendered by the company. They assumed that the large amount expended theretofore for services rendered the Government west of the Missouri River would be ample to meet all these obligations. But, while we have performed a hundred fold the services expected of us, our compensation has only been about one eighth that which was paid to mule teams and ox teams and pack animals. The debates in Congress show that it was anticipated on the part of the United States that we should receive at least as much as had been paid for the other service. We have never had a fair opportunity, and we claim now that we are entitled to that compensation, and if this point is admitted, there will be no difficulty about the debt.

CONDITION OF ROAD AT PASSAGE OF THURMAN ACT AND SUBSEQUENTLY.

Still we were doing well up to 1881, and we thought that we would be able to meet our obligations at maturity. We passed resolutions for the establishment of a sinking fund to meet the obligations due the Government. But when the Thurman bill was passed, it took the matter out of our hands, and the Government took it upon itself to look after the sinking fund. We had nothing to say about it. We were not satisfied, though we had no objection to the Government being the custodian of the sinking fund. At that time we did not have any doubts as to our ultimate ability to pay the debt at maturity; but important competing lines of railroad were built. Up to the time of the completion of the Atchison, Topeka and Santa Fe Railroad to a junction with the Southern Pacific at Deming, our only competitors were mule teams, ox teams, and pack animals. The rates were large, and we had no difficulty in getting whatever we thought was fair. We could charge whatever we thought best. When the other road was built, however, business was divided, and the rates cut down. Whenever any new road was built, the business fell off very perceptibly and the percentages fell off all the way through. On the Central Pacific, the falling off in the through business has been so great that now it commands but about 27 per cent.

ADVANTAGE OF CONTROL OF SOUTHERN PACIFIC.

Some people have thought that we helped to divert this business by constructing the Southern Pacific road. This is not so, however. The construction of the Southern Pacific road was provided for by act of Congress, and its management went into the hands of people other than those who controlled the Central Pacific. It soon became apparent that the best interests of the Central Pacific required that the control of the Southern Pacific should be in the same hands, and that that road should work in perfect harmony with the Central Pacific. It became a necessity, therefore, that we should control the Southern Pacific, and when opportunity offered we availed ourselves of it, and purchased the controlling interest in that road. Since then the roads have worked in entire harmony, with all the advantages of a pooling arrangement and the advantages resulting from our system of leases.

TERMS OF LEASE OF CENTRAL TO SOUTHERN PACIFIC.

In the lease from the Central Pacific to the Southern Pacific we provide for a certain amount to be paid to the Central Pacific, equal to about 6 per cent. per annum on the present value of the stock, and declare further that the object of this lease is not that one road shall ever advantage itself at the expense of the other, but that the lease shall be revised from time to time with the change of circumstances; and more than that, that the minimum that shall be paid to the Central Pacific shall be 2 per cent. upon the par value of the stock which has been issued, equal at present to \$1,200,000 per annum. It is further provided that when the road earns more money it shall have all that it earns up to 6 per cent., and that after that the Southern Pacific may have the remainder for its compensation. It is provided that the lease may be revised at any time, whenever the Central Pacific calls upon the Southern Pacific for such revision. The object of the whole arrangement was that the roads should be a mutual benefit, each to the

other, and that each should have what it was fairly able to take, and not have any competition which would be injurious.

CONSTRUCTION OF OREGON AND CALIFORNIA.

In constructing the Oregon and California road we provided by the contract that 80,000 shares of Central Pacific stock should be issued to the company, and the lease provides that additional rent shall be paid for that road, so as to make the amount equal to 6 per cent. upon the present value of the stock, or a minimum rental that is equal to 2 per cent. on the par value of the stock. The stock is now quoted in the market at about 35 cents on the dollar.

ADVANTAGE OF SMALL ROADS TO MAIN LINE.

I will say further—although perhaps you may want to examine more on that point—that in every instance these little roads—the feeders—which have been leased to the Central Pacific—have been a great advantage to that road. The Central Pacific is a trunk line of road, and without feeders it would not be very valuable. These feeders, however, we have constructed through a good country, but they were built while the population was scarce. It gradually increased, however, until I believe that all of them, with one exception, are doing a very good business.

SOUTHERN PACIFIC TO PAY INDEBTEDNESS OF CENTRAL.

In this connection I think that it is important to say that the Southern Pacific Company, under its lease of the Central Pacific, guarantees to provide for the payment of the indebtedness of the Central Pacific, and also to take care of the funds under the Thurman act.

Commissioner ANDERSON. The Thurman act requirements are complied with under that lease, I suppose.

The WITNESS. Yes; it agrees to comply with all the requirements of the Thurman act, and to protect the Central Pacific in every direction. Colonel Haymond is one of our regular counsel, and is familiar with these things. He has just informed me that this lease for ninety-nine years also covers the interest to the Government.

By Commissioner ANDERSON:

Q. Do you mean that the lease by the Central Pacific to the Southern Pacific covers the interest to the Government on its loan?—A. Yes, sir; it covers all the debts except the principal.

Q. You mean such interest as comes due to the United States?—A. Yes, sir; and whatever comes under the Thurman act.

Colonel HAYMOND. The Southern Pacific Company pays \$1,200,000 per annum in cash, whether the road earns it or not.

The WITNESS. I hope that the Commission will look at the statement in regard to the business that has been diverted, in order that it may see exactly that the falling off corresponds with the completion of each additional road which parallels it.

REAL CAUSE OF INABILITY TO MEET OBLIGATION.

Commissioner ANDERSON. In regard to your explanation, I think that the Commission will agree that the issue as stated by you in your last statement is the issue which we wish to examine. That is, the reason, or the real cause, of the inability of the Central Pacific Railroad Company to meet its debt at maturity. You have given the explanation that

stated, and we are here to see if the prevailing feeling in the community is correct, that the inability of the Central Pacific to meet its obligation is due to the fact that under the Crocker contract a great deal more in bonds and value were given than the actual cost of construction, and that under the Contract and Finance Company's contract a vast amount, far larger than the actual cost of construction, was given; that under the Pacific Improvement Company the same thing occurred in regard to the extension of the California and Oregon road, and that under the Western Development Company a large number of roads were constructed upon terms which provided that the rentals of those roads under the leases should be such as to compel the payment of a much larger sum than the interest on the actual cost of those roads; and that all of the transactions which I have alluded to were controlled and influenced by the same gentlemen acting as grantors and grantees.

NECESSITY FOR COMMISSION TO EXAMINE THE BOOKS.

Now, without intending to say that any of these propositions are true, the Commission feels that if it is to discharge its duty efficiently, the books showing these transactions should be laid before it in order that Congress may receive intelligent information as to the various points that I have specified. In the absence of that information we cannot, even if you be right in your position, undertake the task of giving that information to Congress in such form as to command the attention either of Congress or of the people of the United States.

MONEY ALL EXPENDED IN CONSTRUCTION.

THE WITNESS. I wish to say that I want to give the fullest information, because I know that there is a great deal of misapprehension in regard to these matters. The fact is, that I know enough about the construction of the road—I was part and parcel of it in the beginning, watching its interests as carefully as any man could watch his private business—to say that the money from all those sources was all expended in the construction of the Central Pacific Railroad.

AMOUNT OF STOCK NOTHING TO DO WITH COST OF CONSTRUCTION.

I know further that there never has been a dollar diverted from the Central Pacific treasury to the aid of these other roads. I do not want to say anything about my private business, but all these roads were built largely from the money derived from bonds issued by the company, and the values, as in the case of the Central Pacific, arose to the stockholders from what they created. When the Central Pacific Railroad was completed I do not suppose that its stock could have been sold for five cents on the dollar or that it would have brought anything worth mentioning. That company, however, gradually developed the country and developed the business which gave value to that stock. The amount of that stock had nothing to do with the cost of construction. It would have made no difference to the Government if there had been but a thousand shares issued. The ownership would have been in those persons who owned the road, and whether a hundred shares or ten thousand shares or a hundred thousand shares it could make no difference to anybody. It was a mere question of convenience to the owners or the stockholders themselves.

COMPANY'S BOOKS OPEN FOR EXAMINATION BY COMMISSION.

The books of the Central Pacific Railroad Company are open, and with the aid of the secretary, who is familiar with everything contained in them, they may be fully explained. In my own judgment, I think that the books of that company, so far as they throw light directly upon the affairs of the company, should be examined. This, I should imagine, could be done without spreading the books open to the whole world and publishing the matters not pertaining to the objects of this inquiry. I suppose that the Commission does not care to take any step of this nature. So far as I am concerned there is nothing that I want to conceal, although perhaps we might have been more wise in our construction one time or another, and I have thought that sometimes we may have blundered in not taking the time given by the act of Congress in which to construct the road and living up to our contract and enforcing it in the courts, as we probably would have been able to do. If this had been done, I think it very probable that we could have built the road with the proceeds of the Government bonds. If we had taken the time required we would not have had to make all the sacrifices which we did make.

NOT DESIRED TO THROW THEM OPEN TO THE PUBLIC.

By Commissioner LITTLE:

Q. Is it not true that if you had taken the time required, or the time permitted under the act, the Union Pacific Railroad Company would have built clear through to the California line?—A. Yes; that may be true. We could not afford to rest. After that act of Congress was passed, allowing both companies to build until they met, we could not do less than force the construction. At the same time the country would not have been satisfied if we had taken the time. If the Commission please, I am ready to use my influence to gain permission for the Commission to examine any books that we have as to the matters pertaining to the Central Pacific Railroad Company; but we have very active rivals and competitors, and we have relations with many individuals. We do not want those things laid before the public; not that there is any harm in them, but we do not want to throw our books open to the examination of everybody. So far as the Commission is concerned, we have no objection to its seeing anything and everything contained in our records. I know that the Commission is composed of honorable men, and I know that they would not wish to publish anything which does not concern the public or affect the interests of the Government. If the Commission please, I would like to put this offer in written form, and submit it to you for your consideration. So far as the affairs of the Central Pacific are concerned, I want all the light thrown upon them that it is possible to obtain, and the Commission cannot be more desirous in that respect than I am.

BOOKS OF THE CONSTRUCTION COMPANIES.

By Commissioner ANDERSON:

Q. Do we understand you to extend that suggestion to the books called for yesterday from Mr. Dooty, and which, under the advice of counsel, he declined to produce? I refer to the books of the Western Development Company, showing the actual cost of construction of the roads, or parts of roads, constructed either for account of the Central Pacific, or leased to and operated by that road; similar books of the

Pacific Improvement Company, showing the actual cost of construction to the Pacific Improvement Company; and also the books of the other corporations which were enumerated, and which corporations appear to have had dealings with the Central Pacific, either in the sale of materials, or by leases, or by loans of money, or by other methods by which it might be possible that the property and assets of the Central Pacific were affected or were passed to the stockholders of those corporations by the votes of gentlemen who occupied a dual position in both corporations.—A. I do not state positively how far these companies will go, but so far as you can possibly obtain light upon this subject which you are investigating, I want you to see the books, and shall use my influence towards that end. Technically, I do not control them, but I presume that I have influence and that my advice may be listened to.

Commissioner ANDERSON. I think so.

OBJECTIONS RAISED TO LEASES TO CENTRAL PACIFIC.

The WITNESS. I want you to do this, because you will find that the relations of these companies have been kept very clear. All of the dealings of the company will show just what one company has done for the other. If one company has ever aided the other, it has had credit for it. I do not think that there was ever, directly or indirectly, any money diverted from the Central Pacific to construct any of these roads. Of course they have had very close business relations, but each company, so far as we possibly could bring it about, has had its fair share and whatever was just at the time. As far as those leases are concerned, I wish to say that when we made the leases to the Central Pacific of these small roads or feeders there was an outcry from the people who were not particularly interested in the receipts of the road and who did not own a share of the stock in any of them. They claimed that we were doing great injustice to the Central Pacific, and I learned that some Government officials thought so too. Finally, when the Southern Pacific got to be some three or four times larger than the Central Pacific, and we concluded to change the system of leasing, these same people again entered their objections and said that we had taken away a good thing from the Central Pacific. There was nothing in these objections one way or the other, because there was always an understanding that the rents from time to time should be adjusted as equity might require. All the while the roads would have the advantage of working harmoniously and co-operating in every way and neither company would lose anything by the arrangement.

PROTEST AGAINST PRIVATE EXAMINATION OF BOOKS.

By Commissioner LITTLER:

Q. What objection is there to throwing open these books?

Commissioner ANDERSON. We will all go down to the office and see them for ourselves.

The CHAIRMAN. I want to say that so far as any private examination is concerned I shall protest against it. As Commissioner, I would not engage in any investigation that would be considered as at all private; and I do not want any testimony submitted to me that will be considered as private testimony. I think that it should all be subject to public criticism.

NOT NECESSARY TO EXPOSE COMPANY'S AFFAIRS TO RIVALS.

The WITNESS. Anything that you care to obtain, I do not object to. It does not follow, however, that because you examine our books all

the public shall also have the privilege of examining them. I know you to be gentlemen of reputation, but I presume that there are private matters of business which you have attended to for your clients which are perfectly honest and proper, and yet I do not believe that you would care to throw your cases open to the public, even after the matter is settled and the business has passed, and tell the public all the motives that influenced you and the views that controlled you in your actions. It is so with us. I think that there is as little objection to opening our books as there would be to opening the affairs of any man's private business; but at the same time we have had business that we do not consider the public interested in, and do not think it necessary that we should expose it, and tell our rivals and competitors all about our affairs.

COMMISSION BOUND TO MAKE PUBLIC ALL EVIDENCE BEARING ON THE ISSUE.

Commissioner ANDERSON. So far as I am concerned I am satisfied to make an examination of the necessary books at the offices, where they will not be disturbed. Of course we cannot stipulate that any one page or any one entry shall or shall not be published. I do not suppose that the chairman or Mr. Littler or myself wish to amuse ourselves by publishing accounts and vouchers, or any other material that we might find in the books, just for the amusement of publishing them, but, as commissioners, we would be bound to make public, through our report to the President, all that we concluded to be evidence bearing on the issue.

EQUITIES DUE THE COMPANY.

The WITNESS. I appreciate that. I have always thought that the time would come when we could go to the Government and demand the equities due to this road, especially since it became apparent that by the diversion of business we would not be able to meet the Government at claim at maturity. I know that we cannot go before Congress and tell the people of the United States and ask that all the equities be allowed, except we show our hands completely.

Commissioner ANDERSON. That is it. You have stated the whole case in that last sentence.

The WITNESS. Of course I have no objection to those necessary clerks that you must take. I do not care about that.

Commissioner ANDERSON. You want to submit this proposition to us in writing, I suppose?

The WITNESS. I thought that I would like to put it in writing, so that there would be no misapprehension about it.

PUBLICITY OF EXAMINATION DEMANDED.

The CHAIRMAN. Let us understand it. There is to be no examination but what is in the nature of a public examination.

The WITNESS. I will consult with counsel, but so far as that is concerned I believe that the commissioners will not tell the public that in which it has no interest, and that the Commission will not go further than is necessary to throw light upon this subject. All things which will tend to this end, however, I want the Commission to have.

The CHAIRMAN. But the meetings must be public and the examination must be public.

Commissioner ANDERSON. If Governor Stanford is going to make a communication in writing, perhaps we had better receive it, and answer it.

The CHAIRMAN. I want Governor Stanford to understand now, so that there may be no misunderstanding hereafter, or any further discussion as to the paper submitted, that I want everything public. I want it so that there may be no mistake as to my position with reference to the fullest publicity.

The WITNESS. I understand that you do not want any star-chamber proceedings. I must say, however, that it seems that this whole matter is in the nature of an inquisition. Still, it does not follow that because an examination is public every person shall have the liberty of examining these books and turning over the leaves. It is pretty much the same as any judicial proceeding in a court of justice.

EXTENT OF EXAMINATION PERMITTED BY COMPANY.

Q. Do I understand you to state that this Commission shall have the privilege of examining all these books to which reference has been made, and of taking such extracts of their contents as we think bear upon the subject of inquiry under the statute, and making that public?—A. To that we could have no objection.

Commissioner LITTLE. If there are any entries in these books which are strictly of a personal and private nature, and have no connection whatever with the Central Pacific Railroad Company, I suppose that that is the sort of entry that you want excluded from the public gaze?

The WITNESS. Yes, sir. If there is anything there that shows how we meet competition in the struggle with our competitors I do not suppose you want to make it public.

Commissioner LITTLE. I do not suppose that that is in issue.

The WITNESS. I do not believe that when you come to make your examination there will be any difference between you gentlemen and ourselves.

WITNESS TO CONSULT COUNSEL.

By Commissioner ANDERSON:

Q. When will you submit your suggestion?—A. As soon as I consult with my counsel about this thing. I want to act with their approval in whatever I do.

Commissioner ANDERSON. Certainly; you can submit it this afternoon here, or to-morrow morning.

Mr. BERGIN. I think that we should prefer to-morrow morning. I think perhaps it would be as well to reach a conclusion of this question before going on, as it may be decided one way or another. It would doubtless facilitate business and assist the dispatch of the investigation.

Commissioner ANDERSON. I was going to examine Governor Stanford somewhat in regard to some matters. In his general statement which preceded his general report there were some matters of explanation which may as well be taken up now.

Mr. COHEN. I would suggest that we arrive at some conclusion as to the scope of the inquiry, and what information the Commission desires—it will probably shorten your labors—before proceeding with the examination of Governor Stanford.

COMMISSION TO DECIDE ON PERTINENCY OF EVIDENCE.

I would like also to suggest, with the permission of the chairman, in regard to something that he has just said about receiving evidence; is regarded as private. I do not think that that was the intention.

Governor Stanford. We make that offer just as we would offer it to a judge upon the bench, and just as we would submit books or papers for the examination of a judge, for him to decide whether it is pertinent to the inquiry or to the issue being tried before him. If it should not be pertinent he would not allow it to be published, nor would he allow the reporter reporting in his court to take it down. It was in that view that Governor Stanford mentioned the fact that such evidence as you might call for, not pertinent, should not be published, precisely as in the case of any circuit judge or any judge of any *sisi prius* court. If the judge found it not to be pertinent he would not allow it to be used. Correspondence is frequently called for, but if the judge finds that it would not tend to illustrate the issues before him, or its publication would be unjust to some parties, or to parties not connected with the case, he would return it to the parties offering it, and would not permit the contents to be divulged. It is in that view that we spoke of the private matters and things contained in these books, and entered our objection to their publication. It is for you to say, exercising your judicial functions, whether or not the evidence is pertinent to the subject of the inquiry with which you are charged.

Commissioner ANDERSON. I accept that suggestion so far as I myself am concerned, but I call your attention to the fact that your illustration supposes the judge to be the absolute judge of the relevancy or irrelevancy of the paper. The question of its publication or non-publication or its use as evidence is left absolutely and implicitly to the judge when the document, instrument, or account is once placed before him. If this is what you mean, I have no objection.

Mr. COHEN. That is precisely what I mean.

NO PRIVATE PAPER PREVIOUSLY RECEIVED.

The CHAIRMAN. I do not see that any such question has arisen at any time in this examination. The call was for the Western Development Company's books. Any examination with reference to any money arising from the Central Pacific that could possibly be traced to any of these companies through their accounts would have to be oral, as the secretary or book-keeper would have to be examined as to the condition of the books. At no time in any period of this examination by this Commission has it received any paper of any kind of a private nature; but everything that has been received by the Commission has been given to the public, and I think that this should be no exception, especially as it is a case bearing upon the accounts of the railroad company. We claim the right to publish our examination of the books, and every item bearing upon this investigation wherever found, whether in the books of the railroad company or in any books bearing upon the affairs of the railroad company.

Mr. COHEN. That is assuming a great deal.

Mr. BERGIN. I think that we had better not discuss the question any further, as mere discussion cannot determine anything. I think it better to consult and submit to you gentlemen to-morrow morning the conclusion that may be reached.

BOOKS WILL SHOW NO DIVERSION OF FUNDS.

The WITNESS. I should be very sorry if I found it necessary in any manner to prevent the Commission from obtaining anything and everything that we have as to the diversion of any funds from the Central Pacific to any of these companies. I am confident that there never has

been a dollar diverted that way, and that the books of the company not only will not show it, but that, on the contrary, they will show that the dealings between the two companies, or between the several companies, have always been fair.

Mr. HAYMOND. Suppose that these books were submitted to you gentlemen, and you should select certain things which we might think ought not to be published. That question could be left to the circuit court by a friendly proceeding, and could be speedily passed upon. I do not think that any difficulty will arise.

The WITNESS. I do not think so, either.

NO SECRETS IN THEM.

Mr. HAYMOND. From what I know of these books, which have been pulled over and hauled over for twenty-odd years, I do not think that there are any secrets in them. If there are any secrets in them, I do not know it. I do not know of any secrets connected with the company.

Commissioner ANDERSON. I can only put my own position as Mr. Cohen has put it.

Mr. HAYMOND. I think that you put it fairly.

Commissioner ANDERSON. If I ruled, or if the Commission ruled, that a certain account was relevant, it would be considered as belonging to the world from that moment.

Mr. HAYMOND. Yes; provided your ruling could be sustained by the court.

Commissioner ANDERSON. The court would not have time to interfere, because as soon as it would be decided relevant it would be in evidence.

Mr. HAYMOND. I do not think that there will be the slightest difficulty between the Commission and the company on these matters. I do not see where difficulty can arise. I do not see anything that has not been town talk, and discussed in conventions, on the stump, and in the churches, and everywhere else, during the last twenty four years.

POSITION OF COMPANY THAT OF PLAINTIFFS.

The WITNESS. In one respect I think that we shall be in the position of plaintiffs in this matter, and in making out our case, if you should be left in doubt on the subject of the diversion of funds of the Central Pacific, we want the privilege of putting in all the testimony that we can produce.

Commissioner LITTLER. Suppose you gentlemen confer and present in condensed form your proposition, and then we will understand it exactly.

The WITNESS. Yes, sir; we will do so. I am obliged to the Commission for its action. It may seem singular, yet it is a fact, that we have never been able to present our side to the public, and this really is the first time that the opportunity has been given to us. There was a time when we might as well have whispered in a hurricane with the expectation of being heard at a long distance as to have talked at all.

Commissioner LITTLER. We hope that you will bring in your whole case, including these books.

The WITNESS. I propose giving you our case.

COMMISSION NOT GOVERNED BY RULES OF EVIDENCE.

Mr. COHEN. I would suggest, although I think it is hardly necessary to make such a suggestion to a lawyer of your great experience, Mr. Chair-

man, that you are asking more here than a court would the court to which you would apply would ask. That is of books and papers by wholesale.

Commissioner LITTLE. We have found it utterly governed by the rules of evidence in conducting this examination all sorts of statements—hearsay and everything.

The WITNESS. I think that the hearsay evidence has been Commissioner LITTLE. We have to take that in our facts.

Commissioner ANDERSON. Do you prefer to make your first, or shall we proceed now?

Mr. COHEN. We prefer to have time.

Commissioner LITTLE. Could you not bring that proof after-noon? We are pressed for time. Among so many ought to be able to write it out in an hour.

Commissioner ANDERSON. We have traveled several times and while your fruit is charming and much of your scenery want to get home.

The WITNESS. I would like to take you over the railroads built in our system, of which there are about 6,000 miles. I think that you would gain on a trip of that kind would be very in the future.

Mr. HAYMOND. In regard to this matter, I am prepared to proposition now, so far as I am concerned.

Commissioner LITTLE. If you will let me write it, I twenty minutes.

Commissioner ANDERSON. You could write it so as to satisfy self.

Mr. HAYMOND. Suppose you write it. I have no doubt that be satisfactory to me.

Commissioner ANDERSON. Suppose you take until 2 o'clock.

Mr. BERGIN. I think that we had better take until to-morrowing.

The CHAIRMAN. We must take up other matters and begin line. If you cannot be here this afternoon we will give you all the time that you need, but we will go on with other witnesses.

Commissioner ANDERSON. We will postpone the general question, although it would have had nothing to do with this question is now under discussion. The examination which I propose was in relation to the expenditures mentioned by Governor with reference to the transporting of troops, &c.

Mr. HAYMOND. Why not go on with that?

The WITNESS. Why can we not go on, then? I desire everything that I can. I ought to have our general traffic here, I presume, to assist me in reference to these questions.

Mr. HAYMOND. I understand that Mr. Bergin does not delay the Commission, but only to postpone this question until morning. We have a great deal of evidence to offer and of time is limited.

QUESTION OF PERMITTING EXAMINATION OF BOOKS POST

The CHAIRMAN. What disposition do you propose to make question?

Mr. HAYMOND. Let this matter go until to-morrow morning and with the other portions of the evidence.

The CHAIRMAN. Very well; if you ask for time until to-morrow morning at 10 o'clock we will be ready then to hear you.

The WITNESS. The counsel ask for that time. I am now ready to go on with anything that I know.

Commissioner LITTLER. I understand that Governor Stanford is ready to go on with such matters as Mr. Anderson is ready to question him about.

The CHAIRMAN. My understanding is that his counsel have asked time until to-morrow morning at 10 o'clock.

Mr. BERGIN. Yes, sir.

The WITNESS. Do you ask that delay with reference to my examination?

Mr. BERGIN. I think that you had better wait until to-morrow morning.

The WITNESS. I suppose that I must submit myself to counsel. [After consultation with counsel.] After inquiring of these gentlemen, I find that they are not willing to go on with my testimony; I, myself, am ready to go on now.

Mr. HAYMOND. I think that Commissioner Anderson states the question in a nutshell with reference to the investigation here, so far as an appeal to courts of equity is concerned.

Mr. BERGIN. Commissioner Anderson has just made a suggestion to me which makes it desirable that this matter should be decided at once, and asks if we need Governor Stanford in order to enable us to decide promptly.

WITNESS EXCUSED FOR PURPOSES OF CONSULTATION WITH COUNSEL.

Commissioner ANDERSON. Do you want Governor Stanford in order to decide this matter by half-past two o'clock?

Mr. BERGIN. Yes; I think that it would be entirely proper.

Commissioner ANDERSON. I understand that these gentlemen ask to have Governor Stanford excused until half-past two o'clock, and that they agree if this is done to make a proposition to us at that hour. I move, therefore, that Governor Stanford be excused from further examination on this subject until half-past two o'clock this afternoon.

The CHAIRMAN. If there is no objection it will be so ordered.

The WITNESS. I am sorry that you have excused me.

Commissioner ANDERSON. If your lawyers do not want you we will proceed with the examination on this general subject; but they say that they want you.

Mr. BERGIN. Doctors cannot operate without patients to operate upon.

Commissioner ANDERSON. The Commissioners think that they require a great deal of patience, too.

PALACE HOTEL, SAN FRANCISCO,
Tuesday, August 2, 1887.

Afternoon session.

PROPOSITION IN REGARD TO PRODUCTION OF BOOKS.

Mr. BERGIN. The proposition that is submitted to the Commission is on behalf of Mr. Douty. We will submit to the Commission the books

of the companies asked for from Mr. Douty, as well as any other evidence at our command, reserving the right to assert our legal rights to withhold the same or any portion of the same whenever, in our judgment, the Commission seek to examine any matters appearing therein not pertinent to or proper for a full and complete examination by the Commission of all the matters with the investigation of which they are properly charged under the act of Congress.

The CHAIRMAN. Suppose you leave that proposition with us for ten or fifteen minutes.

Commissioner LITTLE. We desire to have an opportunity to confer together for ten minutes to discuss this matter.

A SECRET SESSION AND DECISION.

The Commission here retired and held a secret session in the adjoining room. Upon their return the secretary was directed to read their decision, as follows:

The Commission report that they have decided to accept the proposition set out in Mr. Bergin's communication, with the understanding that the motion in which papers were filed this morning in the circuit court of the United States should stand over without prejudice, with the right to either side to call the same on for argument before any judge of the circuit or district court on one day's notice, and that the Commission shall be at liberty to depute any of their accountants to examine the books in question, and to take such extracts from them as the Commission shall desire, and with the understanding that the said companies shall produce the books before the Commission when required, for the inspection of the Commission.

TWO DAYS' NOTICE ASKED.

Mr. BERGIN. It seems to me that one day's notice is hardly enough. You have all your papers prepared, and you are ready to act on the moment. We, of course, would have to prepare papers to respond to your application; and, as you can readily see, one day's notice would hardly give time to do that.

Mr. COHEN. We think that to make it two days would be much better.

The CHAIRMAN. Time with us is a very important factor. That is why we fixed it at one day.

Mr. COHEN. We will not delay you in any way, and two days would be sufficient.

The CHAIRMAN. I would rather have it one day, if you can possibly get ready. It means one day more with us for our other business.

Commissioner LITTLE. And that will not prejudice your right to be heard before the court for an extension of time, of course, but we will have the right to call this matter up on a day's notice, and if you can show cause to the court why you are not ready, that is another matter. It is like setting a case for trial.

Commissioner ANDERSON. I never knew a California lawyer, nor any lawyer of any other State, that could not manage to get one extra day.

Mr. BERGIN. In this matter we desire to act in perfect good faith, and do not wish to have an assurance or understanding which seems to be merely illusory.

PLACE OF EXAMINATION OF BOOKS.

The CHAIRMAN. Have you any further propositions, gentlemen?

Mr. COHEN. I would suggest to the Commission that I think it would answer every purpose, and be very much more convenient to Mr. Douty

and to the companies that he represents, if the examination of these books could take place at the railroad offices instead of their being brought up here. They are very voluminous. There is no place to keep them here, and they would have to be moved backwards and forwards.

The CHAIRMAN. What will the Commission do with reference to the examination of the books?

Commissioner ANDERSON. My suggestion is to send Mr. Stevens there with instructions that that which we want him to obtain is the actual cost of the different roads specified, as it appears on these books; and unless the gentlemen of the Commission desire to take some other course, I should suggest that Mr. Stevens, our chief accountant, be sent to the office of the company with instructions to take such extracts as will furnish to this Commission that information. We would also like the minute books of the Western Development Company and the Pacific Improvement Company, which cannot be very voluminous, placed at our disposal for our examination here.

ALLEGED DIVERSION TO SOUTHERN PACIFIC.

Governor STANFORD. I would suggest, with reference to the remark made by a Commissioner this morning, with regard to the diversion of means to the Southern Pacific road, would it not be well to possess yourselves particularly of that, in the first place? Having determined that, it may determine a good deal what other information you want.

COMMISSION'S ACCOUNTANT TO REPORT ACTUAL COST OF ROADS.

Commissioner ANDERSON. Well, so far as my views are concerned, I would send the accountant there with instructions to report to us the actual cost of these roads. That is the essential fact in my mind to determine the other questions.

Commissioner LITTLER. We will determine the question about bringing the books, or going to the books, when that question arises.

Commissioner ANDERSON. At present we will send Mr. Stevens down there and only ask for the minute books to be brought here.

Commissioner LITTLER. We will undertake to take good care of the minute books and have them put in the vault here at night. We have no time to examine these minutes except out of the session, and we would like to examine those books to-night. Is that satisfactory?

Mr. BERGIN. That, I believe, is satisfactory.

Commissioner ANDERSON. Our minutes are as precious as yours. We understand, then, that the matter is disposed of on the terms which appear in your proposition and our acceptance?

Mr. COHEN. Yes, sir.

Commissioner ANDERSON. We would like to have, for use this evening, the minute books of the Western Development Company and the Pacific Improvement Company.

PALACE HOTEL, SAN FRANCISCO,
Tuesday, August 2, 1887.

LELAND STANFORD, being further examined, testified as follows:

ANNUAL EXPENDITURES FOR GOVERNMENT TRANSPORTATION.

By Commissioner ANDERSON:

Question. In your preliminary statement you made the remark that the annual expenditures of the Government for transportation of supplies for Indian and military service and the carrying the United States mail had exceeded \$8,000,000 annually. From what sources did you take those figures?—Answer. That is from the Government reports.

Q. Do you know what particular year that figure applies to?—A. It appears in the Senate committee report, where the expenditures were given from 1840 to 1860. Reports of other committees vary from that amount. I think in one of the exhibits that I filed they are all referred to particularly.

Q. Do you know what the total proportion for transportation in any one year, between 1840 and 1860, was?—A. No; I cannot give that. I think in the original tables it was all footed up, and the times when the money was paid out by the Government; but my recollection is now of the gross sum.

Q. Do you know what the total appropriation for all the services of the Army for any one year was between 1840 and 1861?—A. No, sir; I did not examine into that. I did not deem it important except only to state the general facts. There are witnesses who can state all those particulars.

TRANSPORTATION RATES PRIOR TO CONSTRUCTION OF ROAD.

Q. Can you give us any of the details of rates that were paid during these years, or before the completion of this railroad, for any services of this class relating to the transportation of mails or troops or munitions of war?—A. Yes, sir; it is in those various reports, giving the price paid per pound for transportation at the different posts and the price paid for the carrying of the mails. I know that at the time the roads were less than 1,300 miles apart there was a contract with Wells, Fargo & Co. for carrying the mails, not above a thousand pounds at any one time, that being the maximum, of a little less than \$1,800,000.

REASONS FOR SUPPOSING SAME RATES WERE TO BE PAID COMPART.

Q. On what do you base your assertion that it was contemplated that the same rates of transportation which the United States had paid before the construction of the road would be paid after its completion?—A. On two things. One is the debates that occurred in Congress at the time when members of Congress took the position, from the reports showing what the Government had paid out for transportation over the country substantially to be administered by these railroads, that one-half of that would be sufficient to meet the interest on the Government bonds, and, with the 5 per cent. net, would be sufficient to provide for their payment at maturity. The other was that the competition was nothing, we supposed that we would be able to charge, and the Government would allow, as much for the service as they had been paying to the ox-teams and mule-teams, as there was no competition by which they could get a better rate; but when they

came to fix the rate they gave us no voice in the matter, and did not pay anything like in proportion. For instance, as to carrying the mail, whereas they were to pay \$1,800,000 for less than 1,300 miles of mail transportation, we had to carry it from the Missouri River to San Francisco, furnishing a car capable of carrying 18 tons, and a couple of messengers, carrying it through in four days' time, and with no limit as to the amount of mail, for sometimes an extra car would have to be sent along to carry it, and they have never paid the two companies, I think, quite \$1,000,000 a year for one year's service. It has been less.

HOW RATES WERE FIXED TO BE REASONABLE.

Q. With reference to the rates that you referred to, is it your judgment that the debates of Congress and the casual expressions of members when speaking to a bill are entitled to as much weight as the actual expressions contained in the act itself?—A. No; in so far as the law is explicit; but you will notice that there is no provision in the law for our payment except in that manner. The question was solemnly considered in Congress at the time the law was remodeled, in 1864. The first law, of course, was not of that character which permitted the roads to be constructed—

Q. Do I understand you to say that this act does not contain a provision relating to the rates to be charged by the companies to the Government?—A. Oh, no; they were to be reasonable rates.

Q. And not in excess of what?—A. Of the rates charged to other parties for similar services. Now, with other parties we were in a condition to make contracts based upon such competition as there might exist. With the Government they did not leave us the option. The Government fixed arbitrarily the transportation prices for the mail.

DECISION IN CASE OF UNION PACIFIC.

Q. Has not the question of the rates charged by you been presented in several cases in the Court of Claims?—A. I think not.

Q. Neither in the case of the Central Pacific nor in the case of the Union Pacific?—A. Mr. Miller can answer that question. Mr. Miller, have we ever made out an account to the Court of Claims, asking for additional compensation?

Mr. MILLER. No. The Union Pacific had a case, and it was decided that the United States Post-Office Department had a right to fix the rates. That is as I understand it.

Commissioner ANDERSON. Was not this the decision: that the rates which had been fixed by the Post-Office Department, and which were the subject of review in that case, were decided to be reasonable rates?

Mr. MILLER. I am not sure about that.

Commissioner ANDERSON. The case will show. That was the decision. Of course the Post-Office could not fix rates.

The WITNESS. Whenever we get the chance to prove the matter in court we will prove that the Government rates were not reasonable rates.

GRANT TO NORTHERN PACIFIC UNJUST TO CENTRAL PACIFIC.

Q. You have alluded several times to the extension of other transcontinental roads as having interfered with the amount of earnings realized by your company through the rates it was enabled to charge, as also to the fact that some of these roads had been aided by the United

States Government, alluding particularly to the grant to the Northern Pacific. Do we understand that you regard the grant to the Northern Pacific as being a violation of the spirit contained in the grant of assistance to the Central Pacific and Union Pacific?—A. Yes, sir.

GREATER AID EXTENDED TO OTHER ROADS.

Q. Do you know in what year the grant to the Northern Pacific was awarded by Congress?—A. No; I have forgotten now. But I want to say this: At the time of the passage of these bills to aid the road the debates in Congress show that they did not anticipate that this road itself could be completed in 1876. But they said that if the companies needed more time they would give time. It was an experiment. It was a road passing through a country that was supposed to be almost impassable for railroads. There was not known to be any fuel (coal) on the line of the road at that time and the geologists of the country had declared that they never would find any; and it was problematical about the operation of the roads over the mountains in the winter season at all. It was the pioneer road. As I said, it was the first time that any great railroad had ever penetrated far into a country in advance of business, and it was supposed that if this road was ever completed it would be a long time before anything would ever come of it. The debates before Congress will show that Congress gave more than twice the aid in land grants to these other roads. And the part of the country through which the Northern Pacific passes is a much better character of country than that through which the Central Pacific passes. You gentlemen have been over it.

GRANT TO NORTHERN PACIFIC IN 1864.

Commissioner ANDERSON. You say this was a violation of the spirit of the grant to the Central Pacific, which was in 1862 and 1864. I think that you will find that the proposition is unquestionable that the grant to the Northern Pacific was made in the same year, in 1864, on the same day, and must have been contemplated.

The WITNESS. What year is that?

Commissioner ANDERSON. 1864.

The WITNESS. Yes, sir; but ours was made in 1862.

Commissioner ANDERSON. But you did not commence to construct your road till 1864.

The WITNESS. No. They gave us a more beneficial act then. But I was going to say this, that whether they did it on the same day or not, they have taken from us the means which we had to pay the debt. It is in consequence of those very acts of our creditor that there is now any question of ability to pay to-day.

CENTRAL PACIFIC SHOULD BE COMPENSATED FOR INJURY DONE BY ASSISTING OTHER ROADS.

Q. In regard to other roads that were constructed through the United States, the southern route, (which you had a large hand in constructing yourself), the Sunset route, and the Topeka, Atchison and Santa Fe, and the other routes which you have referred to, do we understand you that your idea of these acts of Congress is that it was the duty of the United States to leave the rest of that entire country undeveloped until you should have earned enough money to have paid your debts?—A. No, sir. But, then, if they find it in the interest of the country that

if they should do something that deprived us of the means of paying the debt, they ought to compensate us for it. That is our view of it.

Q. Is it not possible that the rest of the community may not agree with you in the idea that you were to be left alone, and that, if you were interfered with at all in any of this vast territory, you ought to be compensated?—A. If we are harmed by the Government, directly, by its acts, I think it ought to regard it as an equity. Whatever question there is of our ability to pay the debt arises out of the acts of the Government.

Q. Is it not a fact that in almost every industry which is exercised through corporate powers, subsequent industries are developed which are more or less competing with the first chartered industry?—A. Yes, sir.

A CASE OF BENEFITS TO THE GOVERNMENT.

Q. And have you ever heard of a case before where the holder of the first charter claimed that the grant of power that interfered with it in any way entitled it to compensation from the State?—A. I cannot say that I have, but I know of no case similar to this. This is one of benefits to the Government. The Government has received benefits in every direction. It has never been disappointed in a single expectation as to the accommodation that the road would give to its business, nor in the development of the country, nor in the time in which it was completed—not a single one. There has been never, so far as our company is concerned, at any rate, a complaint on the part of a Government official. And we are fulfilling every obligation. Now, the Government has had that advantage; and yet it is assisting to build rival roads and is destroying our capacity to earn, while it is enjoying all the benefits of the contract it has with us. I submit it is a question of equitable consideration.

VALUES CREATED BY CONSTRUCTION OF ROAD.

Q. In regard to the question of benefits, is it not true that the successful accomplishment of any great enterprise benefits not only the successful promoters of it but also, indirectly, the whole community through which it passes?—A. Yes, sir, I think so. I do not suppose that this company, if it were able to pay the 10 per cent. which the Government contemplated it should pay before being interfered with in any manner, or if it were paying 10 per cent., it would get the one hundredth part of the values which it created.

Q. Is it your judgment, if a man, for instance, erects costly buildings adjoining vacant property, and thereby enhances the value of the vacant property, that he has any claim, either legally or equitably, against the owner of the vacant property for compensation?—A. No, sir; none at all. There is no compact between them.

SHOULD BE DEALT WITH IN A SPIRIT OF JUSTICE AND LIBERALITY.

Q. Do you understand that there is any agreement, or anything in the act, in which you can predicate the assertion that the United States intended or meant to be held accountable for the benefits that the country would receive from the construction of your road?—A. I think so; I think the whole act indicates at that time that the companies were to be dealt with in a spirit of justice and liberality. Now, then, we say that the Government has never been disappointed; that it has all the advantages contemplated, and a great deal more. Then they, by their

own act, go to work and deprive us of the reasonable expectations we formed.

COMPLETION OF ROAD IN ADVANCE OF LIMIT.

Q. You have alluded several times to the fact that the road was completed seven years in advance of the limit. Is there any action of the Government that you can refer to as indicating a desire on their part or a wish on their part that you should complete that road at the time that you did?—A. I cannot call to mind any express declaration on the part of the Government to that effect; but I know this, that when they provided that the two companies who built should build east and west until a junction was made, they did expect that the roads would be compelled, in self-defense, to hasten their completion; and they secured what they were after, the early completion of the road. That legislation was for the very purpose of securing an earlier completion of the road.

CAUSE—SELF-PROTECTION.

Q. Had you not, or had not your company, special interests to subserve by effecting that completion as rapidly as possible?—A. Yes, sir; self-protection. We had done the greater portion of the work, so far as the grading was concerned, between the Sacramento River and the Missouri River. If we were open to competition by a road operating from the east, our Nevada business would be substantially destroyed to the Central Pacific, and that road would have been worthless.

Q. Was that one of the chief objects which you sought to obtain by the rapidity of your movements?—A. Yes, sir; that was one of the chief objects.

ANOTHER OBJECT IN VIEW.

Q. Was there not another object in completing that road at as early a date as possible? I call your attention to your table of figures as to the net earnings for the years 1869 to 1876. I call your attention to the fact that the net earnings of your road, as appears from your own report of 1876, between 1870 and 1876 exceeded fifty millions of dollars. Now, if you had postponed that construction and saved some of the expenses and discounts that you have referred to, would it not have resulted in a corresponding loss in net earnings?

The WITNESS. Fifty millions, from what time?

Commissioner ANDERSON. 1870 to 1876, six years, an average of over \$8,000,000.

A. You say that was against operating expenses, but there was new work and new track, and so on.

Mr. COHEN. I think you are under a mistake, Mr. Anderson, in the question you are putting. These are net earnings after deducting operating expenses. From that has not been taken out the interest and other expenses.

Commissioner ANDERSON. I so understand.

The WITNESS. Your question would be entirely a fair one, I think, if that was net profits; but as they are not, it is misleading.

Commissioner ANDERSON. I call your attention, then, to the fact that between the years 1870 and 1876 your company divided over \$15,000,000 of dividends.

The WITNESS. That was out of the net earnings.

COMPANY'S FIRST MORTGAGE COULD HAVE BUILT THE ROAD.

Q. Would it have been possible to have reaped that advantage if you had postponed the construction of your road five, six, or seven years?—A. Yes, sir; I have not the least doubt our own first-mortgage bonds would have built the road; and now the Government is piling up the interest account against us, and has got this enormous claim, all of which we could have avoided.

Q. Is it not clear that you could not have earned the money you did during those years if your road had not been completed?—A. It could not, of course.

Mr. COHEN. This is not all Central Pacific. There are leased roads included.

SELF-PRESERVATION FORCED EARLY COMPLETION.

Q. Was it not for your personal advantage to hasten the completion of that road—I mean, balancing all the advantages and disadvantages, one against the other; and was not that the main motive that induced you to finish it in 1869?—A. It was self-preservation which forced us to do it. After this act of Congress the Union Pacific came over and commenced work on the Humboldt. They were transporting materials and corn and supplies for their animals 750 miles from their own base, with the anticipation of coming in and heading us off. And I call your attention to the fact that these dividends, whatever they were, are not merely confined to that portion of the Central Pacific to which Government aid was given. The best part of the Central Pacific property is not that which the Government so aided.

Q. The whole road was in operation when completed, and contributed to the earning of dividends?—A. Yes, sir.

THE COMSTOCK LODE.

Q. And is it not also true that you could only secure your land grant to the extent which you have secured it by building the road as far as you did?—A. Well, you have seen the land grant; let it speak for itself how much railroad any one could afford to build to secure it. I do not think the land grant would have had a great deal of influence in pushing this road. Then there is one fact I want to call the attention of the Commissioner to. At the time when we organized the company the Comstock lode was developing immensely, and the whole of that country went on and improved and the business was enormous, and at such rates almost as we chose to charge, not exceeding 15 cents a ton to the mile. In the last six or seven years all Nevada has depreciated very much. Its population has dwindled, and its business proportionately, or more than proportionately. The greater portion of the net proceeds arising from that business in Nevada arose out of that Comstock lode.

VALUE OF GOVERNMENT LAND GRANTS.

Q. I would call your attention to the fact that the estimate you put upon these Government lands, in your own report of 1872 (and I do not think the fact is materially diminished in subsequent reports), is \$29,000,000?—A. They are not for Government lands only.

Q. Farming lands, they are called, and they do not include the Mission Bay or private property in cities?—A. That was our land agent's

report. The population at that time was increasing over in Nevada, and there was a prospect that they would want some of those lands.

LARGELY DEPRECIATED.

Q. But the figures I have quoted from your report are signed by yourself?—A. It is in mine. It is embraced in it, and I took his judgment. But the failure of the Comstock lode and the depreciation of population, and the diminishing of business over there, has substantially, or very largely, changed our opportunity of disposing of the land, and prevented our disposing of them. Besides that, the Government has not given us even the title to those lands, although we have demanded it from time to time. We have always had a surplus in the Treasury of the United States to pay for the surveying and other expenses. We demanded these lands time and time again, without obtaining them, and in consequence of the Government's derelictions we have been charged with not taking out land patents in order that we might avoid taxation.

BENEFITS CONFERRED IN DEVELOPMENT OF COUNTRY.

Q. The object of my explanation to you is to show you how the matter presents itself to us on the subject of what you call an equity against the Government by reason of the benefit arising from the completion of that road seven years before the time. If that completion was due to your own judgment as to your own interests, for the purpose of securing the Salt Lake City business, and for the purpose of securing the land grant, and for the purpose of putting the entire road in operation and enabling you to increase your earnings, then I ask you on what basis you claim that there is any equitable right to compensation from the Government?—A. I do it for this reason: That we had a business, and there was a prospect of a business that would compensate us for all these sacrifices. That business has been diverted from us by the act of the Government. Now, it is a misfortune of course that the population of Nevada has decreased so much; but perhaps that we cannot claim anything for, excepting on this consideration, that we have developed the whole country from the Missouri River to the Sacramento, and the Government has had all that benefit. If, therefore, in dealing with its debtor, which is not in fault if it is not able to pay (it is its misfortune), the Government should take into consideration the magnificent benefits which it has received, and allow to that debtor what would be proper. The whole country was developed between the Missouri River and the city of Sacramento. From the big bend of the Truckee to the Bear River, in Utah, there was but one white man along the line of our road when we commenced. We all know there was not even a railroad across Iowa when the Union Pacific commenced. The first iron had to go down one river and then up another river to be laid down there.

THE COMPANY WILLING TO SURRENDER THE LANDS.

But, so far as the lands are concerned, we will let the Government have them. We have always been willing to let the Government have those lands on account of their debt, at their own valuation. We will do it to-day. To-day, when they are apprehensive that they may not be paid, we will give them all the lands that we have, from the commencement of the road at Sacramento, at the price that they have paid

upon their own lands adjoining. They can have them at their own price to-day.

By Commissioner LITTLE:

Q. You mean at such a valuation as the Government, through its agents, fixes?—A. Yes, sir; we would gladly turn all that over to the Government, if it is apprehensive.

Q. To be credited on your debt?—A. Yes, sir; and as we have not had a great many of them, they are there, pretty nearly all we were entitled to. [To Mr. Miller]. How many acres of land have we sold?

Mr. MILLER. I do not know.

THE CENTRAL PACIFIC A PIONEER ROAD.

The WITNESS. I want to say this about the Central Pacific Railroad. It was a pioneer road, and the other roads that were aided by Congress did not move until we had demonstrated the practicability of operating the through road. They were failures. It was the success of the Central Pacific that finally enabled these other roads to go on to completion. You must remember, and I think it is but due and right that I should call your attention to the peculiar condition of all that country at that time, that it was a wilderness; that never before in any country had anybody attempted to penetrate an unoccupied country with a railroad, trusting to the development that was to follow to make it successful. Now, the developments to sustain the road were all consequent upon the construction of the road, and the Government has had the benefit of it for hundreds of miles upon either side. This road created confidence and led to the completion of other roads. Those are facts which I think ought to be considered by the Commission in making up their statement of the relation of these roads to the Government.

WILLING TO LET GOVERNMENT HAVE ROAD ON CERTAIN CONDITIONS.

By Commissioner ANDERSON:

Q. True, but the question is whether the circumstances that you refer to are matters which should be commended in words, or matters that should be commended, as you seem to claim, in dollars?—A. Well, it is a matter that we ask your careful consideration of. We shall prefer these claims to the consideration of the Government. We think that the road is entitled to them. There is one thing about it. I do not know the present prospects of the country, or its intentions, but if the Government wants that road, if they will make an allowance for the benefits they have received from the beginning to the present time, and will take the roads and lands and release the aided portion of the road I do not know but that the company will agree to it to-day.

GOVERNMENT HAS NO CLAIM ON DIRECTORS.

By the CHAIRMAN:

Q. How much of the benefits which the directors have received will they concede to the Government?—A. The Government has not any claim upon the directors for benefits. They built the road, they used the means that they had, all of them, and then they owned the road. The ownership of it at that time was of little consequence. There were no capitalists who would invest a dollar in the stock, upon the completion of the road; and the values that the road created, a small portion

of those values, made this property sufficiently valuable to make it worth holding by the directors. And that was the reason they owned the road. The values were created by the construction of the road, and they had them at the last because nobody else would touch them. This road was open to capitalists, but there was not to be found a company in the East nor in the West that was willing to take it. We were thrown upon our own individual resources to get together the means to build the road over the mountains; and unless the very men that engaged in it had taken upon themselves all the responsibility, the road would not have been through to-day. I do not know that you would have found anybody but the Government itself to do it. Individuals would not do it. With all the magnificent grants to the Northern Pacific, and after the example of our road in developing business, look how long it was before they would go on with the work, and then see the subsequent failures that occurred.

Commissioner ANDERSON. There was no aid in bonds extended to it.

The WITNESS. No, sir; but from the bonds extended to us we realized seventy per cent on the dollar, and are paying now six per cent on the par value; and the lands which they have had were of great value. It would have been better for them to have built the road that way than to have had aid from the Government, the way we had it.

DISPOSITION OF GOVERNMENT BONDS.

Q. From what source do you take the statements of discounts which were paid upon the Government bonds?—A. From our own books.

Q. And where were they sold?—A. Mr. Miller tells me that they were not all converted, because some of them were paid out in the way of supplies; but taking the average discount at the time we received the bonds, this is the price in gold.

Q. Well, how long did you keep some of these bonds, after you received them, before they were actually sold?—A. They were sold generally in advance, before we got them.

ROAD MORTGAGED AHEAD OF CONSTRUCTION.

Mr. COHEN. The road was mortgaged two hundred miles ahead before it was built, was it not?

The WITNESS. One hundred miles; and then on the road from the Promontory to Ogden we went to the Union Pacific, and had to pay them for it; and then it was some time later before the Government bonds on that portion were received. But the Government allowed us two-thirds of the amount upon the uncompleted road; and estimates were made, and we anticipated the receipt of the bonds, so that they were all used up when we got to Promontory.

WHAT THE BONDS SOLD FOR IN GOLD.

Q. What I want to ascertain is, the exact amount which the bonds sold for the account of this company produced in gold, which gold was remitted to you here for the uses of your company?—A. One of the statements here gives it. I supposed that I gave it exactly to a dollar, but a little of it had to be estimated, because the currency was used at par over there in purchasing.

By Commissioner LITTLE:

Q. Did you not give that statement in your paper submitted this morning?

Commissioner LITTLE. No; the statement was given a few days ago.

A. I gave there what I supposed to be the actual dollars received, but from Mr. Miller I learn that a part of that was estimated upon the bonds at the time according to their value in the market.

By Mr. COHEN:

Q. Did you ever see any of those bonds, or receive the bonds to handle them?—A. No, sir; I never saw one of those Government bonds.

HOW THEIR VALUE IS ESTIMATED.

By Commissioner ANDERSON:

Q. The bonds were sold in New York when they were sold?—A. Yes, sir.

Q. Is it not a fact that the value of the bonds which you have submitted to us is merely an estimated value of the bonds, taking the premium on gold at the time you received them from the Government?

Mr. MILLER. No, sir; not exactly; but it is made up mainly from the average premium on gold for each year.

Commissioner ANDERSON. For each year during which the bonds were received?

Mr. MILLER. Yes, sir.

BONDS ALL SOLD AFTER COMPLETION OF ROAD.

Mr. COHEN. And for each year during which they were sold?

The WITNESS. They were all sold. We did not keep a bond after the completion of the road, and I think that all our own first-mortgage bonds were sold before the completion of the road. We had a right under the law to issue bonds for a hundred miles in advance of the completed line; and then we were also to have the Government aid on the portions beyond, at an estimate of two-thirds of what we might receive from the Government for the work beyond, all of which, when we got over the mountains, had been issued and used so that we started out over the plains with an incumbered road in advance—several million dollars debt in advance—probably some six or seven million dollars in debt.

BORROWING ON BONDS.

Q. The sales of these bonds was a matter entirely within your control?—A. Yes, sir.

Q. And you could have borrowed substantially the face of the bonds at the time?—A. We did, over there, when we could get it. We borrowed money, and we never could have gotten through excepting that we hypothecated our own bonds and pledged the Government bonds to such people or capitalists as had confidence that we would give the bonds to them as we earned them. In that way we were able to get through. We really passed the mountains in a pretty nearly crippled condition.

BONDS NOT KEPT A WEEK—PRESSURE FOR MONEY.

By Mr. COHEN:

Q. When you got the Government bonds, how long did you keep them?—A. I do not know that positively, but Mr. Huntington was the agent over there and disposed of them. I do not believe that he ever

had on hand any of them unless he had some fragments of a lot; I do not believe that he ever kept them a week.

By Commissioner ANDERSON:

Q. The question of whether he should sell them or carry the loan by hypothecating the Government bonds was a matter in which he used his own discretion?—A. Yes, sir.

By Mr. BERGIN:

Q. Subject to the exigencies of the business?—A. Yes, sir. Oh, we were pressed for money and used it all up.

MILLIONS OF BONDS PLEDGED IN ADVANCE.

By Commissioner ANDERSON:

Q. Was the money any better to you, whether it was the result of the sale of bonds or the result of a loan by hypothecating the bonds?—A. Well, yes, sir. From a long experience in being in debt I have come to the conclusion that it is a much more comfortable condition not to owe money. The Government bonds were, many of them, I think, millions of dollars pledged in advance of our receiving them.

Q. You issued certificates, I suppose, and then when you got the bonds you substituted the bonds for the certificates. Is not that the course which you pursued?

Mr. MILLER. We gave a man an order to receive them.

INDIVIDUAL NOTES GIVEN, SECURED BY COLLATERAL.

A. Yes, sir. And there is another thing. Most of the time here—and I do not know but Mr. Huntington did the same thing over there when he borrowed money—we did not give the company's notes; but we gave our own individual obligations, secured by these collaterals. People would not take the company's obligations here.

Q. Where the collateral was the Government did it make any difference who the borrower was?—A. I do not suppose it made any difference there. In the case of the Government I suppose they relied upon the collaterals entirely.

HIGH PRICES FOR LABOR AND MATERIAL.

Q. Can you give us some of the prices that you have alluded to as being very high between the years 1867 and 1869 for labor and material, iron, and other matters connected with your building?—A. Yes, sir; I think I furnished a list of some things; but I know in Salt Lake City we did considerable work from there this way; and, by the way, we lost all we did from Ogden to Promontory in the final settlement. Oats were from 12 to 15 cents a pound, and hay was \$100 a ton; and I think some hay was hauled out that cost \$180 a ton. Teams we paid \$12 to \$14 for did not haul and could not haul anything but very small loads. The horses were very weak.

PRICE OF TIES.

Q. What were the ties?—A. I think we paid \$2 for some ties, but they were all oak.

Q. Give us the limits.—A. We did not take a great many at that price. They were bought for the purpose of facilitating the construc-

tion of the road. It was for that purpose that we bought ties over there, and laid them down and had them ready when the track should come along. I think the Union Pacific paid \$2 for a great many ties over there.

Q. Was the average price of ties in that region and during those years in excess of \$1?—A. All those ties cost a good deal. I do not think either company was able to get ties from people over there for less than \$1; but we carried our ties, most of them, from the Sierra Nevadas, and some of the redwood ties went away out on the desert. They were cut in Humboldt County and were brought down to San Francisco and then were shipped out to the front.

Q. Did you not get Sierra Nevada ties at as low a rate as fifty to sixty cents?—A. About forty, I think; forty to fifty cents.

Mr. COHEN. But they were very perishable and had to be renewed very soon.

The WITNESS. Yes, sir; they did not last long. When we can get those ties here we use the redwood. When the lumber mills were started on the Sierra Nevadas we could get plenty of ties, but we had to carry them away out to the front.

RAILS.

Q. I understand that that cost has to be added. Now, in regard to the rails on that road during 1867 and 1868, where were they purchased?—A. They were all American rails. Some were purchased in New York. The most of them were manufactured in Pennsylvania.

Q. Do you remember the price paid?—A. I do not think any rails went on the road for less than \$70 a ton. That was the cost over there in the East. I do not think any were purchased that did not cost more than \$70 a ton.

HOW TRANSPORTED.

Q. How were they transported to you?—A. The most of them came around Cape Horn. I remember 10,000 tons at one time came across the isthmus; and I am not positive, but I believe the charge was 3 cents a pound freight; that is, \$60 a ton freight. And we had quite a number of engines and other materials that came across the isthmus at very high rates. The general rate for freight on the steamers at that time was from 3 to 5 cents a pound.

LARGE SHIPMENTS.

Q. Do you not know that in a case of large shipments of this character special arrangements were always made?—A. We made the best arrangements we could, and that is why I think possibly we did not pay 3 cents. That was the rate; but I believe, and I know, we tried to get something off. Whether we succeeded or not I do not remember now.

Q. That will appear in the books?—A. Yes, sir; whatever we did pay will appear. Perhaps Mr. Miller can tell me.

Mr. MILLER. I cannot tell now. It is all on the books, though.

FILLING AND GRADING DONE BY CONTRACT AND FINANCE COMPANY.

Q. Was most of the labor of filling and grading generally done by contracts, let out at so much a yard, or was it done mostly by the people whom you employed?—A. No, sir; most of the work was done by the Contract and Finance Company. They sometimes let minor contracts.

The earthwork that we started on in going over the mountain was pushed along, and in fact the whole road was pushed with all the rapidity possible; and it was a question of distributing men to the best advantage as to how fast we could go. I think when the road was on the Humboldt we had men at work over by Salt Lake; and at one time I know we transported over 3,000 men and 400 horses, with all their supplies, 300 miles in advance of the completed line; that is, to do the work on the cañons on the Upper Humboldt. Perhaps you may have noticed the work in the cañons upon the Humboldt. There were three cañons there, and the work was very heavy. In order that we might not be delayed on reaching here it was necessary to transport men and supplies in advance out to that place.

OX-TEAMS HAULING TIES OVER MOUNTAINS.

MR. COHEN. I would like you to mention to the Commissioners the circumstances under which rails and ties were hauled across the Sierra Nevada Mountains by ox-teams.

THE WITNESS. If they would like to hear it.

Commissioner ANDERSON. Yes, I would like to hear it.

THE WITNESS. Well, it is well known that the winters during which we were working on the mountains were three of the heaviest winters that we had ever encountered. We have had since then one winter when the snow fell to the depth of 60 to 70 feet in one place. But during those three winters the snow was somewhere from 30 to 40 feet deep, as near as we could measure. That is the actual fall on the level during the winter, and then the snow was settled down towards the spring, packed down to about 13 or 14 feet of hard snow. Then the snow would fall sometimes 5 to 6 feet in the night; I believe in one case that 9 feet fell in a single night. It obstructed all the roads, and made it almost impossible to get over the mountains.

HOW THE ROADS WERE KEPT CLEAR.

During the time of these storms we had ox teams and other teams moving along constantly trying to keep the road clear and the snow packed so that when the storm was over we could pass along with our material and could transport our iron. I think that is all told in my report. We moved the iron there over the mountains, over this snow, and down on to the Truckee Cañon, where we could work our men during the winter, and then we continued and laid the iron until we had 40 miles of track laid. That is the way we hauled our material through the Sierra Nevada Mountains from a point about 15 miles this side of the summit. It was hauled there under all those difficulties, the snow falling and we laboring to keep the road clear. We worked in tunnels many times.

TUNNELING DURING THE WINTER.

We pressed the tunnels forward during those winters as fast as we were able to, and we oftentimes had long tunnels under the snow to reach the mouth of the tunnel in the rock where we were doing our work. The season was very short for working on those mountains in the open air, and when the proper time came we swarmed the mountains with men, and placed the men along wherever we could find a place for them to work or even could find the men, and even then we used to send them to do this work under a very great disadvantage. We almost wasted

powder. We had to rely very largely on powder, and we used it freely, and it cost us, I think, from \$12 to \$13 a keg at that time. I think it cost about three times what powder could be bought for before or since.

OTHER DIFFICULTIES IN GOING OVER THE MOUNTAINS.

And while we were doing these things it is almost impossible to portray the difficulties which we had to encounter in pushing that road over the mountains. Before reaching the snow line, down below the snow line for some distance, the soil is of a peculiar character. It is a red, spongy, thick soil, and takes up and holds water. There were weeks there when the teams could not haul stuff on the wagons—supplies for the men and materials that were furnished—and they were hauled by pack animals. I know the stage was abandoned on this side of that mud or soft soil, and for, I think, nearly two months the passengers were carried across on horseback until they could get up on the snow. We pushed the work up there as fast as possible. It so happened that every winter we were on the mountains was that kind of a winter. We pushed the work along as well as we could at that time, but of course it was at an enormous cost.

LARGE FILLS ORIGINALLY COVERED WITH WOODEN TRETTLES.

Q. Can you tell me whether the large fills that occurred, that are found in the ascent of the mountains, were originally covered with wooden trestles or were they filled at the time?—A. There were two or three of them that were wooden trestles.

Q. Which is the largest of those fills; was there not one fill that was estimated to contain about 90,000 yards, in a distance of 600 feet?—A. As much as that.

Q. And was that fill made at the time of constructing the road, or was there a wooden trestle there, and it was subsequently filled?—A. I ought to be able to tell you the exact number of trestles that we have taken out, but I think there are only three or four. I think there have been three or four trestles taken out.

BOND AID INCREASED FROM \$16,000 TO \$40,000—WHERE.

Q. How far east of Sacramento City was the rate of the Government bond aid changed from \$16,000 to \$48,000 a mile?—A. About 7 miles east of Sacramento.

Q. Seven miles east of Sacramento City?—A. Yes, sir.

CHARACTER OF COUNTRY BETWEEN SEVENTH AND TWENTY-FIRST MILES.

Q. What is the character of the country between the seventh and the twenty-first mile east of Sacramento City?—A. It was very light work; almost level. Out to 23 miles up from Sacramento the rise is a little over 300 feet. I will tell you, Mr. Commissioner, it would seem as though it was a very simple thing to determine the base of a mountain. Dana in his geology gives the base of the Rocky Mountains at the Mississippi. In the case of the base of the Sierra Nevadas there was a report made by the State geologist, the United States surveyor-general, and the State surveyor-general, upon where the base commenced. There is a rise there of 7,000 feet, more than 116 feet to the mile, but that

was only for 4 miles, and they could not determine that by any abrupt ascent of the railroad, and so they took the geological formation and found that the mountains came down to this point. Really they came down 4 miles this side, but very plainly the mountain formation was down at this point, and from that point up there was never a place where they went below the starting point. That was fixed as the base. It was submitted to the President, and he established the base at that point.

Q. In what form was it submitted to the President? Was it in the form of a certificate or verified statement?—A. I forget about the verification of the statement, but I know that three reports were submitted, and I presume they probably went to the Secretary of the Interior first. But as to that I cannot say. I was not over there at the time.

COMPARATIVE COST OF FIRST SEVEN AND SECOND SEVEN MILES.

Q. As a matter of fact, is the cost of construction for the first seven miles from Sacramento City any more than the cost of the second seven miles? Is there any difference in the cost of construction of the first seven miles as compared with that of the second seven miles?—A. Yes, sir; a little more. There are some cuts, but it is light work.

Q. Is not the character of the country precisely the same? Which would be the more expensive to construct, the first seven or the second seven?—A. I can only estimate it. The American River bridge is a costly structure, and that is in the first seven miles. Taking that in, I do not know.

THE BASE OF THE MOUNTAIN.

Q. As a matter of fact, you got \$48,000 on the second seven miles and \$16,000 on the first?—A. I will say further about that. I presume it was not only geologically the base, but, if you remember, this extra aid was to be given on that portion commencing at the base of the mountains; "the most mountainous and difficult of construction," a hundred and fifty miles there, took us out to the east line beyond the Sierra Nevada, and that extra aid really came where it was most needed, and where the greatest difficulties were encountered. Yes, I have heard it said that we moved the mountains down to the valley.

Q. Is it not a fact that one of the engineers of the road declined to verify the certificate fixing the point at which the \$48,000 rate would commence?—A. I never heard of such a thing.

Q. Did Mr. Judah sign the certificate?—A. Mr. Judah I do not think was alive when that was fixed.

Q. It was fixed in 1863?

Mr. COHEN. He was dead before 1865.

The WITNESS. Mr. Judah went home from here when, I think, the road was out about six or seven miles, and he died. He must have died as early as 1863 or 1864.

Q. Do you remember that there was a difficulty between the company and Mr. Judah as to the location of that particular point?—A. No difficulty at all.

DISCUSSING AS TO WHERE IT COMMENCED.

Q. No discussion at all?—A. Oh, yes; we discussed this thing a good while as to where the base of the mountain commences. We could not find any place to fix it. The idea was that it was somewhere in the foot-hills, as you call them, but when we came to start out we

got well up to twenty-three miles out on the line before we struck the foot-hills, and then there was never a time that the grade along up there was less than 100 feet, and then we commenced an examination to find out what was the base of the mountain. Dana gave us the first idea when we went there. And so did the State geologist, when we went to him. We also went to the United States surveyor-general and to the State surveyor-general.

ALL THE OFFICERS WHO MADE THE EXAMINATION AGREED.

By Commissioner LITTLE:

Q. Did all those officers agree as to the point?—A. Yes, sir; they agreed. They all agreed geologically that it was correct, except that the probabilities are that, strictly speaking, it ought to commence about four miles earlier than it did.

Q. What evidence was submitted to the President of the United States upon which he fixed this point?—A. Particularly the reports of those three gentlemen.

Q. Were their reports in writing?—A. Yes, sir.

Q. Were they verified?—A. I do not know.

THE BASE PROPERLY FIXED GEOGRAPHICALLY.

By Commissioner ANDERSON:

Q. I will call your attention to the fact that the language of the act under which you were to have the \$48,000 is, that for the 300 miles of said road most mountainous and difficult of construction, to wit, 150 miles westwardly from the eastern base of the Rocky Mountains and 150 miles eastwardly from the western base of the Sierra Nevada Mountains, said points to be fixed by the President of the United States, the bonds should be treble the amount on the rest of the road. Does it not appear that that point should have been located with reference to the difficulty of construction and the mountainous nature of the territory rather than to the theoretical base as fixed by geologists?—A. Well, both. It first said from the western base of the Sierra Nevada Mountains. Now we fix that base geologically. The object of the act was to aid that portion most mountainous and difficult of construction. The whole of the difficult portion of the Sierra Nevada Mountains lies within that 150 miles. The 150 miles commencing at that point takes us out over the Truckee Valley to the east of the Sierra Nevada Mountains.

Mr. COHEN. As the distance was only 150 miles it does not seem to be very material where it commenced, does it? They were to have three times the allowance.

The WITNESS. Well, the object of Congress was attained. It established the point by taking the base at which the 150 miles were commenced, which took it on to the plains beyond the Sierra Nevada Mountains on to the Truckee meadows.

COST OF CONSTRUCTION FROM SACRAMENTO TO OGDEN.

Q. In relation to the construction of this road from Sacramento to Ogden, are you able to state, from your own knowledge of the books in which those accounts were kept, whether the figures which you have given us to-day of the entire material aid that you had, amounting, as you have stated, to forty-eight millions of dollars, are more or less than

the actual cost of the construction of that road?—A. I know it in two ways. Those figures were furnished to me from our books. I had such intimate relations with the Contract and Finance Company—

Q. What figures were furnished you from the books?—A. I gave them to-day.

ALL THE MONEY USED UP IN CONSTRUCTION.

Q. I am speaking of the comparison of those figures with the figures that would appear in the books of the Contract and Finance Company and the books of Charles Crocker & Co.; and I ask you, are you able to state from your memory of the figures in the books of the Contract and Finance Company and the books of Charles Crocker & Co. whether those figures show the cost of the construction of that road to be more or less than the \$48,000,000 you have mentioned?—A. I am not able to say anything about what those books would show, because I never looked at them. But this I do know, from my intimate relations with the work of Mr. Crocker, and from having much to do with the financial affairs, especially while we were raising money over here, that I know it as well as if you sat down to carry out a great enterprise and were working to a purpose, you would know whether there was a surplus of money or not. I am as confident as I am of my present existence that all the money was used up in that construction, and that there was no surplus over. I know that we were so close up and so crippled for money all the time that we would not furnish and would not attempt to sell a bond excepting as we needed the money.

ACTUAL COST TO OGDEN MORE THAN \$48,000,000.

Q. Then your statement is that the actual cost of the road from Sacramento to Ogden was at least forty-eight millions of dollars?—A. It was more than that. It was more than the Government and first-mortgage bonds, because into it, I think, went largely the earnings of the road. We were doing business.

Mr. COHEN. And then you borrowed money on your individual credit?—A. Oh, yes; we borrowed a great deal of money. I hope you will not think I am boasting, but during that time I was permitted to overdraw, without security, over \$1,300,000 at one time. We borrowed money, and I think that what I borrowed here was borrowed on our individual credit. I do not think we signed the notes by the company at any time. We possibly might have done so; but I know for a long time, at any rate, they would take our individual notes when they would not take the notes of the company. However, excepting the overdrafts at the bank, we had to put up collaterals.

PROCEEDS OF INDIVIDUAL NOTES USED.

By Mr. COHEN:

Q. Did the proceeds of those notes go into the construction of the road?—A. Yes, sir.

Commissioner ANDERSON. The proceeds arising from those notes were used by the company in the construction of the railroad, I presume?

A. WITNESS. The proceeds of the notes, all I got, I suppose I paid the treasurer of our company; and then it was paid to the Contract Finance Company for construction.

Commissioner ANDERSON: Those were personal loans that were paid and upon which you received interest, I suppose?

The WITNESS. Whatever interest I have paid for the company the company has in some manner or other paid back. I do not know just how that interest was paid, because I used to pay the interest on the notes running for some considerable time. I used to pay interest monthly and I used to pay this money out.

INTEREST ON INDIVIDUAL NOTES REPAID BY COMPANIES.

By Commissioner ANDERSON:

Q. The question is, whether you received interest on the moneys which you advanced to the Central Pacific or to the Contract and Finance Company?

Mr. MILLER. Not always.

Commissioner ANDERSON. Let Governor Stanford answer according to his recollection.

The WITNESS. What money I borrowed, either the Contract and Finance Company or the Central Pacific Company, according as they were benefited, made up to me with the interest. I did not lose the interest.

Mr. MILLER. You mean you received no interest. The books of the Central Pacific will show.

Mr. COHEN. I do not think you quite understood Governor Stanford about that interest question.

The WITNESS. You were asking me about interest, Mr. Anderson, when we were broken in upon, and a gentleman here suggests that either you did not understand it or I did not make myself clear. Whatever of interest was paid by us in our individual capacities, the same interest was paid or intended to be paid by the companies for which the money was borrowed, we charging no more and no less than what the money was borrowed at.

METHOD OF CONDUCTING WESTERN DEVELOPMENT COMPANY.

Commissioner ANDERSON. The statement of Mr. Dooty in regard to the Western Development Company showed how things were conducted with it, and I presume that the same course was pursued in regard to the Contract and Finance Company. If I am wrong in that you may correct me. His statement showed that all that construction work, and all the capital which the company used for the purpose of doing its work, was advanced by the individual loans of yourself, Mr. Huntington, Mr. Crocker, and in his lifetime, Mr. Colton, Mr. Mark Hopkins, and Mr. Colton in the Western Development Company; and the moneys so received were deposited with the Central Pacific; that the Central Pacific paid interest to the Construction Company; that the Construction Company either paid or credited interest to the stockholders, and that the funds so advanced were used for the purpose of doing the business of the company.

The WITNESS. Are you speaking of the Western Development Company?

Commissioner ANDERSON. I am speaking of Mr. Dooty's explanation, with regard to the Western Development Company, but I have assumed that the same course was pursued with regard to the Contract and Finance Company. If it is not so you may correct me.

THE ACCOUNTS WITH CENTRAL PACIFIC AND CONTRACT AND FINANCE COMPANIES.

THE WITNESS. I do not think it was so with regard to that company. In my return, I think invariably, to the secretary of the Central Pacific Railroad, of my financial operations of borrowing any money. It is possible that I may have borrowed money for the Contract and Finance Company, but if I did it went to them. I never mixed the two companies together, and I do not know that it ever was done at any time.

NO MORE INTEREST CHARGED THAN PAID.

MR. MILLER. You may have had such relation with the Contract and Finance Company, but if you did I did not know it.

Q. Do I understand that you never charged the company which received that money, whether it was the Contract and Finance or the Central Pacific, any more than the rate that you had to pay yourself when borrowing the money?—A. Yes, sir; neither more nor less, but always the same. I do not want to answer for Mr. Douty about it, because I never looked at his books, but Mr. Miller says the interest account was made up on both sides. Sometimes there was a credit and sometimes an indebtedness.

FURTHER TESTIMONY TO BE SUBMITTED BY COMPANY.

By the CHAIRMAN:

Q. Have you anything else to submit?—A. I said to the Commission yesterday that after the Commission got through we might wish to submit some testimony upon our side. There are quite a number of things, very likely, which we may wish to submit, but it will depend greatly upon what is drawn out by the examination which the Commission is making. I think very likely we may want to put in some testimony in regard to the equities that we think exist between the Government and ourselves.

The Commission then adjourned to Wednesday, August 3, 1887, at 10 a. m.

PALACE HOTEL, SAN FRANCISCO,
Wednesday, August 3, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

THE DOUTY PETITION IN COURT.

MR. HENSON. Before Governor Stanford begins his testimony, if the Commission please, I think that it would be proper for me to appear in court with Mr. Douty, as the document prepared by the Commission has been served, and there explain the condition of affairs. I

—As a note to United States District Attorney Carey explanatory of the matter, but I think that perhaps it would be better for me to explain to Judge Sawyer how the matter now stands.

MR. ANDERSON. I think that the stipulation which has been between us is sufficient. Under that stipulation I do not think that there would be anything gained by your appearing

in court this morning. The understanding is that the matter will be brought up upon notice by either side.

Mr. BERGEIN. Of course that is the understanding between us.

Commissioner ANDERSON. Of course, if the district attorney sets it down for any specific day, we shall have to move specially to have it go over.

LELAND STANFORD, being further examined, testified as follows:

METHOD OF ASCERTAINING PROCEEDS OF GOVERNMENT BONDS AND OTHER AID.

By Commissioner ANDERSON:

Question. Referring to the tables submitted to you of the approximate realizations from the bonds and other assets of the company up to January 1, 1870, you have stated that the amount given as the proceeds of the Government bonds was obtained by taking the average market value for the years when the bonds were received, and, in a measure, disposed of. I desire to know whether the same system has been adopted in regard to the other items contained in your statement.

The WITNESS. The county and State aid.

Commissioner ANDERSON. Yes, sir; and the company bonds also.

The WITNESS. I do not know whether these figures are taken from the books of the company, so far as the amounts are concerned, or not. They are substantially correct, and can differ but very little from the figures which are absolutely correct. I have it in my mind, so that I know the rate generally at which these bonds were sold. This statement, however, was furnished to me by Mr. Miller, the secretary of the company, but whether he took it from the books of the company or not it is, of course, impossible for me to say. I observe that the figures here are in round numbers. For instance, the San Francisco bonds—most of them were sold at 70 cents. I think that we sold only a small lot at 73 cents. These bonds were sold at different times. We peddled them out from time to time as best we could. You can hardly understand the difficulty that we had in obtaining money here, even when the securities were good.

Q. My only question now is, whether this is made out from your books and is a correct abstract from those books, or whether it is an estimate based upon the market value, or the supposed market value, at the times referred to in the statement?—A. When this was handed to me I supposed that it showed the exact amount to a dollar, but I see many round numbers here which makes me have a little doubt upon that subject. Mr. Miller would know all about it.

Q. And you refer us to Mr. Miller for an exact answer, do you?—A. Yes, sir. The facts contained in that statement are according to my recollection. I know that the bonds were disposed of in that way.

SIGNING OF TESTIMONY BY WITNESSES.

Mr. COHEN. If the Commission will permit me to interrupt for a moment I would like to ask whether you intend to have the testimony of each witness read over by him and signed before finally concluding the examination.

Commissioner ANDERSON. That has been our practice.

Mr. COHEN. Will it be so in this case? I think that there is a little misapprehension as to the answer of Governor Stanford yesterday with respect to the net earnings of the road.

Commissioner ANDERSON. It will be so in this case. That has been our practice heretofore, and I see no reason why it should be changed.

Commissioner LITTLE. The witness will have abundant opportunity to correct his testimony.

Commissioner ANDERSON. It is better to have all the witnesses sign, because that will obviate mistakes, and then the witnesses are foreclosed.

Mr. COHEN. We would like to have an opportunity to correct the testimony of the witnesses of the Central Pacific Railroad Company.

Commissioner ANDERSON. You shall have that opportunity.

BALANCE SHEETS FOR 1868 TO 1871.

Q. Have you in shape to exhibit to us the balance sheets of your company for the years 1868, 1869, 1870, and 1871?

Mr. COHEN. Which company.

Commissioner ANDERSON. The Central Pacific Company.

The WITNESS. Do you mean to ask if I will have such an exhibit prepared and exhibited to you?

Q. Have you in course of preparation the balance sheets of those years? The reason that I ask for this is that your first printed report is for the year 1872.—A. I cannot say. When I received your letter I wrote to Mr. Miller inclosing to him your interrogatories and directing him to make complete answers to all your questions.

Commissioner ANDERSON. I refer to your usual balance sheets in those statements.

The WITNESS. I asked Mr. Miller to furnish all the statements necessary, and he furnished something which I put in here as an exhibit. I never went over it very carefully, and I cannot now call to mind what was in it, but whatever it was, I am satisfied it was correct.

Q. I ask you whether you had the balance-sheets at the time—1869, 1870, and 1871?—A. I presume so, but I have no distinct recollection about it.

Mr. COHEN. If we have them we will take pleasure in furnishing them to you.

IMPROVEMENT AFTER COMPLETION.

Q. Do you know whether the items of the construction account varied materially after the road was completed in May, 1869, during the years 1869 and 1870?

The WITNESS. We continued to improve the road after that. Of course, while we were rushing along at the rate of 500 miles in less than a year that road could not be expected to be so complete as to be entirely satisfactory. We ran over it while the ground was soft, and it was thrown somewhat out of line. During the winter, when there was a great deal of frost, we dumped great masses of frozen dirt, especially at the Humboldt, and when warm weather came around this new road got out of line, and we were constantly at work on it. Afterwards we had to straighten out the line in places, and we did a good deal of work improving the road-bed. We put millions of dollars upon the road in the way of betterments and improvements after the road was completed. That is only, however, just such a history as all new roads have. After they are built the company must go on for some time afterwards improving them.

THE WAY THE WORK WAS DONE.

Q. Through what intermediary was that work done after the completion of the road in 1869? Was it through the Contract and Finance

Company?—A. I think that most of it was done that way. I think that we allowed them to do it; but as to that perhaps I had better not say, for I have an indistinct recollection upon the subject. It seems to me that nearly all of this work was done in this manner upon the basis of the cost, with 10 per cent. added, because the construction company could do it much better than the railroad companies could, for it was well equipped with everything that was needed, and we considered that mode of procedure to be most economical at that time.

COST OF CONSTRUCTION AT COMPLETION.

Q. I understand the statement of values which you have furnished, estimated by you at \$47,880,000, to cover all values which the company parted with up to the date of the completion of the road in May, 1869?—

A. That statement was furnished to me by Mr. Miller, and I presume that it is correct. Do you mean all the values, including county aid, State aid, and subscriptions, and all that?

Commissioner ANDERSON. Yes, sir. I understand you to say that that is the measure of what you parted with and paid for the construction of the road up to the time of its completion, and that you also paid out more money. Is that correct?

The WITNESS. Yes, sir; I do not remember exactly how that is stated, but if I understand it, it includes all that we received from the first-mortgage bonds of the company and from the Government bonds, and in addition to that, all that we received from other sources.

Q. And your statement is that you paid out and disposed of all these available resources by the time the road was completed?

Mr. COHEN. And money received from other sources?

The WITNESS. According to my recollection, we had paid out everything by the time we had the road built.

STATEMENT OF PROFIT AND LOSS JANUARY 1, 1870.

Q. Can you tell me from what source you got the statement of the amount of profits and loss under date of January 1, 1870, amounting to \$1,810,000?—A. I must refer you to the books for that. I am not a book-keeper, and do not attempt to carry those things in my mind. The books will show, and Mr. Miller, the secretary of the company, can probably explain it. I cannot do it.

Q. The amount included in that sum, which purports to be profit and loss, seems to have been accumulated from the actual profits made by the company up to that date, January 1, 1870; can you tell us anything about it?—A. I only know from that statement. I have no positive knowledge from a personal investigation or examination of the books.

Q. I do not ask you whether it is correct, but whether you know that this amount, which is set down here as profit and loss, was actually realized as the profits from that portion of the road up to that date?—A. I believe that it is correct, as it was furnished to me by the secretary.

Q. Do you know how much the interest account was in the years 1870 and 1871?—A. I do not.

INTEREST ACCOUNT OF 1870 AND 1871 COMPARED.

Q. Was there any alteration in the interest account in 1870, as compared with that of 1871?—A. I think that the tendency was downward. When we first commenced building the road, I borrowed money for the company and paid 2 per cent. a month for it. We never borrowed any

1 per cent. a month, until after the Bank of California was established, and that bank practically fixed the banking rates at 1 per cent. per month.

Q. I am speaking now of the interest account on your mortgage books; was there any change in that?

THE WITNESS. Any change in our interest account?

COMMISSIONER ANDERSON. Yes; the amount of annual interest which you were assumed to pay on your bonds. Was that altered in 1870 and 1871? A. They were 6 per cent. bonds, and we paid whatever interest was due upon them. I don't know that there was a possibility of there being any other rate.

ISSUE OF LAND GRANT BONDS.

Q. It appears from the account of your funded debt in December, 1870, that your funded debt was \$25,000,000, or are dated, in October, 1870, and that the amount of bonds authorized was \$10,000,000, and the amount issued was \$10,000,000. The issue of those bonds in 1870 was a material addition to your interest account, would it not?—A. Yes, sir.

Q. Do you know if those bonds come to be issued?—A. I am not able to call to mind any of the conversations and things that occurred in connection with the issue of those bonds. I think that they were issued for the purpose of paying the then debts, debts already contracted, and for the purpose of expenditures that we would have to make in the future. I am not able to call to mind any of the conversations in connection with the issue of those bonds.

HOW DISPOSED OF.

Q. Do you know where they were sold in the market and the proceeds were disposed of?—A. Yes, sir, or whether they were issued to individuals for the payment of claims?

Q. Do you know that the books will be the best evidence upon this point?

THE WITNESS. Very likely, but we are not at the office, and I cannot say. We would like the witness's recollection of the matter.

Q. Do you not remember all about the occurrences of twenty years ago?—A. We have done an immense amount of business in those twenty years. We have been engaged in a large number of important enterprises. It is almost natural that I ought to be impressed with them, but I cannot clear about them, even in my own mind, and a number of things relating to those matters have escaped my memory. I wonder that I do not remember them. If you want to get information, you can use the books of the company, and I much prefer that you should do so.

THE BOOKS WILL SHOW.

Q. The books show what disposition was made of those lands, to whom issued, and what consideration was received for them?—A. I think so. I believe that our books are kept as well and as fully as the books of any mercantile concern, and I presume all show everything. I have never examined these books, and I don't think that I have ever looked over half a dozen pages of the same.

Q. Did you receive any of those bonds yourself?—A. Not at that time.

Q. How long afterwards?—A. I do not know.

Q. How many did you receive?—A. I do not remember.

Q. Do you know whether you bought them, or whether they were distributed to you as a dividend from some of those construction companies?—A. As to how those bonds were issued and disposed of eventually I do not now remember with certainty. Before answering that question I would like to refresh my memory by conversing with some one who does know more about it.

Q. Have you any of those bonds at present?—A. No, sir.

Q. Where were you during the year 1869? I mean generally up to May, 1869, when the road was completed; during the latter part of the year, after its completion?—A. I think I was in this State. I may have made a trip East, but I think that I was here all the time. I do not think that I went East in 1869.

"DRIVING THE LAST SPIKE."

Q. Were you not present at the celebration?

The WITNESS. Of driving the last spike?

Commissioner ANDERSON. Yes, sir.

The WITNESS. Yes, sir; I was there.

Q. That was a period of considerable rejoicing, was it not, among all the parties connected with the enterprise?—A. Yes, sir; the rejoicing was very great.

Q. I would not say that the land flowed with milk and honey, but I suppose it flowed with other things, did it not? I mean all of you gentlemen had a good time and a great jollification at the completion of the enterprise.—A. Well, I do not know. We had a good time, and there was a good deal of jollification among those present. We were exceedingly relieved when we got through and we "jollified" a little. We thought we had succeeded in accomplishing a great work, and had done a great thing for the country, as well as a great thing for our own reputations.

THROUGH BUSINESS AT COMPLETION OF ROAD.

Q. Did not the effect of the enterprise manifest itself immediately in the through traffic that went over the road?—A. No, sir; it was some time before we got prices down so that they could command the freight. It was some months before we had much of any through business.

Q. Do you remember what the business was for the year 1869?—A. I do not think that we got much business in that year. We had expected to do a big business, but we were disappointed in our expectations as to the amount of through business for the first year. It came gradually, however.

BONDS ON WHICH INTEREST WAS PAID FOR 1869.

Q. Is it not true that all the bonded debt on which you paid interest for this year 1869 was the interest on the underlying mortgages which preceded the United States loan, and which amounted to about \$25,000,000, exclusive of the Western Pacific, which was not then consolidated? I believe that you had no interest in that last-named road at that time.

Mr. COHEN. There was the floating debt on which interest was paid. Commissioner ANDERSON. I mean the bonded debt.

The WITNESS. We paid the interest on our bonds, whatever it amounted to. I believe that we have never yet been in default.

Q. Were there any other bonds at that time except this \$25,000,000?—A. In addition to the first-mortgage bonds there were a million and a half of State bonds, a million and a half of convertible bonds—

Q. Is it not true that the State of California paid the interest on the State-aid bonds?—A. Yes, sir; the State paid the interest.

Q. What other bonds did you pay interest upon, except the first-mortgage underlying bonds in 1869?—A. A million and a half of convertible bonds, at 7 per cent., I think. I do not now remember any other bonds upon the road.

Mr. COHEN. There were the company's bonds?

The WITNESS. Yes, the company's bonds.

Mr. COHEN. And the floating debt?

The WITNESS. He is speaking of bonds.

NET EARNINGS FOR 1869.

Q. It appears from your reports that the net earnings of the Central Pacific for 1869, that is to say, the earnings less the operating expenses, amounted to \$2,677,200.06. I am quoting from your report, from the detailed statement by years showing all the years up to 1884 as per report of that year. Were you not then aware in 1869 that, judged by the traffic of that year alone, the Central Pacific was earning an absolute net which largely exceeded the interest on its permanent loans—on its bonds?—A. And the operating expenses for the year? I think not. I think that we ran behind. That is my impression.

Q. Will you please consult your report?—A. I will stand by the report whatever it is. I have no doubt that it is correct, and it is much better than my memory.

Q. The report says that your earnings, after deducting operating expenses from the gross earnings, were \$2,677,200.06 for the year 1869. I will also say that it appears from your reports that for the years 1864 and 1867 there had been a net, after deducting operating expenses from the gross earnings, exceeding \$1,000,000 in each year, and a small net before that. I will ask you now whether you were not aware that in 1869 the Central Pacific Railroad Company was earning considerably more than the amount required to meet its fixed charges?—A. I do not think that it was.

DEDUCTIONS TO BE MADE FROM GROSS EARNINGS.

Mr. COHEN. I think that your question, Commissioner Anderson, confuses the witness. Those are not the profits of the company. The difference between the amount received and the amount remaining after deducting operating expenses does not show net earnings. In addition to that you must deduct from this apparent profit, interest, taxes, executive expenses, &c., which have to be paid.

Commissioner ANDERSON. I have simply asked the question whether Governor Stanford was not aware, at the time that these figures were reported, that after deducting the operating expenses and these other expenses from the gross earnings there was more than enough money to meet the fixed charges of the road in 1868 and 1869?

The WITNESS. Those figures may show it, but I do not think that they express or show all of the expenditures. There must have been

a great deal going on in the way of payments for improvements to the road, repairs, tax expenses, and other things. That statement, I presume, represents any profit simply over and above operating expenses. What else was to be included there I cannot say, but I presume that if you were to ask the secretary he could tell you. I cannot explain all these details which appear in the reports, but I know that we did not have the money, and I know that our expenses were a great deal more at that time than the money that the company received, but the amount I cannot say.

VALUE OF THE STOCK IN 1869.

Q. We want your judgment of this enterprise in 1869. Do you say that the stock had no value at that time?—A. In 1869 we would have sold out for anything that we could have got, if anybody wanted it. To give you a general idea of how this stock was estimated by us, I will say that the health of Charles Crocker and of his brother E. B. Crocker became very much impaired. Judge Crocker's health became permanently impaired, and Charles Crocker became apprehensive and concluded to quit business. That was the doctor's advice to him. The result was that Mr. Huntington, Mr. Hopkins, and myself bought them out for 13 cents on the dollar for that stock, and that included whatever interests they had in other enterprises.

Mr. COHEN. That was in 1871.

The WITNESS. I have forgotten the year, but it was some time after the construction of the road. I think 1871 is correct. It shows what we estimated the value of it to be as amongst ourselves.

Q. Was not this purchase afterwards set aside, and was not Mr. Crocker reinstated, and did he not take his stock back?—A. After Charles Crocker returned from Europe, his health was very much improved, and he then bought back his interest at the same rate at which he sold it. At the time of the sale, however, the trade was absolute, and it was not known that he would ever want to come in again.

BUYING UP THE OLD STOCK.

Q. At this very period that you are speaking of as having made this trade, did you and your associates buy up all of the old stock of the company outstanding under the eight and one-half million issue, wherever you could find it? Did you not buy up the stock held by Mr. Lombard; did you not buy up Stewart's stock; did you not buy up every share of stock that you could control, and did you not go into the market so as to get all of it that you could?—A. We bought pretty much all of it.

Q. Did you not pay for that stock all the way from 90 cents on the dollar to par?—A. I bought full-paid stock at as low a price as 10 cents on the dollar.

Q. From whom?—A. I bought this lot of shares which I have now in my mind of a Mr. Watson.

Q. When was this purchase?—A. Pretty early in the history of the road.

Q. In 1864 or 1865? At any rate, was it not long before the road was constructed?—A. Yes, sir; it was before the road was completed.

BLACKMAIL SUITS.

Q. I am not inquiring in regard to purchases made at that period, but as to purchases that have some bearing on your statement that

your judgment in 1869 was that this stock had no value. Referring to that period, I ask you particularly in regard to purchases made from Mr. Aspinwall and from Mr. Stewart, purchases made here in San Francisco, whether you or your associates did not get all that stock in and pay par for it?—A. There was a time when several blackmail suits were commenced against us.

Commissioner ANDERSON. I am not asking as to them. I am referring to purchases made from friendly parties.

The WITNESS. I am telling you about those blackmail suits. We did not buy the stock because it was worth any such money as that, but we did so simply to make settlements of this litigation.

Commissioner ANDERSON. I am not talking of blackmail suits, I am speaking of the other matter.

The WITNESS. You are asking me about those suits and I am telling you the character of them.

PURCHASE OF STEWART'S STOCK.

Q. I am not referring to the blackmail suits at all. I am talking of friendly purchases made by you. For instance, the Stewart purchase, and such other purchases as were made in a private way. Was not Stewart's stock purchased, and did you not pay par for it?—A. I think that the Stewart suit was one of the results following the bringing of the Brannan suit, and that it was blackmail pretty much the same as the Brannan case. I think that he sold his stock as a result of the Brannan suit.

Q. Was not Stewart's stock purchased long before you had any suit with Brannan, or anybody else?—A. I think you must be mistaken about Stewart's stock. I think that the Brannan suit was brought before that.

THE STEWART SUIT.

Q. One of the allegations in the Stewart suit was that he was not aware of the Brannan case at the time that he was advised here in California to sell his stock at par; that after he sold it to you and your associates, who paid for it at that price, he subsequently brought a suit, now pending, in which he seeks to recover money, and in which he claims that there was an agreement that, although he sold at par, if any more was given to anybody else for similar stock he should receive an additional sum which would equal the money paid for this other stock. Your answer says that the money paid for the stock was not for stock alone, but was paid to settle claims. I ask you if you did not agree to purchase the stock at par at that time?—A. My recollection is that that stock was bought at par.

Q. Was it not part of that issue of eight and a half million of dollars, and not of an issue of fifty millions?

Mr. COHEN. Your question is not correct.

Commissioner ANDERSON. It was part of an issue of eight and a half millions, or of the subsequent issue of twenty millions.

Mr. COHEN. And some of the issue of one hundred millions.

The WITNESS. I cannot tell as to that, for I do not remember it.

OTHER PURCHASES.

Q. Did you make several purchases of this same character from different parties? I do not refer to the blackmail suits.—A. I cannot say how much was purchased. Mr. Huntington purchased this Stewart

stock. I think that he also purchased stock from Mr. Aspinwall, and from other parties at the East, and it was done for various reasons. What those reasons were I do not know that it is now necessary to state, but it was not because of the intrinsic value of the stock to us. I know that.

Q. I merely want to know whether those purchases were made at this time, and whether par was paid?—A. I suppose you want to get at the value of the stock that you are inquiring about. If you want to get at that value I think that you should take what it was worth in the market at that time. Asking about these other arrangements I do not think is the best way to learn that value.

PROFITS ARISING FROM CONSTRUCTION OF ROAD.

Commissioner ANDERSON. I want to get at your real judgment as to what you believed you made out of the construction of the road.

The WITNESS. So far as I can remember, whatever we made was stock.

Commissioner ANDERSON. Yes, thirteen millions of stock for each of you.

The WITNESS. No, I think not.

Commissioner ANDERSON. Thirteen millions of stock when construction was completed.

The WITNESS. We made various consolidations of other railroads with the Central Pacific, and stock was increased in that way. Of course we had our proportion of that. The exact amount received from the Central Pacific under the contract with the Contract and Finance Company, I am not sure about, but I think it was about twenty millions that the Contract and Finance Company received. I cannot remember the exact amount, but I think that it was something like that.

METHOD OF DIVIDING STOCK.

Q. Divisible into as many shares as there were stockholders?—A. Yes, sir.

Commissioner ANDERSON. You have stated to us that under the Crocker contract something like \$14,000,000 of stock was passed over, and that under the Contract and Finance Company's contract about \$20,000,000 of stock was paid to it exclusive of the consolidating.

The WITNESS. Whatever there was in the Contract and Finance Company was divided between the stockholders. Relative to the purchases that were made by ourselves from time to time, they were made upon our individual judgment and account; but these things had ceased to be valuable, and were not worth as much as we had paid for them. The result was that each man took credit for what he had paid for this stock, and put the stock into the Contract and Finance Company, and then it was divided among the stockholders in proportion to their holdings. That is as near as I can remember about it. The exact amount I cannot tell.

OF SLIGHT VALUE AT TIME OF DIVISION.

The value of the stock at that time was not much. We did not consider it so, and we would have sold it at a very small price. We could not, however, have sold it at all. I would have been glad to have sold for a trifle, and I know that the others felt as I did.

Q. And yet your accounts show that the earnings of the road from 1869 to 1872 very largely exceeded the amount required for fixed charges, and that in 1873 you declared a dividend.

The WITNESS. In 1873?

Commissioner ANDERSON. Yes.

The WITNESS. If we did, we declared them out of the net earnings.

Commissioner ANDERSON. And in addition to this, you state that there were purchases effected by you for some purpose which you cannot at present exactly remember, at prices approximating par, and yet, in the face of all those assertions, you say that you believed that this stock had no intrinsic value whatever? How is this?

The WITNESS. At the time that we bought this stock it had no value, except for the mere purpose of control. I do not believe that we could have sold it in the market for any price. In fact, it had no market value. It was the same with the Union Pacific. I know that we could have bought a controlling interest in the Union Pacific at 10 cents on the dollar. At least, I was told so, and it was selling in the market at 13 cents on the dollar.

FAITH IN THE SUCCESS OF THE ROAD.

Q. I am not inquiring as to the market price of this stock, but I am asking for the judgment of Governor Stanford as to its value in 1869, as reflected by his acts, and as to his then belief in the value of this stock. Had you not great faith in it?

The WITNESS. Did I have great faith, do you mean?

Commissioner ANDERSON. Did you have faith in the ultimate outcome of this enterprise?

The WITNESS. I had a great deal of faith that we would get a very large proportion of the through business. In this, however, we were somewhat disappointed, as business did not come along during the first year as we had anticipated. We looked for a great passenger travel, and thought that people in the east would like to come to this coast. They did not come, however, and during the first year I do not think that any more people traveled by rail than by steamer.

Q. Did you make any serious efforts to sell your own stock at that time?

The WITNESS. After the road was built?

Commissioner ANDERSON. Yes, sir.

The WITNESS. I do not think that I did. It would have been of no use.

Q. Did you really think that you got yourself into trouble and had made no money out of the operation of the road, and the construction of it between the years 1867 and 1870?—A. I thought we had got ourselves into trouble. In fact, I knew it. We worked and toiled as few men were capable of working, but had great hopes that we would succeed. Several times we would have willingly gone out of it with the clothes on our backs if we could have been guaranteed the completion of the road.

UNABLE TO SELL STOCK FOR TWENTY CENTS.

Q. When?—A. At almost any time during the last two years of construction. Mr. Huntington and Mr. Hopkins offered to sell 80 per cent. of that stock at 20 cents.

Q. When?—A. Mr. Cohen tells me that it was in 1873.

Q. The transaction did not go through, did it?—A. No, sir; the transaction did not go through, but it was not from any fault of Huntington and Hopkins. The purchasers had their own reasons why they did not care to complete the purchase, and I am informed that it was because of the demands being made by the Government that they concluded not to make the trade.

SUITS AGAINST THE COMPANY.

Q. Let me ask you a few questions in regard to these suits to which you have referred. As a matter of fact there were quite a number of suits brought against the company by various persons. I refer to the Brannan, Robinson, Lombard, San Joaquin County, and other suits of like character, were there not?—A. Yes, sir; several. Lombard and other gentlemen of the Credit Mobilier thought they had a chance to make some money out of us, and came out there. After a time we settled with them. Brannan had some stock, \$25,000 par value, which he had taken in trade. It was reckoned at 25 cents on the dollar. Afterwards he brought this suit.

Q. Did he get the stock in exchange for equipment and rolling-stock?—A. Yes, sir.

Q. Which you afterward sold to another railroad at some loss?

The WITNESS. Sold to another railroad?

Commissioner ANDERSON. Yes; at least your books say so.

The WITNESS. I do not think that we ever sold that stock after we bought it.

Q. You mean that you never sold the equipment?—A. Yes, sir; I do not think that we sold the equipment. I think that it went to the benefit of the Central Pacific.

Commissioner ANDERSON. But the Central Pacific subsequently disposed of it to one of the minor lines or sold it to another line; still, Brannan got his stock, and that is far as we care to go. I will either ask you about the suit or take any suggestion that you have to make.

COMPLAINT IN THE BRANNAN SUIT.

The WITNESS. I wish you would read the complaint filed in that suit.

Commissioner ANDERSON. I have read it.

The WITNESS. If you have you will understand the magnitude of it. I think that he puts down the assets of the Central Pacific somewhere between \$300,000,000 and \$400,000,000, and that it was all appropriated by one or two men.

By the CHAIRMAN:

Q. Is that one of the blackmail suits?—A. I counted it as such.

REASON FOR COMPROMISING SO-CALLED BLACKMAIL SUITS.

By Commissioner ANDERSON:

Q. Quite likely. I want to ask you when suits of this character were brought, what inducing motive was it that caused you gentlemen to pay the large sums of money—at the rate of \$400 or \$500 a share—which were paid for the adjustment of these suits instead of compelling the party to go to his proof and show the exact state of facts to the whole world?—A. I would like to gratify your curiosity and that of

everybody else, and will do so as far as I can. At that time we were building other railroads, and we concluded that it was merely a business matter to settle those suits and not have them go on, and perhaps interfere with our credit. That is one reason. Whether we were wise in doing it or not I do not know; but in my own judgment we were very unwise, and I have always thought so.

Q. That is my judgment also. The nature of the allegations were a direct attack on the integrity and the honesty of the men engaged in the enterprise, was it not?—A. Very largely.

SUITS SCATTERED THROUGH A SERIES OF YEARS.

Q. Were those suits all brought in one year, or were they scattered through a series of years, from 1871 to 1878?—A. They were scattered. Some were brought as late as 1880. The other suits were long afterwards, except the suits of Lombard and Brannan.

Q. And how about the Robinson suit?—A. Mr. Cohen tells me that the Robinson suit was brought in 1876.

Q. And how about the San Joaquin suit?—A. Mr. Cohen says that it was brought in 1877. I do not remember the dates myself.

CHARACTER NOT DAMAGED BY SCURRILOUS ALLEGATIONS.

Q. During all these years, you gentlemen have had an opportunity to put yourselves in a position to defend yourselves from scurrilous allegations, such as these contained in these complaints, and yet you seem to have taken no steps towards doing so. Was there any particular reason for remaining silent?—A. I do not know that our general character was damaged by any such allegations as those contained in those documents. We have lived in this community for thirty-odd years, and we are pretty well known.

Q. But did you pay money for the settlement of all these suits?

SAN JOAQUIN BONDS ISSUED TO WESTERN PACIFIC.

Colonel HAYMOND. Not for the settlement of the San Joaquin suit. That was decided in our favor. Whatever was paid in that matter was purely voluntary on the part of the company.

The WITNESS. We never touched one of those San Joaquin bonds. They were issued to the Western Pacific Railroad Company before we purchased the control of that road. The only question about that was that Mr. McLaughlin paid more for that stock than it was worth at the time. There was a clause in the law that the county should not part with that stock until it had first submitted the matter to the people. Afterwards, through the trade, we became owners of that stock.

Q. In its complaint, did not the county allege that it had been sold without its consent or without the consent of the people and ask to have the stock back again, or that the company account for what it was worth?—A. I do not know; we received the stock from McLaughlin when we purchased the Western Pacific.

ATTORNEYS IN THE SUITS.

Q. I understand that the county claimed that it was entitled to have the stock returned, or its value. Who was the attorney in the Brannan suit? Was it not John B. Felton?

Mr. COHEN. In the Brannan suit? No, I think not.

Q. Who was the attorney in the Lombard suit?—A. John B. Felton.

Q. And is it not true that he subsequently entered the employ of the Central Pacific, and remained in its employ until his death?—A. Yes, sir.

Q. Who was the attorney in the Roblison suit?—A. A. A. Cohen and Delos Lake.

Q. As far as Mr. Cohen is concerned, is it not true that he is now one of the advising counsel of your company?—A. Yes, sir.

Q. And did Judge Lake enter the service of your company afterwards?—A. Yes, sir.

OTHER SUITS AGAINST THE CENTRAL PACIFIC.

Q. What other suits of this nature were brought against this company?—A. The Main and Winchester case and the Colton case.

Q. Were those suits of a similar character?—A. I consider them so.

Q. Who was the attorney in those suits?

The WITNESS. On our side?

Q. No; on the side of the plaintiff?—A. The attorney in the Main and Winchester suit was a gentleman from New York.

MR. CHITTENDEN'S CHARGE.

Q. Mr. Chittenden?—A. Yes; that is the man, and he made a good deal of trouble for us. He once appeared before a committee of Congress, at request of Mr. Huntington, and he wanted for his services to charge \$25,000. Mr. Huntington, however, gave him only \$10,000, so I suppose he was trying to get even on this case. You are perfectly acquainted with the gentleman, probably.

Commissioner ANDERSON. Very well.

The WITNESS. I will not ask you to state what his reputation is in your community, or with you gentlemen of the bar, but I think that it is pretty well known.

Q. Who were the San Francisco lawyers associated with Chittenden?

Mr. COHEN. I brought the suit as an agent of Mr. Chittenden.

NO ILL FEELING TOWARDS LAWYERS ON THE OTHER SIDE.

Q. Do you remember the consolidation of the Central Pacific with the Southern Pacific?—A. Yes, sir. But before I go on with that question I will say this, Commissioner Anderson, that I do not believe that because lawyers are engaged on the other side it follows that I do not appreciate their merits, or have any ill-feeling against them for discharging their duty; and I do not know that in all of these cases, except it might be where a man had done some mean thing, the fact of his being employed upon the other side has ever interfered with our personal relations.

Commissioner ANDERSON. I will say exactly why I have asked the questions: It bears on the question of fact whether, in very truth, you and your associates believed that the proceeds of your enterprise, in stock or otherwise, had value or not. It appears so to us, that it had value, and that you must have thought so at the time that it had a great value.

NEGOTIATIONS TO SELL—HUNTINGTON AND HOPKINS WILLING TO SELL AT 20.

The WITNESS. No; we did not think that it had great value. The strongest evidence is the fact that when the Crocker sold they were willing to take 13 cents on the dollar for this stock, and it carried with it whatever interest they had in the other enterprises. Some of these enterprises were very hopeful ones indeed, on which we had spent a good deal of time. Afterwards Mr. Huntington and Mr. Hopkins got pretty tired also, and they wanted to sell to a syndicate to be formed here, and the negotiations proceeded so far that at one time I thought that it would be successful. I was going to retain my interest. I was not selling at that time. Mr. Cohen tells me that Huntington and Hopkins agreed to sell at 20 cents on the dollar, and that this was in 1873. That was their estimate of value. Hopkins wanted to sell at 20 cents on the dollar, and this was to carry with it all of his interest in the other enterprises on the Pacific coast, and Mr. Huntington was willing to do the same. At that time we had done a good deal in the way of building other railroads and projecting them. I think that we had control of the Southern Pacific at that time, did we not, Mr. Cohen?

ACQUISITION OF SAN FRANCISCO AND SAN JOSÉ.

Mr. COHEN. You acquired the Southern Pacific in 1870 or 1871. I think that it was in 1870.

The WITNESS. We had a great many very valuable interests at that time, besides the Central Pacific. This road between San Francisco and San José, known then as the San Francisco and San José Railroad, has been a very fine piece of property running out of this town. It is now operated by the Southern Pacific Company.

DISAPPOINTED WITH REGARD TO ASIATIC BUSINESS.

We were very much disappointed with regard to the business with Asia. We were very busy building our road, and we had not taken much account of what was going on in the matter of the construction of the Suez Canal. I think that the whole country anticipated that when this road was built there would be a great business with Asia, but the opening up of the Suez Canal during the very season that we completed our road disappointed us in that anticipated business.

EFFECT OF PROTECTION TARIFF.

I do not know how much more we had to pay for iron because of the tariff which protected American iron; but I know there was a time when we had estimates made which showed that we paid out for rails, and other iron, over \$1,000,000 more than we would have had to pay if we could have bought it in England.

Mr. COHEN. That was because of the protection given to Pennsylvania at that time.

The WITNESS. Some people seem to think that they need protection. Through the aid which we offer iron and coal in the shape of a protective tariff in order to assist and protect the poor coal mine owners of Pennsylvania, we are paying 75 cents a ton more duty on coal than we otherwise would, and part of this is used on this Central Pacific Railroad, which Mr. Anderson thinks the Government has an interest in.

MANNER OF CONSOLIDATION.

Q. Please to relate to us the manner in which the consolidation of August, 1870, was brought about between the Central Pacific and the other lines involved?—A. According to the laws of California. That is the best answer that I can make.

Q. Describe the relations of the roads to each other and why it was considered desirable to throw them into one?—A. So that they could be operated in harmony under one system and at less expense.

Q. The roads consolidated with the Central Pacific form substantially a net-work of communication between Sacramento and the Bay of San Francisco, do they not?—A. Yes, sir.

WITNESS PRESIDENT OF VARIOUS ROADS.

Q. What roads were you president of at the time besides the Central Pacific? I mean of the four corporations in the consolidation.—A. While I am not certain about it I think that I was president of all of them.

Mr. COHEN. I think that you were president of the Western Pacific, the San Joaquin Valley, and the California and Oregon—all except the San Francisco and Oakland road.

Q. Mr. Cohen, now present, was president of the San Francisco and Oakland road, was he not?—A. Yes, sir.

GENERAL TERMS REGARDING INTERCHANGE OF STOCK.

Q. Do you remember what were the general terms with respect to the interchange of stock?

Mr. COHEN. You have the articles here, and they are the best evidence.

Q. The stock was exchanged dollar for dollar, was it not?—A. I think so; I cannot say.

Q. Was the aggregate capital of the new corporation equal to the sum of the capitals of all the constituent companies?—A. I do not think so. I think that instead of that it was equal to the issued stock of the various companies.

Mr. COHEN. I will ask you to show to the witness the articles of consolidation, which are on the table, and let him testify from them in answer to your question.

Commissioner ANDERSON. I will take the answer from any of the attorneys present.

Commissioner LITTLER. We have returned the articles.

CONSOLIDATION STOCK EQUALED STOCK OF CONSTITUENT COMPANIES.

The WITNESS. I think that the aggregate stock must have equaled the issued stock of the other companies. The stock of the Central Pacific was \$100,000,000. I think that the capital issued every time depended upon the amount of stock in the two companies which had been issued, and not upon their authorized capital stock.

Q. You mean upon the outstanding stock, do you not?—A. Yes, upon the outstanding stock. I think that that was the way it was done.

Mr. COHEN. That is in the complaint in the Brannan case have it.

Commissioner ANDERSON. I have that complaint, but I have from the witness all the answer that I desire. I understand that the stock was exchanged dollar for dollar.

Mr. COHEN. I do not remember exactly myself, but the articles will show.

ARTICLE FIVE OF CONSOLIDATION AGREEMENT.

The WITNESS. Article five of the consolidation of August, 1870, provides that each stockholder of each of said parties shall have the same number of shares of the capital stock in the new corporation which he now owns and holds of the capital stock of his respective companies, and shall be entitled to receive from said new corporation certificates therefor for the certificates now held by him or such other evidence of his ownership as he may now have for the certificates which have been issued to him by the company of which he is now a stockholder.

Q. Had the Western Pacific been consolidated with the Central Pacific in June, 1870, on substantially the same terms?

Mr. COHEN. The terms are stated in article six of the articles of said consolidation.

The WITNESS. The terms are the same.

A LARGE STOCKHOLDER OF CONSTITUENT COMPANIES.

Q. Referring to these constituent companies, were you a large stockholder in all of them?—A. In all. One moment, however; I do not know that the answer is absolutely correct. Those companies were constructed, I think, by the Contract and Finance Company. Now, whether the stock had been distributed by that company at that time or not, I would not be sure.

Q. It either had been distributed, or else it would be held by the Contract and Finance Company for account of the stockholders, would it not?—A. Yes, sir.

Q. In either case it answers my purpose.

Mr. COHEN. Excepting that which is outstanding.

The WITNESS. It was either distributed or else it was owned by the Contract and Finance Company, except such small portion as may have been outstanding.

Commissioner ANDERSON. I refer to stock in which Governor Stanford was in any way interested.

CONSIDERATION FOR STOCK.

Q. Can you tell us what consideration had been paid to those individual constituent companies for that stock? I mean whether it was paid for in money or whether it was issued to the construction company in substantially the same way as was the stock of the Central Pacific for the construction between California and Ogden.

The WITNESS. Of course, I must have had stock in my own name to have organized a company and to have been president of it; but as to what amount of stock stood in my name, I do not remember. We bought the stock of the Western Pacific, or, rather, a majority of it, from Mr. Charles McLaughlin. I have forgotten now what we paid him for it.

Mr. COHEN. It is not important what you paid him. You got it.

Q. Without pressing you as to what you paid McLaughlin, do you know what the corporation itself received from McLaughlin for that stock?—A. I do not know.

Q. He was the contractor who built the road originally, or who began to build it and had to give it up, was he not?—A. He was the principal projector of the Western Pacific.

STOCK AND BONDS ISSUED TO CONTRACTOR.

Q. Is it not true that this stock was issued to him together with the bonds of the company in consideration of his construction contract, which amounted to about \$5,400,000, and that he gave it up and you made some bargain with him and bought him out?—A. There was another partner in there with McLaughlin. I cannot say anything about any of those contracts from memory. I suppose I must have known or heard something about them at that time. I do not think that the work was done by McLaughlin directly. There was another gentleman who had the contract with him or with his company for the construction of the road, and he did the work that was done. Then their means were exhausted and they could not go on, the result being that finally we bought the road.

Q. Was not that stock of Mr. McLaughlin all passed to the Contract and Finance Company?—A. I made the negotiations with McLaughlin and they were finally completed by the Contract and Finance Company after I got through. Whether the terms upon which I agreed were carried out or not I cannot say, but if I were to give a guess I should say yes.

CONTRACT OF WESTERN PACIFIC COMPANY SUBLET.

By Mr. COHEN :

Q. Who has got the land grant of the Western Pacific Company?—A. This Mr. McLaughlin got the land grant.

Q. Did it not pass to the Contract and Finance Company?—A. No, sir; it did not pass.

Mr. HAYMOND. I would suggest that perhaps you are under a misapprehension in regard to the construction of the Western Pacific. The first contract for the construction of the Western Pacific was let to Houston and others, but they were unable to carry it out. They abandoned it, and then the work was let to McLaughlin, who contracted to construct the road. He sublet the contract to Cox and others, and then your company, Governor Stanford, took charge of it, as you have mentioned.

EXTRACT FROM WESTERN PACIFIC COMPANY'S MINUTES.

Commissioner ANDERSON. It may refresh your memory if I will read to you an extract from the minutes of the Western Pacific Railroad Company. It is a communication from Charles McLaughlin, dated June 3, 1867, and it is as follows :

The undersigned, Charles McLaughlin, reports that he has become involved in litigation respecting his contracts with said company (the Western Pacific) for the construction of its railroad, and that he is surrounded by difficulties which prevent him from prosecuting the work of construction as speedily as desirable, and he is confident that arrangements can be made with other parties that can do the work faster than he can. He thereupon requests that all contracts between himself and said company be rescinded, annulled, and canceled, and that he is willing to execute instruments for that purpose.

Do you recollect any transaction of that nature between Pacific Company and Mr. Charles McLaughlin?

The WITNESS. No, sir; I do not remember it.

METHOD OF PAYMENT FOR CONSTRUCTION.

Q. What I want to know is this: Is it not generally true of the Western Pacific, and of all these roads, that contracts made for their construction were liquidated in bonds and stock of the company in such a manner that the bonds substantially paid for the actual cost of construction, and that the stock was left as the property of the parties interested?—A. I would not like to speak for what was done between McLaughlin and the Western Pacific, because I was not in their confidence at the time of these contracts, and do not remember that I had any relations with them. As I told you the other day, for the Central Pacific we deemed it to be the only way in which the road could be constructed, and from all the experience I have since had I am satisfied that it never could have been constructed under any other system, except upon the basis that the parties interested could control all the workings of the construction, and it is the best way now to do the same work. At that time the parties in interest could make sacrifices, which contractors having no interest except their contracts would not make, and the road would not oftentimes be expedited regardless of cost.

Q. I would like to ask the witness if the bonds and stock which the construction companies received for the construction of these roads would have paid the cost of construction if they had been sold at the time that the roads were finished?—A. No, sir; I do not think that it would.

NEGOTIATIONS IN REGARD TO WESTERN PACIFIC CONTRACT.

Commissioner ANDERSON. I am trying to get at the exact facts in order to refresh the recollection of the witness. If you will be kind enough to run your eye over this contract, which is a contract made between the Western Pacific and yourself, you will see that it is a construction contract under which you took McLaughlin's place; he handed you a bill for what he had done, and you gentlemen then assumed the contract and carried it out, subsequently passing it over to the account of the Contract and Finance Company.

The WITNESS. I made all the negotiations, except in so far as I was assisted by Judge E. B. Crocker. I cannot remember the terms now, except that the result of it was that we gained control of the road. The particular manner in which we did it, I cannot tell you. I know, however, that McLaughlin in some way or other had the land grant.

Q. Did you surrender the land grant to him?—A. I do not know how it was done, but I know that he had the land.

Q. He got it some way and gave up the contract. Is that it?—A. I think it was done before we had the contract. It was a part of the understanding that he was going to have the land. Those lands were not considered as of very much value, and he would have been very glad to have sold them to us or to anybody else for one hundred thousand dollars.

Q. Please examine the contract to which I have called your attention and see if you can state that construction undertaken upon the Western Pacific road was completely paid for in the bonds of the company, and that the stock was subsequently passed over and was part of the stock held by the Contract and Finance Company, and distributed in 1874 in the distribution of thirteen millions to each of you, heretofore referred to?—A. I do not remember anything about the particulars of this contract, but I have the contract here. This contract, I presume, was car-

ried out. It was stock that was issued by the Central Pacific and all these roads that were consolidated, according to the terms, whatever they were. I do not remember the terms.

ALL STOCK PUT INTO CONTRACT AND FINANCE COMPANY.

Q. All of that stock was subsequently found in the treasury of the Contract and Finance Company, and distributed to you four gentlemen, as I understand it. Is that correct?—A. I cannot say as to that. I presume that it is so; however, I do not remember now whether we took that stock directly to ourselves in the purchase from McLaughlin, or whether we made a contract and then had all those matters carried out by the Contract and Finance Company. I am not certain.

Q. Did you acquire stock in any other way, except through these different contracts? I mean stock which went into the Contract and Finance treasury. Did you acquire it by purchase in the market at that time to any amount?—A. Whatever stock we had bought as individuals, at last went into the Contract and Finance Company, and was distributed through that company.

Commissioner ANDERSON. I want to know whether all that stock did not all come from construction contracts, except some immaterial amounts, which were bought from individuals desiring to sell.

The WITNESS. I do not like to say that positively, because I may not remember correctly, although I have not the least doubt that it was put into the Contract and Finance Company. Yet I cannot call to mind any fact in relation to it that fixes it in my memory.

STOCKHOLDERS PAY THE DEBTS.

Q. At the time of the distribution of the assets of the Contract and Finance Company, who paid the debts of that company?—A. I think that the stockholders did.

Q. The persons among whom those assets were divided?—A. Yes, sir.

By Commissioner ANDERSON:

Q. After the consolidation, what subsequent construction occurred for the account of the Central Pacific? Were contracts made with the Western Development Company for bridges and repairs between 1872 and 1880.

CENTRAL PACIFIC CONSTRUCTION SUBSEQUENT TO CONSOLIDATION.

Mr. COHEN. The Western Development Company was not formed in 1872.

Commissioner ANDERSON. Whenever it was formed, then; 1874, I think.

The WITNESS. For the Central Pacific?

Commissioner ANDERSON. Yes.

A. I do not remember. Of course, the Central Pacific has been building more or less every year since its completion. Whatever work it may have had done by the Western Development Company I do not remember.

Q. Do you not know that there were very large and important contracts between the Central Pacific and the Western Development Company?

The WITNESS. For what purpose?

Commissioner ANDERSON. Repairs, building bridges, making &c.

A. Very likely. I do not think that there were any of very great importance or of any great magnitude. If you will specify any particular portions of the road that were repaired, or name any particular work that was done by the Western Development Company, I could give you better answers.

Q. From 1874 to 1875 your mileage increased 95 miles. In 1876 it increased 110 miles. In 1877 it increased 358 miles. This was after the consolidation. What construction was that?—A. I cannot remember. We built the San Joaquin Valley road, and that was consolidated—150 miles. We built about 150 miles up the Sacramento Valley, and we built roads over here.

Q. How was that construction effected? Was it not through the Western Development Company?—A. I am trying to think whether it was the Western Development Company or the Contract and Finance Company. My impression is that it was the Contract and Finance Company.

Q. It was constructed, was it not, by either one or the other of those companies?—A. I would not say whether it was constructed by the Contract and Finance Company or by the Western Development Company.

Q. But it was one of them, was it not?—A. The books will show those dates. I cannot remember the dates.

Q. Was this construction under substantially the same form of arrangement as in the case of the Central Pacific itself?—A. I presume that the contracts will show.

CONTRACTS MADE WITH CONSTRUCTION COMPANIES.

Q. Was the contract made with one or the other of those construction companies?—A. It must have been the Contract and Finance Company by which the San Joaquin Valley and the Sacramento Valley roads were constructed.

Commissioner ANDERSON. The contracts with the Contract and Finance Company are missing and cannot be found.

Mr. COHEN. For which road?

Commissioner ANDERSON. All contracts between the Central Pacific and the Contract and Finance Company.

Mr. COHEN. I think not. You only asked for one, and that was the contract for building the road through Nevada. I do not think that you asked for any other.

PRODUCTION OF ALL CONTRACTS REQUIRED BY COMMISSION.

Commissioner ANDERSON. We now ask for the production of all contracts between the Central Pacific Railroad Company and the Contract and Finance Company.

Mr. COHEN. My impression is that those contracts are in existence, but I am not sure. I will inquire, and if we have them they will be produced.

The WITNESS. If they are not in existence I do not know why they should not be; but our papers have been hauled around so much to satisfy the curiosity of others than these stockholders and those directly interested in the company that it is no wonder if they should be lost. There is nothing in any of those contracts which would make us wish to withhold them from a commission like this. Nobody was ever harmed by them. Nobody had a right to complain but the Central Pacific it-

self, and its very existence has been saved and its property has been saved through these various extensions built from time to time.

Commissioner ANDERSON. It is very likely that the feeders are all valuable. What we are inquiring is whether the officers of this company made a personal profit, which they might have done, even assuming them to have been largely to the advantage of the main line.

The WITNESS. I presume that we are entitled to make a profit out of our business, especially when in so doing we harmed no one.

NO CONTRACT WHICH WAS NOT LEGAL AND PROPER.

Q. In regard to all these contracts, and without referring to the question whether they were of benefit to the company or not, is it not true that they were voted for by the same persons and the same influence, representing the corporation entering into the contract and the construction company agreeing to do the construction?—A. I want to draw a distinction between persons and individual stockholders in these companies and as officers. Under the laws of this State anybody may be an officer of a company whom the stockholders choose to elect. If he discharges his duties faithfully the stockholders will be satisfied. If he does not do so he will be responsible alone to the stockholders. There is no law in this State that I know of that prevents one corporation from dealing with another, and if one corporation should fail to deal with another when it would be to its advantage, I think that its officers might very well be held responsible by its stockholders. We have had no contract which, in our judgment, has not been legal and proper, and which has not been for the best interests of the companies which we represent. From the experience that I have had in these matters I know this to be the fact.

PECUNIARY INTEREST OF DIRECTORS.

Q. Without referring to the question whether, under the laws of California, it is competent for two corporations having the same boards of directors to contract together, what I want to know is whether, in the votes cast for these construction contracts, the directors who voted in favor of granting the contracts had not a direct and personal and pecuniary interest in the result of those contracts?—A. I think that in all, or most all, of those companies I was a stockholder and director and an officer. I mean in the companies that made this consolidation.

Q. Was not your relation to the company such that if the contracts turned out to be advantageous and yielded a profit you shared in that profit?—A. Yes, sir.

Q. And did you vote for those contracts?—A. Yes, sir.

ACTED IN INTEREST OF EACH OF THE COMPANIES.

Q. And is the same true of Mr. Huntington?—A. Yes, sir. But if the contract was for the benefit of the Central Pacific, I shared in that as against the other company. Both companies were undoubtedly benefited by the contract, and my obligations to one company were no greater than to the other. My obligations to the Central Pacific were as great as to the others, and to the others as great as to the Central Pacific. We acted for the interest of each of the companies that I represented, faithfully and honestly, and I never have heard a stockholder but what thought so too.

Q. The same financial position is true in regard to Mr. Huntington, in regard to Mark Hopkins, and in regard to Charles Crocker, is it not?—A. Yes, sir.

Mr. HAYMOND. As a matter of fact, so far as Mr. Huntington was concerned, I believe that he was not here at that time.

Commissioner ANDERSON. Was he not a stockholder in all of these companies, and interested in the result?

Mr. HAYMOND. You were just speaking of casting votes and exercising personal judgment.

Commissioner ANDERSON. We will put this limitation to the answer of the witness. When Mr. Huntington was here and voted, his financial relations to the corporations were similar, were they not?

The WITNESS. About the same. At the time of those consolidations I do not think that Mr. Huntington was here. He has business most of the time on the other side, and is in this State very little.

CONTRACT ON BASIS OF COST AND TEN PER CENT. ADDED.

Q. Was it not the general rule, in dealing with the Western Development Company, that contracts for materials furnished the Central Pacific, or work done by the Western Development Company, were upon the basis of cost and 10 per cent. added?—A. I think so. I doubt whether there was any work done otherwise than that.

Q. Have you any idea what the contracts for repairs and supplies with the Western Development Company amounted to from year to year? Did it amount to a million dollars a year?—A. I would rather look at the books before I answer that.

Q. Was there any discussion as to fixing this 10 per cent.? Was anything said as to whether it should be 5 per cent., or 15 per cent., or some other figure?—A. I think that there was some talk as to what would be a fair thing. Ten per cent. was a very small compensation. Oftentimes no interest was charged and the Western Development Company had supplies on hand so as to be ready when needed to furnish them, and when work was done there was a settlement. It was greatly to the advantage of the railroad companies to have it done by that company. That company has done considerable private business. It has done a great deal of work for Mr. Hopkins, Mr. Crocker, and myself, and we were charged the same rate as was charged the railroad company. They charged us individually in our private matters cost, with 10 per cent. added, and we thought that that was right.

DIRECTIONS TO PURCHASING AGENT.

Q. What other firms furnished materials and had dealings with the Central Pacific on this basis of cost and 10 per cent. added?—A. I think that all those construction companies that we formed must have had more or less business. I am not able to state the amount.

Q. Was not that arrangement with Mr. Hopkins's firm?—A. No, sir.

Q. Was there not such an arrangement with the firm of Huntington & Hopkins—"H. & H."?—A. There were some things furnished by them I believe at that rate; but almost everything was brought from them as from other merchants, and my instructions on different occasions to our purchasing agent was that he should never do more than make a preference at the same price; that after they quoted us a price he must not tell it to the other merchants; but that if the other merchants gave a better price, he must accept the latter. His instructions

were so to deal that the company could have the benefit of open competition in the market, and to take advantage of whatever rivalry existed between merchants. I remember that on two occasions particularly I told him that if I ever heard of his giving them a preference at higher prices I would discharge him.

Q. To whom did you say that?—A. Our purchasing agent.

Q. What is his name?—A. J. R. Watson.

Q. Is he with you now?—A. No, sir.

CONSTRUCTION AND RENTAL OF LEASED LINES.

Q. Do you remember the construction of the different leased lines by the Western Development Company—the Northern Railway, the San Pablo and Tulare Railroad, and the other branches? Do you remember the fact of their construction from time to time?—A. Yes, sir.

Q. Do you remember how the rental which the Central Pacific was to pay for those leased lines came to be fixed? We will take the Northern Railway first.—A. I cannot tell you now. I think that at first it was based upon the estimated cost, and then afterwards was changed according to our experience; but the price made I cannot tell you.

Q. Did you personally examine into the estimated cost with reference to fixing these rates?—A. I know that I was familiar with it along with the others. We fixed the rate which seemed to us to be right, but I cannot remember now any special conversation in regard to it.

Q. The Northern Railway was built by the Western Development Company, or at least a large portion of it was so built, was it not?—A. Yes, sir; a part of it.

PROPORTIONATE INTERESTS IN WESTERN DEVELOPMENT COMPANY.

Q. And you and the other four gentlemen who have been named owned all of the stock of the Western Development Company, did you not?—A. Yes, sir; the same parties I think. No, Colton did not own the same interest in the railroad company itself.

Q. I am talking of those interested in the Western Development Company—you, Huntington, Crocker, Hopkins, and Colton each held 10,000 shares of stock. Is not that correct?—A. No, sir.

Q. Not in the Western Development Company?—A. No, sir.

Q. How do you understand it?—A. Colton had one-half as much stock as either of the others. Under the arrangement with Colton he had a one-ninth interest, and each of the others had two-ninths.

Q. Under the construction contract between the Western Development Company and the Northern Railway the bonds and stock of the Northern Railway were issued to the Western Development Company in payment for that construction. Was not that the way it was done?—A. That is my impression.

Q. So that you and the other gentlemen named as the holders of all the stock in the Western Development Company were substantially the owners of the Northern Railway, were you not?—A. We were substantially the same parties, excepting the Colton interests.

DUAL RELATIONS IN REGARD TO RENTALS.

Q. In fixing and determining what the rental of the Northern Railway should be to the Central Pacific you occupied the same dual relations which I have referred to as existing in the case of other companies, so that you were interested on both sides of the question.

not this true?—A. Yes, sir; it would not make any difference to me particularly, or to anybody else that I know of, whether the contract was favorable to one party or the other; but we tried to make those contracts just as fair between them as though we were holding the scales for somebody else. It was part of our policy of doing business to so keep and handle everything that we might know how the different portions of the system were doing.

BONDED INDEBTEDNESS OF NORTHERN RAILWAYS.

Q. Do you know whether the construction of the Northern Railway cost as much as the bonded debt of that company?—A. I do not know it. I do not remember now what either the bonded indebtedness is, or how much the road cost; but I guess that it is well used up. These bonds which we received at different times we did not sell after the contracts were completed, but held on to them as long as we could, so that we might have a good basis of constructed road as security. When we organized one of those enterprises and made bonds, the bonds of course had no substantial basis of line of road as security, and therefore we did not try to sell them, and in fact could not have sold them. For that reason we wanted to keep them and build all the road that we could before placing them on the market. Take the case of the Southern Pacific, for instance. We built the road through, and borrowed money to do it. We put it off as long as possible before selling the bonds, in the hope of being able to prove that the line of road would be ample security for the bonds.

Q. What I want to get at is this: Do you know that the rental which was fixed for the Central Pacific to pay to this road amounted to something like 25 or 26 per cent. of the cost of construction, as it appears on the books of the Western Development Company?—A. No; I do not know it. But I know that it turned out that the road commenced earning money from the first, and earned it right along.

LEASES MADE TO BENEFIT CENTRAL PACIFIC.

Q. And it was an advantage to the Central Pacific?—A. Yes, sir. About the time that we made those leases to the Central Pacific, outsiders—and I do not know whether the Government found fault or not—found fault with us for building those roads and leasing them to the Central Pacific. They said that all this was at the expense of the Central Pacific and for our individual benefit. Afterwards, when the Southern Pacific system got to be several thousand miles long and there was but little business that could be entirely controlled by the Central Pacific, we changed the lease so that the Southern Pacific protected the Central Pacific. Then there was another outcry. There is one underlying principle in this contract, and that is that one road shall not be advantaged at the expense of the other, and the present contract provides that the lease shall be reformed at any time that it may turn out that such reformation shall be to the benefit of the Central Pacific Railroad Company. The design was to afford the fullest protection to the Central Pacific and to enable it always to get the fullest value for its road.

LEASES PROVIDE FOR FIVE YEAR PERIODS.

Q. Does not the contract provide that this reformation may take place every five years?—A. Or oftener I think.

Q. The most of your leases provide for five year periods; is not this lease made the same way?—A. I think that is the case with most of them. In all those matters, however, we all the time have control of those things and we make these leases as fair as possible. In the present lease to the Central Pacific there is very much to its advantage.

Q. Do you remember the terms of the present lease of the Northern Railway?—A. No, sir.

Q. Is it not \$40,000 per month and a guarantee of \$4,000,000 of bonds and repairs?—A. I do not know.

SAN PABLO AND TULARE ROAD ALSO CONTROLLED.

Q. As to the construction of the San Pablo and Tulare Railroad, was that road also constructed by the Western Development Company?—A. I think so.

Q. Do the same propositions in regard to the ownership of stock and the relations existing between the Central Pacific and the San Pablo and Tulare and the Western Development Companies, which have been explained in regard to the Northern Railway, prevail? That is to say, you are stockholders of the Western Development Company, and the Western Development Company owned all the stock and bonds of the San Pablo and Tulare Railroad Company.—A. I think that the contracting company and the officers of the company owned between them all of the stock. That is, I mean the officers of the railroad company.

Q. The officers of the Central Pacific and the stockholders of the Western Development Company owned substantially all of the stock, did they?—A. I think that they owned every share of it.

RENTAL ABOUT 20 PER CENT. OF COST.

Q. Do you remember the relations between the rental as arranged for that road, and its cost of construction, as it appears on the books of the Western Development Company?—A. I do not remember the specific sum.

Q. Do you know whether it exceeded 20 per cent. of the cost?—A. I do not. Do you say that the rental was 20 per cent., Mr. Anderson?

Commissioner ANDERSON. I do not.

The WITNESS. You asked me about 20 per cent., and I supposed, of course, that you had some knowledge about it, and had some authority on which to base your question.

Commissioner ANDERSON. I have been too busy to look up the matter myself, but that has been suggested to me as the correct figure.

The WITNESS. I think that you asked me about 26 per cent. on the Northern Railway. I did not believe that to be the figure, but I could not state so positively as I had not the books, and even though you stated that figure, I had my doubt about it.

AN INQUISITION RATHER THAN AN INVESTIGATION.

Commissioner ANDERSON. I am making no assertions.

The WITNESS. If you will allow me to say it, it seems to me that your commission, instead of being disinterested and trying to investigate between the railroad company and the Government, is all on the side of the Government. It seems to me more like a prosecution against this company than an investigation, and perhaps I might add, inquisition.

Commissioner ANDERSON. We will not stop to discuss that. I shall have to pursue my own method.

OBJECT OF THE AMADOR BRANCH.

Q. In regard to the Amador Branch Railroad, do you know about the construction of that branch?—A. Yes, sir.

Q. What was the object of that construction?—A. It was to reach a coal mine.

Q. Was it the Ione coal mine?—A. Yes, sir.

Q. How long is that branch?—A. I do not remember, but I think it was about 27 miles.

Q. Was that road also built by the Western Development Company?—A. Yes, sir.

Q. Who were the owners of the Ione mines?—A. The same parties that built the road.

IONE COAL MINE REGULATES THE MARKET.

Q. Was the road built for the purpose of reaching those mines?—A. Yes, sir. Let me add something in explanation. The market for coal here is very limited, and a great deal of the coal consumed here is foreign coal. Sometimes it is a little scarce, and they used to put up the price on us very much. The coal at Ione was what we call lignite. It is very poor, but we have been able to use more or less of it; but its principal value is that it helps to regulate the market, and in this respect it has been of great advantage to us. So, also, has another coal mine that we have. We can always take care of ourselves, and cannot be forced to buy coals in the market at high prices. We used to pay \$8 a ton for coal from the Black Diamond coal mine here in the Coast Range Mountains. We buy it now for about \$4. At other times we paid as high as \$12 a ton for foreign coal; but with these mines of ours, while the coal is not as good as we would like it, we are enabled to protect ourselves against high prices.

COST OF THE AMADOR BRANCH.

Q. Do you know what was the cost of construction of the Amador Branch road?—A. No, sir.

Q. Do you remember that a contract was made with one Bailey for all of the grading at \$30,000, or a price not to exceed \$20,000?

The WITNESS. With whom?

Commissioner ANDERSON. W. S. Bailey & Co. They were to do the grading for the entire road of the Amador Branch Railroad from Galt to Ione at a price not to exceed \$20,000.

A. I did not have anything to do with it. I do not remember it at all. It is a little road, and I think that it was provided for in my absence. I do not know anything about this man Bailey.

BASIS OF RENTAL.

Q. Do you know how the rental to be paid for that road came to be fixed?—A. I cannot call to my mind any of the circumstances connected with it.

Q. Was it fixed by parties holding the same relations to each other company as in the case of the Northern Railway and the San Pablo and Tulare Railroad?—A. Yes, sir.

EXTRACT FROM WESTERN DEVELOPMENT COMPANY'S MINUTES.

Commissioner ANDERSON. I may as well put in an extract from the minutes, and you may desire to give an explanation about it. I read

from the minutes of the Western Development Company, March, 18, 1875:

Text of articles of agreement entered into on the 11th of March, 1875, between the Western Development Company and W. S. Bailey & Co.

The Western Development Company agree to construct and operate, or cause to be operated, within twelve months, a railroad from a point on the Central Pacific Railroad at or near Galt Station, in Sacramento County, to a point at or near Ione City, county of Amador; Bailey to pay for the right of way, and expense of obtaining the same, and to grade the road-bed under the direction of the engineer of the party of the first part, or to pay the Western Development Company for the grading at the cost thereof, not to exceed \$20,000; the railroad when completed to be entirely owned and operated by the Western Development Company or its assigns.

The WITNESS. I do not know anything about that.

THE CALIFORNIA PACIFIC.

Q. Do you remember the California Pacific?—A. Yes, sir.

Q. Were portions of that road also built by the Western Development Company?—A. The road was built when we took hold of it; it was very largely destroyed, however, by the floods, and rebuilt.

Q. The same four or five gentlemen obtained control of the California Pacific and controlled or owned its stock, did they not?—A. Yes, sir; we bought a controlling interest in the stock of that road; I think that the stock amounted to about twelve millions, and that we bought something over seven millions.

ITS LEASE TO CENTRAL PACIFIC.

Q. Then it was leased to the Central Pacific, and the rental was fixed by the same course of proceeding as obtained in the other railroads; is that correct? That is to say, the two boards came together, and a price was named, but the fact is that the parties who controlled the decision were interested on both sides. Is that a fair statement?—A. I am not clear in my recollection, but I know that we were negotiating for that road for some time, and arrangements were made before it came into our hands to a certain extent, which regulated the amount of money that it required to pay its fixed charges.

Q. As I understand it, you made a lease in 1876 of 138 miles for twenty-nine years at a rental of \$550,000 per annum, with a provision—

The WITNESS. At what time did that road come into our hands?

Mr. COHEN. In 1871.

COMPETITION BETWEEN THE TWO LINES.

The WITNESS. I did not think that it was as early as that. There is a good deal of history that might be recited in connection with that affair. I am not able to recall all of it, however, but I know that it was a very serious competitor to our line of road between here and Sacramento. Our line was 137 miles long, while the California Pacific line was but 87 miles—that is, by water and by rail—and it injured us to a very great extent. The competition was hard to meet, and the result of it was that it was not only expensive for us, but they also suffered a good deal. For that reason they were anxious to sell the road, and even approached me on the subject. The same parties had also projected a line of road up the west side of the Sacramento Valley towards Marysville, with the intention of building a road over the mountains. In that

enterprise were some of the wealthiest men in California, and with such backing it became a very serious matter to us, and we entertained their propositions to purchase the road.

NOT A PAYING INVESTMENT.

The result was that we traded, but at no better figures than we could have traded at any time prior to that; and I think that there were times prior to that when we could have done better. It was represented to us, however, that the road had a certain earning capacity, which it turned out it did not have. We paid the interest on the bonds for some years, but finding that the road could not earn this interest we stopped. Then proceedings in bankruptcy were instituted, and these proceedings resulted in a compromise by which the creditors of the road agreed to reduce the amount of their bonds and to reduce the rate of interest. Upon this basis we made a settlement. After that this lease was made, and all of that was for the benefit of the Central Pacific Railroad.

ADVANTAGES OF THE CALIFORNIA PACIFIC.

The California Pacific road itself was a good road and ran through a fine country. The parties connected with it were very wealthy, and necessarily were very dangerous rivals, especially if they carried out their proposition to build over the mountains, as that would have injured the Central Pacific to a very great extent. They proposed to go through a pass known as "Beckwith Pass," over the Sierra Nevada Mountains, and build another competing line of road.

THE LEASE ASSURED BY THE SOUTHERN PACIFIC.

Q. Do you know how long that lease has to run now?—A. That lease was changed at the time when the Central Pacific was leased to the Southern Pacific. The lease was originally the Central Pacific. When the Southern Pacific took control under its general lease all these contracts of lease were assumed by the Southern Pacific Company.

Q. Does the Southern Pacific operate that road to-day?—A. Yes, sir; it operates all this railroad system with which I am connected.

Q. How long has the Southern Pacific Company control of the California Pacific Railroad under the present existing arrangement?

Mr. HAYMOND. Ninety-nine years from the 1st of April, 1885.

SOUTHERN PACIFIC CONTROLS WHOLE RAILROAD SYSTEM.

Q. Do I understand that as the Central Pacific proper stands to-day it has no right of access beyond Sacramento to tidewater, except at the volition of the Southern Pacific Company?—A. No, it is not that. It is now under lease to the Southern Pacific Company, and that company controls all of these railroads. The road from Sacramento to San José was leased by the Central Pacific Railroad, and runs as a part of the entire system, having all the connections of that road. The Southern Pacific Company controls everything, and all the parts are run as one property.

BENEFITS TO THE CENTRAL PACIFIC OF THE LEASE.

Q. You do not understand what I want. What I mean is, assuming that the relations between the Southern Pacific Company and the Cen-

tral Pacific should be severed, do I understand that the Central Pacific, as constituted to-day, has no access to tidewater between Sacramento and the Bay of San Francisco?—A. No; I do not think that it has any line excepting its own. It never did have a line; that is, the aided portion of the line into San Francisco. If you want to know whether that lease of the Central Pacific to the Southern Pacific was benefited or not to the Central Pacific I will ask you to look at it. In my judgment it was of immense benefit to the Central Pacific and a very great protection to it, because the Southern Pacific Company controls the system of railroads all the way through to the Gulf of Mexico. It guarantees to pay the Central Pacific \$1,200,000 a year, which is 2 per cent. per annum upon the par value of the stock. In addition to that it protects it in all of its relations—its interest account, its liabilities to the Government under the Thurman act, so far as meeting the requirements of that sinking fund are concerned, and also, if the Central Pacific can earn more money than that, it has the entire benefit of it up to 6 per cent, before the Southern Pacific Company can have any advantage other than that of having it work in entire harmony with the general system. This latter is the general advantage which the Southern Pacific Company has under this lease. If the Central Pacific should develop an earning capacity equal to 6 per cent. upon its stock, then it would be a question whether or not the Southern Pacific Company should enjoy the excess beyond that amount.

EXTENT OF CENTRAL PACIFIC.

Q. The object of my question is to ascertain exactly where the Government stands. What I mean is this, if the relations between the Central Pacific Company or the Southern Pacific Company and the Government should be such as to lead to a separation of the aided portion of the road from the other portions, does the aided road hold or control by ownership or by lease, or in any way whatsoever, any means of communication between Sacramento and tidewater?—A. It owns nothing but its own road.

Q. Does that road end absolutely at Sacramento?—A. Yes, sir. But there has always been a river connection which is a pretty good one. It is never frozen over and is always navigable. It has always been able to fix the rates between here and Sacramento which the railroad company can charge.

WHAT THE BONDS COVER.

Q. Exactly at what point did the issue of bonds commence; was it in the city of Sacramento?—A. Yes, sir; in the city of Sacramento, to the Central Pacific.

Q. Does that include the property of the company in the city of Sacramento?—A. Yes, sir; it includes depots, shops, and all of the station grounds there.

TITLE TO TERMINAL FACILITIES IN CENTRAL PACIFIC.

Q. Is all the land on which the shops stand and on which the company does business now in the name of the Central Pacific? Does the title stand in the name of the Central Pacific?—A. Yes, sir; it all stands in the name of the Central Pacific Company. I would like to call your attention to the features contained in that lease to the Southern Pacific. The Southern Pacific has taken all the risk. The Central

Pacific has taken no risk, but it has the advantage of a provision that it shall have all of the earnings up to 6 per cent. Then the only risk that it takes is that if the earnings exceed 6 per cent. it may lose that amount of money to the Southern Pacific Company, but that is a contingency which I am afraid is very remote. My recollection is that the first year the earnings of the Central Pacific Railroad Company, for the aided portion of the line, netted above operating expenses something like \$700,000, and the similar net earnings of the entire Central Pacific system I believe was about \$1,400,000.

Commissioner ANDERSON. I think it was about \$200,000 more than that.

The WITNESS. Yes; but that includes the unaided lines as well as the aided lines.

Q. Does it include the earnings from all the road that was built, everything north of Goshen?—A. Yes, sir.

SINKING FUNDS.

Q. And it was from the earnings of that portion that you were making provision for sinking funds?—A. Yes, sir; the sinking funds are getting quite large, and we have to pay a good deal of money to the Government under the Thurman act. In fact, the Southern Pacific Company had to protect the Central Pacific in all its contracts of every kind.

PALACE HOTEL, SAN FRANCISCO, CAL.,
August 3, 1887.

Afternoon session.

LELAND STANFORD, being further examined, testified as follows:

By Commissioner ANDERSON:

Question. The next company, I believe, after the Western Development Company, through which a good deal of the construction of the Central Pacific and its auxiliaries was effected, was called the Pacific Improvement Company, was it not?—Answer. That was the successor company. I think that was after General Colton's death we formed this new company, and its first business I think was to construct the road east of the Colorado through Arizona and New Mexico.

Q. That is, the Southern Pacific?—A. On the line of the Southern Pacific; yes.

HISTORY OF CONSTRUCTION FROM ROSEVILLE NORTH.

Q. And they also completed the construction of the California and Oregon road?—A. Yes.

Q. North of Delta?—A. That is hardly completed yet, but they have done that work, all the latter portion of it.

Q. Now please to give us an outline of the construction of that road from Roseville northward?—A. Roseville is about 18 miles from Sacramento.

Q. What is the junction point of the California and Oregon and the Central Pacific?—A. Roseville. There was a road from Folsom (that is,

on the south side of the American river) across up to Lincoln, called the California Central, I think. That was sold out, and we purchased it; and then there was the California and Oregon road, having a land subsidy from the United States Government. The road was bought out and finally consolidated into what we call the California and Oregon, commencing its line at Roseville. I do not suppose you care to hear about (and at any rate I do not know that I could tell you) all the proceedings of the foreclosure and purchase of this little road, but it was finally consummated and it was consolidated into the company that I have named.

CALIFORNIA AND OREGON BUILT BY CONTRACT AND FINANCE COMPANY.

Then the Contract and Finance Company took the contract to build that California and Oregon road, and we pushed it along gradually from time to time. Business was very light and the company was not making much. The country was undeveloped, and the passenger and mail car carrying the baggage and mail and express used to do the business up to Marysville. After awhile we pushed on further and we kept building. We would build whenever the Oregon and California road showed life, as the two roads were to meet at the State line between Oregon and California. The different persons who controlled that Oregon and California road were unfortunate, and when they stopped operations, as there was no local business for our road we always stopped, and whenever they showed a capacity to go on we commenced. Finally, when Villard had the road it seemed as though it was going through to completion, and we pushed on with all the ability that we had, to be there at the State line at the time they would arrive there. We pushed on up a hundred miles into the upper cañon of the Sacramento River and into those mountains, beyond the point where there was any local business to sustain the road. Finally Mr. Villard, who was controlling those roads, failed, and we stood still for a spell. Then the Oregon and California road went into the control of the bondholders. They were all Europeans, I think. I believe they were mostly Germans and English.

CONTROL OF OREGON AND CALIFORNIA BY SOUTHERN PACIFIC.

About two years ago or more we opened negotiations for the control of that road. The negotiations were carried on until finally we had the control of that road. Then we pushed on again so that as early as possible we might avail ourselves of the through business, because the local business was not sufficient to sustain the road at all, and yet it is very heavy work up there. I do not know but that it is fully as heavy as a great deal of the work over the Sierra Nevada Mountains.

Q. You say that you have obtained control of the Oregon and California?—A. Yes, sir.

PROVISIONS OF THE CONTRACT.

Q. By that you mean, I suppose, the ownership of a majority of the stock?—A. We substantially have the whole control of the stock; when I say "we," I mean the Southern Pacific. We have the lease. For the better understanding of all that, it would be well to introduce the whole contract, because the interests all interlace so closely that you can hardly appreciate it or understand it without taking the whole into consideration. The Central Pacific makes a contract with the Pacific Improve-

ment Company for a completion of the road, and the contract provides that the Pacific Improvement Company shall obtain control of the California and Oregon road, and that it shall be completed to connect with the Central Pacific, and be run in conjunction and connection with it, and that no other road shall ever have any better advantages. The Southern Pacific increased the rental in consequence of that additional stock so as to make it the same per share that it is now, in other words, about equal to 2 per cent. upon the par value of the stock.

BENEFITS TO THE CENTRAL PACIFIC.

Q. That is, it increases it in the proportion that the 80,000 shares paid to the Pacific Improvement Company bears to the whole amount?—A. To the whole; yes. The interests are very much interlaced. On the whole, I think it a good contract, that is, unless we should be disappointed about the business. The only one that is really taking much risk is the Southern Pacific Company. The Central Pacific I am sure will be benefited. Oregon is a growing State; its population now, I think, is about 400,000. I know it was so stated by the Senators from that State last winter. There is much good country there; it is improving all the time, and we think it is going to be a very valuable connection of the Central Pacific.

Q. Have you personally been over that road?—A. Pretty nearly to the State line, not quite to the State line.

Q. And how recently was that?—A. That was last fall; I have not been over it this summer yet.

COST OF CONSTRUCTION.

Q. Do you remember the amount in bonds that was paid to the Pacific Improvement Company for the construction from Delta to the north line of the State?—A. Not exactly. I think that of the bonds that were placed upon the road, undisposed of, it takes all of them under the mortgage.

Q. The amount of bonds specified in the contract is four and a half millions, and the quantity of stock is 80,000 shares. How did that figure come to be the specified figure; what examination of the probable cost and what negotiations were had?—A. It depends a great deal on what had to be paid to get control of the Oregon and California road. There is a good deal to it, and if I had all the contracts here about it with the owners of the California and Oregon road I could tell you better. The negotiations were pending about two years before it was finally completed, but under all the circumstances I think it was a good contract for the benefit of the Central Pacific. In fact the whole thing was done for the benefit of the Central Pacific on our part.

FAIR CONSIDERATION RECEIVED BY CENTRAL PACIFIC.

Q. You will perceive that if the consideration paid by the Central Pacific for the work done is an excessive one it would necessarily decrease the paying power of the Central Pacific, and for that reason I ask you to specify a little more clearly whether the consideration received by the Central Pacific is a fair consideration for the price to be paid?—A. I think so. The best test of that is this, that the Southern Pacific considered the benefits to be derived by the connection were such that they could justly consent to increase the rental equal to 2 per cent. upon the additional stock, which amounts at the present price of stock in the market to something like 5 and 6 per cent.

Q. Do I understand that the Southern Pacific pays the interest on the issue of four and a half millions of bonds?—A. They have to take care of that interest; yes.

Q. How much do you figure the increased rental to be derived from this source, over and above the \$1,200,000?—A. The minimum would be equal to 2 per cent. upon the 80,000 shares.

Q. Do you understand the provision which directs that if the earnings of the Central Pacific exceed the rental (which is the general provision of the lease), the Central Pacific should have the benefit of such excess up to 6 per cent.; do you understand that that provision applies to the increase of the rental to be paid by reason of the completion of the California and Oregon?—A. Yes.

THE CONSIDERATION PAID BEFORE COMPLETION OF ROAD.

Q. Your minutes show that all of that consideration has been paid except \$300,000 in bonds. Can you explain to us why that has been done before the completion of the undertaking by the Pacific Improvement Company, to complete the gap of 16 miles between the California and Oregon and the Oregon and California?—A. I think that \$300,000 was kept back because the California and Oregon is not entirely finished up according to the contract. That is supposed to be sufficient to put it in good condition.

Commissioner ANDERSON. It would not be sufficient to complete the gap of 16 miles.

The WITNESS. The gap is entirely in the State of Oregon.

Q. But does not the Pacific Improvement Company undertake itself to construct that gap of road or to cause it to be constructed?—A. Yes; but its compensation is entirely derived from the Oregon and California contract. The Central Pacific pays for nothing beyond the boundary line of the two States.

SECURITY FOR COMPLETION OF OREGON AND CALIFORNIA CONTRACT.

Q. You hold no other security for the completion of that contract than the obligation of the Pacific Improvement Company?—A. No. The Central Pacific holds back 300 bonds.

By Commissioner LITTLER:

Q. \$300,000 you mean?—A. Yes, sir; \$300,000 of bonds, to be paid to the Pacific Improvement Company when they complete their contract.

By Commissioner ANDERSON:

Q. But that, you say, is sufficient only to cover the deficiencies south of the State boundary?—A. Yes.

OWNERSHIP OF OREGON AND CALIFORNIA.

Q. So that, I say, for the completion north of the State boundary you have nothing but the obligation of the Pacific Improvement Company, their agreement?—A. The contract between the Central Pacific and the Pacific Improvement Company required the Pacific Improvement Company to buy or to acquire control of the Oregon and California line. They have obtained that control and are in possession, so that they have complied, substantially. The Central Pacific have nothing to pay upon that road beyond the State line. They are only interested that the road shall be completed in order that they may have the benefit of the through business. Both parties are equally interested in that.

Q. When, in your judgment, will that gap be completed?—A. I think about October. That is the opinion of our people.

THE EQUIPMENT.

Q. Do you know whether all the equipment provided for by the contract has been furnished?—A. This \$300,000 that is kept back is supposed to be an ample security for the entire completion of the contract. As to the details of what there is yet to be finished in the way of equipments, &c., I am not able to say.

Commissioner ANDERSON. As to equipments the contract provides that a locomotive shall be furnished for every 5 miles and a car for every mile, and it contains other provisions of that nature.

The WITNESS. I am not sure, but I think that the equipment is complete.

RELATIONS BETWEEN THE CENTRAL PACIFIC AND SOUTHERN PACIFIC.

Q. Will you please explain to the Commission the relations existing between the Central Pacific and the Southern Pacific Companies, starting with the state of things existing when the Southern Pacific Company was leased to the Central, and explain why the change was made, and also how the terms of the present lease were arranged?—A. I have all the leases here if you wish to see them. If you understand the geography and topography of the country you could understand that easily. In the San Joaquin Valley the Central Pacific had 133 miles of road, built originally as the San Joaquin Valley Railroad. At Goshen it strikes the line of the Southern Pacific Railroad Company. The Southern Pacific Railroad Company built the road from there south-
erly.

THE TRUE SOUTHERN PACIFIC.

This line running down here by the line of San José [indicating by reference to a map] is the true Southern Pacific Railroad; it passes through this San Joaquin Valley and up the Salinas Valley. There is a break that has never yet been completed, and the Southern Pacific there makes its connection for all through business and all business south of the Central Pacific at this point, Goshen.

Q. The road that you refer to as the true Southern Pacific is the road that is nearest to the sea—nearer the sea than the Goshen road?—A. Yes, sir; the line of the Central Pacific strikes the Southern Pacific line at Goshen. There is only, I think, 20 miles of line westwardly of the Southern Pacific built from Goshen.

DESCRIPTION OF LINE OF TRUE SOUTHERN PACIFIC.

Q. Please indicate on the map what line you refer to as being the true Southern Pacific?—A. This is the true Southern Pacific [indicating the line nearest to the coast].

Q. What point is this?—A. That is Tres Pinos. Now the line crosses the hill and follows up this Tres Pinos cañon. It is a narrow cañon; there is nothing there, nothing to justify the building of the road. When we came to build the road, we built along on that line to that point. Then our labor would be all wasted if we went up that cañon, so we determined to take this line that runs through a very fine country.

Q. Running westerly to the sea?—A. Yes; and carrying it up to the Salinas Valley, which is a long valley, probably about 175 miles long;

and thence up here into the San Joaquin Valley. Then, after reaching about the neighborhood of San Miguel, we crossed over southeastwardly to a junction with the road south of Gosben. Now when we got to Tres Pinos a question arose. Under the act of Congress we had to build 20 miles of road up that cañon and 20 miles could be constructed, but it would be thrown away. There was no business there then, and there is not now; and there is no prospect of it, but we went on. We knew about this great San Joaquin Valley, which is from sixty to a hundred miles wide. There was hardly anybody up there excepting sheep herders. We went up and examined it. I went up along with the others and examined the country to see whether or not we would be justified in building this line of road up here to Gosben and then building 20 miles from that on, to fulfill the requirements of the act of Congress. We went there and looked over the country and we commenced and built that 158 miles really in order that we might continue to build the Southern Pacific. There was not the business there at that time which would justify the building of the road. Then we built 20 miles up there; and this is the true Southern Pacific line.

CONTROL OF THE SOUTHERN PACIFIC.

Q. Now, at this period that you are speaking of the general project of the construction of the Southern Pacific had been discussed, and was a subject of interest to you all?—A. Yes; we had got control of it at that time. The Southern Pacific, as perhaps you may have noticed, was organized under an act of Congress, and authority was given to people not connected with the Central Pacific to build the road. We early saw that if that line of railroad was completed—if it crossed the Sierra Nevada Mountains—all the valleys of the State would be open to it and it would be a very serious competitor of the Central Pacific. So we tried to control it, and we have succeeded in controlling it; and the consequence is, that it has never been operated to the prejudice of the Central Pacific. Then at this point, Mojave, the act of Congress gave to us the right to build on this line to meet the Atlantic and Pacific, and on that line to meet the Texas and Pacific, on the Colorado River.

THE ATLANTIC AND PACIFIC.

Q. That is, on the line running southwest from Mojave, to meet the Texas and Pacific, and on the line running southwest by way of Los Angeles?—A. To Fort Yuma, on the Colorado River, as the act of Congress required. We built this first line, and operated it to the Colorado River. The Atlantic and Pacific came along, and since that time, by arrangements, they have leased or bought that line of road, and operated it to Mojave.

LOCAL BUSINESS PROSPECTS OF "SUNSET ROUTE."

Q. To Mojave?—A. Yes, sir; to Mojave. This is the Sunset route, going off to New Orleans. We built along from time to time, and we built across this stretch and we crossed that desert to meet the Colorado, but there was nobody there. The Texas and Pacific had not yet come up, and its misfortunes had not come on, and all this long stretch of road from up here to here, for 250-odd miles, from the Gorgonio Pass across this desert, was of no value except as a through line; and there was no business that could be gotten for it. If you go down there you will see what a country it is. It is as much of a desert as there could possibly

be. When we got there there was no road to meet us, and we tried to utilize our line and save ourselves by building on farther, as we did, into Nevada and Arizona.

CONTINUATION OF ROAD TO NEW ORLEANS.

Q. How many miles of line did you build in Arizona?—A. I have forgotten now.

Commissioner ANDERSON. About 287 miles, I think it is.
The WITNESS. I ought to remember these things, but I cannot do it now. Then, when we got across there, the other road had not come up, so we built across New Mexico, and then we went down through New Mexico and down on the Rio Grande 100 miles more, and then met the Texas Pacific. That made a through line that way. We continued on down the Rio Grande and connected with the road to Texas, that was organized to be built from San Antonio to the western boundary of the State, and it forms a part of the through line now to the Gulf of Mexico. And thence we went on to New Orleans. So the Southern Pacific Railroad now is a line entirely under one management, from San Francisco to New Orleans.

THE CONTRACTORS.

Q. By what company was this construction carried on?—A. From the other side of the Colorado River, commencing at Fort Yuma, by the Pacific Improvement Company. On this side down to away beyond El Paso, there was a line under another company, and they worked from San Antonio westward to a junction; and they met on the Rio Grande.

DATE OF COMMENCING CONSTRUCTION.

By Commissioner LITTLE :

Q. Did not those roads meet at the Pecos River?—A. Yes, about there; but we followed the Rio Grande all the way down. If I had known what sort of country Western Texas was, I would never have built there.

Q. About when was this Southern Pacific south of Goshen commenced, or how soon after the completion of the Central Pacific was it commenced?—A. The Central Pacific was entirely completed, I think, before we touched the Southern Pacific at all.

Q. Was it within a year or two after the completion of the Central Pacific that you commenced the construction of the Southern Pacific?—A. I think it was.

BONDED OBLIGATION.

Q. What is the bonded obligation, per mile, on the Southern Pacific and its branches? Do you remember?—A. I forget now. It was made to cover all the lines and was issued from time to time. A portion of it was paid off, and without reference to the books I would not like to say anything about it, because there you can see exactly what it is.

Q. All the contracts for the construction of this road we will find amongst the papers of the Western Development and the Pacific Improvement Companies?—A. Yes; I presume so. This San Joaquin Valley is the largest valley in the State, and by some supposed to be the most valuable, by reason of its extent. But the Sacramento Valley is a very large valley and wonderfully fertile. Here is the Oregon line [indicating.] It makes, as you see, a great north and south trunk line.

leading down this way to a connection with Mexico, that goes away down to the city of Mexico or to New Orleans.

THE COAST LINE AS A MILITARY ROAD.

Q. So that when completed it will be a coast line from Portland to Mexico?—A. Yes, and to New Orleans. It crosses all the continental lines of road that we have now, or probably ever will have, and it runs, you see, away inside of the coast. We can take this line from Sacramento, by way of Stockton, and keep away inside. And perhaps it is one of the grandest military roads in the world, being entirely protected from approach by the sea, except at San Francisco here, which is a hundred miles off from this line. We have one line in here (San Francisco), and this coast line is nearly completed, making another line down to Los Angeles.

OPERATION OF SOUTHERN PACIFIC DURING CONSTRUCTION.

Q. By whom was the Southern Pacific operated as its construction progressed?—A. This portion here, from here to Gilroy, 80 miles, is maintained by itself and has been operated largely almost like an independent road. It did not have any real proper connection with the Central Pacific system. Then as we built up here, after we commenced at Goshen, it was always operated by the Central Pacific.

TERMS OF LEASES TO CENTRAL PACIFIC.

Q. And how was the rental or how were the terms of the leases fixed; were they altered from year to year as the construction proceeded?—A. I cannot say whether they were always formally altered or not. But, of course, as new lines were turned over we met them and they paid the interest and the taxes to keep it out of debt. We did that at one time when the lease was not quite ample for that. But substantially the Central took care of it.

PROFITS DERIVED FROM LEASED ROADS.

Q. Is it your judgment that during the years between 1874 and 1880 the Central Pacific made or lost money by the operation of the leases of the Southern Pacific?—A. I would say in regard to that, that all these lines of road facilitated the business of the Central Pacific. And if we built a branch line of road like the Amador road, a road for instance that did not pay and has not paid, and probably never will pay, it turned its business on to the Central Pacific for 100 or 150 miles and in that way it became profitable, and so with the other roads. Take the San Joaquin Valley road for example. I think that the development of the country near these lines of roads will be such that they will all pay a profit to the Central Pacific. With the exception of the Stockton and Copperopolis road (which we did not build, but have the control of), and this little Amador road, which two are, I think, the only ones that have not been profitable, I believe that in the whole system of leased lines of road there was a profit, of some extent, to the Central Pacific. However, it was not expected that we should make any very large profit, so that the lease would be corrected from time to time.

THE BOOKS SHOW AS TO EACH ROAD.

Q. My question is addressed particularly to the operation of the Central Pacific road from 1874 to 1880. Is it your judgment that the amount

received from the operation of that road was more, or was less, than the railroad paid?—A. That is something that I have known about, and I cannot remember now. But I think that there was a profit to the Central Pacific, taken as a whole. This line of road across from Mojave to the Atlantic road—that the Atlantic now takes from us—never was a profitable road; but on the whole, I think there was a profit to the Central Pacific. Mr. Miller, the secretary, can perhaps tell you. The accounts have been so kept that by an inspection of the books you can tell what each of these roads has paid or lost. I will just ask Mr. Miller this question, whether, on the whole, the leased lines were profitable or not to the Central Pacific, taking them altogether?

Mr. MILLER. Taking them all together, they were.

The WITNESS. The accounts have been so kept with each of the branch roads that they show whether there was a profit or a loss.

Mr. MILLER. No; I do not think we made it up so for the first few years. We did not segregate them because it made no difference to the company, as every dollar of the earnings went into the treasury of the Central Pacific. We only charged it for our own satisfaction to ascertain how much or how little each particular line earned.

The WITNESS. After the United States Railroad Commissioner suggested a different way of keeping the books, did we not then keep the books so?

Mr. MILLER. Yes; from that time on they were kept that way.

LOSS SHOWN BY REPORT OF 1884.

Q. I will call your attention to the report of 1884, in which the operation of the leased lines is stated in the last two columns. The last column but one shows the net profit to the Central Pacific arising from its own management and the management of some of the lines; and the last column contains the net loss to the Central Pacific arising from other lines. I will ask you to look at the figures showing that the Southern Pacific of California (excluding the Mojave Branch) resulted in a loss to the Central Pacific for that year of \$470,608.44. And that the operation of the Southern Pacific Railroad of California (the Mojave Branch) resulted in a loss of \$202,935.09. That would appear at that time to have been operated at a loss?—A. Yes; I know there was a time there when there was a loss. Of course, that line of road from Mojave to the Colorado runs through what is mostly a desert and was practically of no value until the Atlantic and Pacific connected with it, which was at the Colorado River. As to the other road I do not know why it did not pay as well that year, but it came up—the business developed—and as a whole that was a profitable thing to the Central Pacific.

THE LOSSES APPARENT RATHER THAN REAL.

Q. Now, in examining the operation under those leases and the relations of the rental to the returns, are we to assume that the rentals were determined in the same manner as the other leases (as to which you have already testified), that is to say, by the votes of gentlemen who were interested in the Southern Pacific and in its stock, and who would be benefited if the rental was more than the earnings?—A. As to that, there were different officers in the Southern Pacific from the Central Pacific. The Central Pacific stock gradually began to pass into the hands of the public and we were more careful about those contracts. I think my recollection and impressions are rather that the Central Pacific took the Southern Pacific, intending to keep it out of debt and work it

as a feeder to its own road. Now the loss that you speak of was apparent rather than real, because all the way from Goshen to San Francisco, from the southern part of the State, there was an entirely new business developed by the construction and operation of that road, and it was not running anything like its full capacity. The additional business cost the Central scarcely any more to do it than its expenses would have been if that business had not been put upon the road. So that while nominally if there was not a gain to the Central Pacific, in reality there was a profit made by the construction of the Southern Pacific.

BENEFIT OF BRANCH LINES TO THE TRUNK LINES.

To illustrate: A railroad, say 100 miles long, considers the question of extending itself 25 miles farther. Now, with one-fifth of the business necessary to sustain the 25 miles, when you turn it on to a hundred miles already constructed you have the four-fifths to justify your building that 25 miles. An independent company, of course, could not afford to build those 25 miles of road, but the company having the 100 miles completed and in operation, could afford to do it. It is in that way that the compensation is made to the trunk lines of roads, in the extension of branches that do not seem to pay of themselves. That was the case with the Central Pacific. I have no doubt that we made a great deal more money out of the Southern Pacific than was sufficient to pay that rent. In a little while the business of the Southern Pacific developed so that it has been a good thing of itself, and thus it went on.

DEVELOPMENT OF THE COUNTRY.

Q. While on that subject, will you mention some of the articles produced in this valley, the San Joaquin, or along any other portion of this road, which tend to make the business that passes over the Central Pacific or some part of it? And also the Central Pacific business which finds a vent through the San Joaquin Valley, which it would not have found if the railroad had not been there?—A. Before the road was built, Mr. Hopkins, with some engineers and myself, and some others, went up this valley to examine it. We had to carry our supplies for both horses and ourselves, and we prepared to camp out. You could ride miles and miles through that valley and see nothing better than a sheep herder's little cabin. It was almost entirely unoccupied; but upon the construction of that road this country has gradually filled up until to-day, up near Fresno, there is one ranch of a thousand acres that sold, the other day to an English gentleman, for £200,000, a million of dollars, which, seven years ago, could be bought, for sheep-herding purposes, for a dollar and a quarter an acre. And so we developed that country. It would be interesting to take the assessment return of those days and compare it with what it is now. Now it is a prosperous country.

Q. What are the products of this country that pass over these roads?—A. Wheat, mainly; but then there are 12,000 acres now at this place in vines and fruit trees, near Fresno.

FRUIT ROUTE TO EASTERN MARKETS.

Q. Does that fruit come to San Francisco to find its eastern market or does it go over the Southern Pacific?—A. I think it comes to San Francisco. We bring fruit from Los Angeles County there now, and the greater portion of it, I think, to-day, of the Central Pacific, in going east.

Q. Why does it select that route instead of the Sunset route?—**A.** It is an established route and it reaches the market more easily, I think, than by the other route.

CHICAGO THE CENTER.

Q. Do you refer to fruit that seeks a market on the Atlantic coast or fruit that is distributed at local points in and around San Francisco?—

A. Some of it comes here, and some goes east. Chicago is really the great center.

Q. So that much of this produce from Los Angeles and the valley of the San Joaquin is carried as far as Chicago?—**A.** Yes. The oranges and all fruit that comes up this way go north over the Central Pacific.

GROWTH OF LOS ANGELES.

Q. It comes up north and goes east over the Central Pacific?—**A.** Yes, sir. And when we built this road—before we built this road to Los Angeles—most of the vegetables of that country came up here to San Francisco; and one of the charges made against our company was the high price we charged on potatoes and beans that went from San Francisco to Los Angeles. The beans were raised up here on the coast, and most of the potatoes were raised in Mendocino County and came from there to San Francisco, and then went down to Los Angeles. If you go down there now and see that beautiful country and its development of orange groves and fruit trees everywhere, one can hardly realize what it was. The other day I was going down to Los Angeles and we met on our way, at one place, two different trains of cars. I think there were thirty cars in one train, loaded with potatoes to go on to Kansas, I believe, and some, I guess, to Chicago—going east, at any rate. Sometimes a train-load of the asparagus raised up here at Sacramento goes east; but I think it is stopped generally on this side of New York.

REASONS FOR CHANGE OF RELATIONS BETWEEN THE TWO ROADS.

Q. Please explain what considerations led to the change of these relations which you have spoken of, so that the Central Pacific became leased to the Southern Pacific.—**A.** The road became finally completed to New Orleans. We purchased what was known as the Morgan line, which was about 1,200 miles of additional road, and a line of steamers, twenty-eight steamers, I think, running from Galveston to New Orleans and some to New York. We were building branch roads down into Los Angeles and extending this line of road here, and it became altogether too big and cumbersome, and, besides, the things in which the Central Pacific was in no manner interested had to be taken care of down there. So we thought it all over, and as it was too big for the Central Pacific to lease and control all those interests, we concluded to turn it the other way, and let the Southern Pacific Company, which was formed for the very purpose of building and leasing railroads, have the control of it, and that it should lease all the railroads of the system and secure their entire harmonious action. So we made that lease. Of its wisdom I have not the least doubt, particularly for the Central Pacific, because unless it should get to be a very profitable railroad, it enjoys all its own earnings and has the advantage of the connections with every one of these roads as though it was all one line. The relations of the Cen-

and Pacific to the other interests are protected, particularly so far as the interests of the Government are concerned.

SOUTHERN PACIFIC OF KENTUCKY.

By Commissioner LITTLE:

Q. Is this Southern Pacific of Kentucky a Kentucky corporation?—A. Yes.

Q. Why did you go to Kentucky for a charter?—A. To get a charter that was favorable—that would allow us to lease all the roads in the country. That was why we went there.

ITS OBLIGATIONS.

By Commissioner ANDERSON:

Q. What security have you for the performance of each obligation as the Southern Pacific of Kentucky may enter into to guarantee bonds or the payments of rentals, if it should cease to be advantageous to it—how could you enforce any such obligation against the Southern Pacific of Kentucky?—A. I will tell you. I think when we formed that company there were twelve different companies forming a through line to New Orleans, and we had to keep up those different organizations.

THE CONSOLIDATION.

They all had different interests, and it was very inconvenient and somewhat expensive; so we formed this company in Kentucky for the purpose, practically, of making one company controlling all these roads. The roads are all under the same ownership in reality. We formed this Kentucky company and owned it, so we took the lines of these roads and we valued them. Then we took the stock, for instance, of the Southern Pacific Company and appraised that at so much, and exchanged that for so much stock of the Southern Pacific of Kentucky. So that the Southern Pacific of Kentucky practically owns the Southern Pacific. So through Arizona, and so through New Mexico and all the lines through to New Orleans and those branch lines in Texas—I think some eight or ten hundred miles altogether there—they are owned really by the Southern Pacific. The Southern Pacific really owns all these roads, excepting just enough stock to keep up the organization of these different companies, so that it is the value of those roads and whatever they have got as assets that makes the Southern Pacific Company.

OFFICE IN KENTUCKY.

By Commissioner LITTLE:

Q. Do you keep an office in Kentucky?—A. We have to keep one there.

Q. Whereabouts?—A. I don't know where the clerk lives just now; but I believe in Lexington.

Mr. HAYMOND. It is in Lexington, Ky.

DECISION OF THE COMPTROLLER OF THE TREASURY.

By the CHAIRMAN:

Q. Has there not been a decision delivered by Judge Maynard, Comptroller of the Treasury, concerning the powers of Kentucky cor-

rations? Has he not lately decided that powers given by the State of Kentucky outside the State, and prohibited within the State, are virtually void and of no effect?

Mr. BERGIN. I do not recall any such decision.

The WITNESS. I do not see why that should be.

STATE LAWS REGARDING FOREIGN CORPORATIONS.

Mr. HAYMOND. The powers given to Kentucky corporations in relation to all roads are also given by the statute of this State to foreign corporations.

The WITNESS. There are eastern corporations doing business in this State all the time.

Mr. HAYMOND. That might exist elsewhere, but it could not here, because the powers of this company are derived from this State as well.

Commissioner ANDERSON. You say there is an act of the State of California vesting this power in the Kentucky corporation?

Mr. HAYMOND. It vests in any foreign corporation the right to lease railroads.

Commissioner ANDERSON. The power to hold railroads in this State?

The WITNESS. Yes; full power. That probably exists always by comity; at least, I believe it has always been so held.

Commissioner ANDERSON. Not to operate a railroad?

Mr. HAYMOND. Well, at any rate it is a question which cannot arise here.

ORGANIZATIONS OF THE COMPANIES MAINTAINED.

The WITNESS. These companies are all maintaining their organizations. We have to keep a board elected for each of the companies; but I rather think that at the next session of Congress I shall ask Congress for permission to consolidate all these companies into one. There is no reason why we should not do it, as nobody can be harmed, and it will simplify and economize the conduct of our business, and the consolidations have all been made.

FOREIGN AND DOMESTIC CORPORATIONS HAVE SAME RIGHTS.

Mr. COHEN. In relation to the former question I would say that the statute of this State gives to any foreign railroad corporation the same rights to operate railroads in this State as it does to a domestic corporation.

Mr. HAYMOND. That statute was passed at the instance of the Atlantic and Pacific Company.

TERMS OF PRESENT LEASE.

Commissioner ANDERSON. You have explained how the Kentucky corporation acquired the stock of these various corporations. Please explain now how the other terms of this lease were arrived at; that is, the lease of the Central Pacific to the Southern Pacific.

Mr. COHEN. Of what date?

Commissioner ANDERSON. The lease under which it is operating.

Commissioner LITTLE. Had you not better call attention to the different paragraphs of the lease?

LIABILITIES AND OBLIGATIONS ASSUMED BY SOUTHERN PACIFIC.

Q. I will call your attention first to the paragraph by which the said Southern Pacific Company agrees to discharge all the liabilities and obligations, including obligations on leases, now held by the Central Pacific Company, with certain exceptions named in this article, the exceptions being the Central Pacific's floating debt, the obligation to pay the principal of the indebtedness known as its bonded debt, the principal of all indebtedness the payment of which has been guaranteed by the Central Pacific Railroad Company, and also excepting the principal of the indebtedness of the Central Pacific Railroad Company to the United States. What discussion was there as to the measure of assumption and as to what the exceptions should be?—A. I think it was the principal of the debts that we were to pay to the Central Pacific—whatever they had to pay out. For instance, we pay the interest on all their bonds; we discharge the obligations of the company to the Government; we take care of their sinking fund according to the requirements of the mortgage. We pay to the Government the amount due to it under the Thurman bill. We also take care of it and relieve it of any liability to the small roads that it had leased. I think that is about all.

Q. Paragraph 1 then, is framed on the theory that the Southern Pacific Company should discharge all matters that were chargeable to its income, to be paid at various periods during the year, but that they should not undertake to pay the principal or the indebtedness in any form?—A. No, sir; that would be left to the company itself. Whatever may be the legal views in respect to it, there is nothing in that Southern Pacific Company and its control of these lines that can prejudice a single individual interest in the whole country, but, on the contrary, it enables all these lines of road of nearly five thousand miles, with its lines of steamers, to be operated as a whole at the lowest possible expense. Many benefits arise from it, and no injuries, so far as I know, to a living soul.

OPINION OF COMPTROLLER MAYNARD.

The CHAIRMAN. The opinion I have reference to was delivered by Judge Maynard, the Comptroller, on October 26, 1896, in which he sets out as follows:

The point is also made, that, inasmuch as the Southern Pacific Company of Kentucky is prohibited by the act incorporating it from leasing, owning, or operating any railroad within the State of Kentucky, it has no power to enter into such a contract for the operation of railroads in other States or Territories.

CONSOLIDATION AN ADVANTAGE TO THE PUBLIC.

The WITNESS. I do not know about that. I do not suppose we were heard at all in that matter. I have no knowledge or recollection of it. But that does not trouble me any. I should think it very singular, with the general recognition of the advantages of consolidated lines all over the country, if Congress does not allow these various companies to consolidate into one line for their common advantage. I shall be very much surprised, for it is a matter by which not only does nobody suffer any injury, but it is a manifest advantage to the public as well as well as to the company. I do not see why anybody should be tenacious about mere technicalities.

BASIS UPON WHICH RENTAL WAS COMPUTED.

Q. I now call your attention to the following extract from the lease by which the Southern Pacific Company agrees that during the continuance of this lease it will, annually, on the 1st day of May, pay to the Central Pacific Railroad Company, as guaranteed rental for the said Central Pacific Railroad and other leased property, for the year ending on the 31st day of May next preceding that date, the sum of \$1,200,000. What estimates or computations did you have before you when this figure of \$1,200,000 was reached?—A. A variety of circumstances entered into the consideration at that time. We took into consideration the business of previous years; also the fact of competition. Of course the Northern Pacific was established, but the Union Pacific was building what was known as the Oregon Short Line. Before that construction, the Union Pacific was interested in common with ourselves in having all the business of Oregon go by way of California. And it all did prior to the construction of the Northern Pacific.

DIVERSION OF TRAFFIC.

As soon as they built through and had opened up for business what they called their Oregon Short Line, they became interested in diverting all the Oregon business from the Central Pacific. That was a very important business, the population of Oregon being then, I suppose, between three and four hundred thousand. It is estimated now at 400,000 people. Not only that, but the Washington Territory business, and the British Columbia business, that used to come here, has been diverted from us, we having the only land line. By the construction of those two lines all that business was diverted. We took all that into consideration.

EARNINGS OF THE CENTRAL PACIFIC.

Those were the facts that enable us to determine what might be the earnings of the Central Pacific. We figured it accordingly. We made it at the rate of 2 per cent., which, at the way the stock was selling then, was about equal to 5 per cent. on its actual value. We thought we could earn it. The result showed that we were right. We earned, I believe, nearly fourteen hundred thousand dollars, so that we did not lose any money by that Southern Pacific contract. Then we provided, trusting to the general development of the country, that if there was more than what would be 2 per cent. on the stock, it might be made up to 6 per cent. on the stock, which, according to its then value, would be about 16 per cent. That is, if it should ever go up to 6 per cent. on the par value it would be about 16 per cent. upon the price at which the stock was then selling, or upon what it is selling at to-day.

PROFIT TO STOCKHOLDERS.

Q. What connection had the market value of the stock with the question of the obligations of the Southern Pacific as lessee to its lessor?—A. That did not have any, excepting that it was something that the stockholders would be very likely to approve. I am only showing you what kind of compensation it would have to earn before the Southern Pacific could enjoy any profit; but the idea was that from the intimate connection and harmonious operation of the roads it would be paying to the stockholders this large profit.

THE AMOUNT OF RENTAL.

Q. These considerations, then, were argued and debated, and the conclusion you reached was to fix the figure at \$1,200,000?—A. Yes. I will say further that that was largely done with the bankers in New York who had helped to place the stock and bonds of the Central Pacific on the market. Speyer & Co. thought well of this lease. We had it under consideration, I think, more than a year before it was done. If I may say so, we were particularly zealous in looking after the interests of the Central Pacific, and of course we had a large interest in the Southern Pacific. By "we," I mean the managers. I was not the president of the Southern Pacific, but I was the president of the Central Pacific. I had a large interest in the stock of the Southern Pacific. We considered the whole matter with great care, and finally we came to the conclusion that this was a most advantageous proposition for the Central Pacific. We hoped that it would not be injurious to the Southern Pacific. But the Southern Pacific's direct profit from it was problematical, because there would be none until there was a 6 per cent. dividend declared.

DIVIDENDS.

Q. Six per cent. on what?—A. Six per cent. on the capital stock issued.

Q. Do you mean, then, \$6,000,000?—A. On the stock that is issued.

Q. And that is 6 per cent. on 60,000 shares?—A. About that; yes, sir.

Q. Are you not mistaken about that? Is it not 4 per cent.?—A. I am quite sure that my memory cannot fail me on that.

INCREASE OF EARNINGS LIMITED.

Q. Please look at the section which provides for an increase of the earnings. See if the increase is not limited to \$2,400,000?—A. I know that it was supposed that it would be a long time before we would make that 6 per cent. It was intended entirely as I stated, and that was my impression during all the discussions on the subject; but it may be that this clause controlled that:

And it is further agreed between the said Southern Pacific Company and the said Central Pacific Railroad Company that if at any time it appears that by the operation of this agreement either party is being benefited at the expense of the other, then this agreement shall be revised and changed so that such will not be the operation thereof; and if the parties hereto cannot agree upon the changes necessary to that end, then each party shall appoint one arbitrator, disinterested, but skilled in relation to the subject-matter, and the award and decision of such arbitrators in writing shall be binding upon the parties hereto, and this agreement shall be revised and changed in accordance with such award and decision, and as revised and changed shall be duly executed in writing by the parties hereto.

It may be that that caused the change, but it had entirely passed from my mind that it was less than 6 per cent., and I know that that was what we had fixed at one time.

Q. The provision, as you find in the lease, is that the limit of the increase is \$2,400,000. Is that not correct?—A. Yes.

Mr. MILLER. Twenty-four hundred thousand in addition to twelve hundred thousand?

The WITNESS Yes; that is correct. I have learned to distrust my memory a great deal, but I did not think I could be so much mistaken.

Mr. COHEN. The witness finds on reading the clause referred to that the limit is \$2,400,000 in addition to the \$1,200,000, making in all \$3,600,000, or about 6 per cent. on the outstanding stock.

SINKING FUNDS IN CHARGE OF EXECUTIVE COMMITTEE.

Q. Does the lease require you to keep up the sinking fund required by the mortgages, other than the United States mortgages?—A. Yes, sir; that is as I remember it.

Q. Who has charge of these sinking funds?—A. The trustees. I believe we have an executive committee, whose business it is to go in and examine those things and see that they are all right. They are kept in the vaults of the company.

Q. Will you refer us to the present committee, so that we may examine us to the amounts and as to the present investments of the sinking fund?—A. Mr. Timothy Hopkins is the treasurer. Mr. Charles F. Crocker is another trustee [addressing counsel]—is not Mr. Gage on that committee?

Mr. HAYMOND. That executive committee is not now in existence. Mr. Hopkins is on the committee.

The WITNESS. A committee was appointed from time to time to examine.

Commissioner ANDERSON. One name is sufficient for our purpose. We only want know how the money is and where it is invested.

The WITNESS. I know they were appointed to investigate and report. We did have an executive committee, but that was abolished.

THE COMMITTEE AND THE THURMAN ACT FUND.

Mr. HAYMOND. That committee had nothing to do with the sinking fund under the Thurman act.

The WITNESS. Did you understand that they had anything to do under the Thurman act?

Commissioner ANDERSON. Not at all, but they hold a certain portion of the sinking fund as security for a certain portion of the bonds which are prior to the lien or claim held by the United States; and therefore the amount and investment of that sinking fund is a matter of interest.

The WITNESS. Those sinking funds are for all the roads that were consolidated into the Central Pacific, each one having, however, its specific portion of that sinking fund.

Q. As stated in your report?—A. Yes, sir.

NET EARNINGS OF CENTRAL PACIFIC FOR 1886.

Q. And your report gives it all?—A. Yes; I expect so. And really we have been traveling over a good deal of ground that is covered by my report.

Q. I mean the annual printed report.—A. Yes.

Q. In regard to the operation of this lease of 1886, have the net earnings of the Central Pacific (I mean of that portion leased to the Southern Pacific) been more or less than twelve hundred thousand dollars, after deducting and paying all matters required by the lease?—A. I think it is between thirteen and fourteen hundred thousand dollars, according to my recollection.

Commissioner ANDERSON. That is for the year 1886?

The WITNESS. That is the only one we had, was it not?

Commissioner ANDERSON. We had a broken portion of 1885. That report was made out for 1885, and showed about thirteen or fourteen hundred thousand dollars.

The WITNESS. Let me ask Mr. Miller about that. Was that the year the time the road took it, or for the financial year?

Mr. MILLER. I think they were put together.

Commissioner ANDERSON. In 1885 it was for the whole year?

Mr. MILLER. Yes, as I remember; but the report will show.

COMPARATIVE EARNINGS OF 1885 AND 1886.

Q. My question is, whether the lease of 1886 is better or worse than that of 1885? If you do not know, you may refer us to Mr. Miller.—A. I do not know. I was interested in the general result, and I understood that the earnings of the Central Pacific were something over what the Southern Pacific were called upon to pay.

Commissioner LITTLER. What is your answer, Mr. Miller?

Mr. MILLER. I do not recollect. It is about the same, but the financial tables will all be here to-morrow morning. I think if you will examine them they will show the whole thing.

FIERCENESS OF COMPETITION.

The WITNESS. If you will allow me, I will say that the Central Pacific is about as low now as it has ever been, or is likely ever to be again. There can never be any fiercer competition waged against it than there has been for the last two years. The State of Nevada, which at one time gave to it a very profitable mining traffic, has gradually run down in population and business. I would not say how much, but to probably less than one-half the business that there was formerly, and I think from this time on that the population is likely to be increased, and the mines are likely to be developed. The future is better and brighter, and so far as its lines in this State are concerned, they are growing better every day, so that I think the condition of the Central Pacific now is at its lowest; and I think that we may reasonably expect a constant improvement hereafter. Competition can never be fiercer than it has been within the last two years.

HOW THE SINKING FUND IS INVESTED.

Q. Do you remember whether the portion of the sinking fund you have referred to is invested in the bonds of the Central Pacific?—A. I do not know. The bonds in that fund have practically been used from time to time, according to our judgment as to what was best for the fund.

Mr. COHEN. To what fund do you refer?

Commissioner ANDERSON. The funds with the Central Pacific for the local roads.

INTRINSIC VALUE AND PRESENT MARKET VALUE OF BONDS.

The WITNESS. From our position we have had a good opportunity to judge of the intrinsic value of the bonds outside of the market value, and we found that after the road had all been operated some time, and fairly established, the bonds appreciated in the market and they were better to make exchanges with and take some of the bonds of other roads that we thought just as good to hold, at a less price; we have done that, and, to the advantage of the fund, a good deal in that way.

Q. What is the present quotation of the first mortgage bonds of the Southern Pacific?—A. About 15 or 16 per cent. premium.

Q. How long have they been on the market?—A. I do not remember what time.

WHEN THEY WERE PUT ON THE MARKET.

Mr. COHEN. I think they were first put on the market about 1880 or 1881.

The WITNESS. We had them here and we used them as collateral for a long time before any of them were put on the market. Circumstances were such, for one reason or another, that we could not market them at a reasonable price, and so we were compelled to carry them, and borrow money on them.

VALUE FOR CONSTRUCTION PURPOSES.

Q. They were issued to the various construction companies and used as collateral until there was a market to sell them?—A. Yes. Now I will say this: That when you project a new road and you provide for its construction and for the issuance of bonds, those bonds have no market value; and, until there are lines of road constructed, the holders have really no obvious security. The construction company takes those bonds and holds on to them, and borrows money on them, until there is a sufficient amount of the road constructed to show that there is security, and then they begin to try to market them.

THE DIFFERENT SERIES.

Mr. COHEN. The market price I gave you was for the Southern Pacific of California. There are three series of Southern Pacific bonds.

Q. Do they vary materially?

Mr. COHEN. No. About 2 or 3 per cent., I think.

The WITNESS. These Southern Pacific bonds never reached par, I think (unless it was by a kind of force), until the line of the road was all the way through to New Orleans. That is my recollection, and I do not think that we have sold any of them above par ourselves. We have sold them away down: I think as low as 85 cents.

DISCUSSION OF POWER VESTED IN CENTRAL PACIFIC.

Q. Was the subject of the power of the Central Pacific to make this lease of itself to the Southern Pacific, discussed in your board, or have you any opinion on the subject from your lawyers?—A. I do not know whether we have any written opinions or not. It was discussed over in New York, and Mr. Charles H. Tweed passed upon it, and Mr. Creed Haymond here. I think Mr. Southmayd, also, who was counsel for Speyer & Co. Speyer & Co. are very largely interested. I do not mean in direct ownership, but they negotiated and sold the greater portion or a very large portion of the stock of the Central Pacific, and also the bonds of the Southern Pacific, and the bonds of the Central Pacific. They have been very largely the financial instrument through whom we have operated in New York. In all these cases I think they have always had Mr. Southmayd to pass upon them.

BASIS OF ACCOUNTS.

Q. In preparing the account of the actual earnings of the Central Pacific for the purpose of making your adjustments with the Commissioner of Railroads, please state whether they were made upon the basis of the lease between yourselves and the Southern Pacific, or whether they are made directly from the actual earnings?—A. The United States Com-

missioner has lately been over here and his experts have been at work. What their report will be I do not know, but probably Mr. Miller can tell us what their views were.

Q. The only question is whether that account is settled on the basis of the actual earnings, or whether it is settled upon the basis of the rent agreed to be paid by the lease?—A. I should think upon the basis of the actual earnings.

Mr. MILLER. Upon the actual earnings.

The WITNESS. Whenever it would exceed the \$1,200,000, I should think they would rely on the earnings, but whenever it was less, then it would be upon the basis of the \$1,200,000.

RELATIONS WITH THE GOVERNMENT REGARDING THE LEASE.

Q. In other words, the Government pays no attention to your lease to the Southern Pacific?—A. I presume that if the Central Pacific should earn less than \$1,200,000 they would, unless I am mistaken.

Commissioner ANDERSON. You do them great credit.

The WITNESS. I am glad to give them credit whenever I can.

Q. The Government reserves the option to take advantage of the lease, or to collect on the earnings of the road?—A. If it is an option with them I have no question at all as to what they will do.

CONSENT OF CONGRESS NOT ASKED AS TO LEASE.

By the CHAIRMAN:

Q. Was the question of the lease of the Central Pacific ever presented to Congress in any way?—A. I do not know that it ever has been. I do not think it ever has been.

Q. Was any application made to Congress to secure its consent to the lease of the Central Pacific to the Southern Pacific?—A. None at all.

Mr. BERGIN. Your views of the law, Mr. Chairman, are somewhat different from the views of Mr. Maynard. I do not understand that a California corporation has got to get the consent of Congress.

The WITNESS. I do not understand that in the management of the affairs of the Central Pacific we have any more to do with Congress than we have with an outsider, except in those things prescribed in the contract with the Government.

EXTENT OF JURISDICTION OF CALIFORNIA CORPORATION.

Q. Do you extend the jurisdiction of a corporation of California beyond the State line?—A. Yes, sir. That is, by the statutes (the State of California and the State of Nevada consenting), the Central Pacific is entitled to avail itself of all the advantages and privileges conferred by the act of Congress. Of course we could not go beyond the State limit by our own original corporation articles, but the legislature of the State of California authorized us to accept the conditions of the act of Congress, and they have reserved the powers of the State over the corporation. That lease was drawn with the greatest care by the parties in order to do justice all around, and I have my judgment upon it to-day, the same as it was the day it was made, that it is a just and good one for all parties. I shall be very glad if the Commission will examine it most critically, especially because it is a large transaction of two great railroads, and I would like the public to be as well informed as possible in regard to it.

DATE OF ISSUING BONDS.

Q. How soon after the date of commencement of the construction of the Southern Pacific were the bonds of the Southern Pacific issued?—A. Not for a number of years. It was quite a number of years before we did anything with them other than to use them as collateral. There was a time once when we could have sold those bonds at a rate that we could have afforded to accept, but there came on the hard times, and from that time until about the time that we did sell them, we could never get a price that would justify the sale; and the consequence was that we did not go on with that road as we would like to have done. We built it in pieces, from time to time, as we were able to build it, and we got down finally to the Colorado River, I think, before we sold any of those bonds. The Southern Pacific runs to the Colorado River at Fort Yuma, and I do not think we were ever able to sell a bond until after the road had reached there, and we had made arrangements to go on into Arizona and New Mexico. That was an extreme case, but, really, in most all the roads we built, we have had to wait until the roads demonstrated very fully their value before we could sell the bonds.

EFFECT OF SOUTHERN PACIFIC UPON CENTRAL PACIFIC.

Q. In regard to the relations existing between the Southern Pacific and the Central Pacific, and as bearing particularly upon the earning power of the Central Pacific, will you please state what alterations have occurred in the trans-continental movement of freight since the Southern Pacific has been opened as a through route?—A. The first competition that arose to the Central was by the connection of the Atchison, Topeka and Santa Fé with the Southern Pacific. That was made practically before the Southern Pacific line was completed. In Mr. Stubb's report to me, which I have filed with the Commission, the amount of the diversion from the Central Pacific by the construction of each road is set forth very clearly, and if you want to see how much effect and what effect each of these competing lines had upon the business of the Central Pacific that report will show. If I had that to refer to now, I could answer more clearly.

DIVERSION OF TRAFFIC.

Q. Does that report show whether or not the Southern Pacific has diverted through business from the Central Pacific?—A. Yes; the Southern Pacific has had some very great advantages over the interior lines, it being one line through from San Francisco to New York. Once on their steamers, freight would come through with hardly any delay. On the other lines (through freights from California not being very heavy) things get mixed up with the freight of other roads and cars are shunted off on side-tracks. And particularly is that the case at Chicago. Chicago is a very difficult place for them to get through, and there is great delay usually on Eastern lines. When freight leaves Chicago it meets considerable delay until it reaches Omaha, and then it comes through without any delay at all. But still on these railroads, with the immense costs they have and the small amount of business, not having enough for full trains, delays occur. The certainty with which freight comes through is a great advantage to the "Sunset" route. When it reaches New Orleans, of course, there is no change of car or of control until it reaches the point of destination. We run a line of ships from New York to New Orleans and that makes it a through line. And

in that way the certainty of that delivery has diverted a great deal of business from other eastern ports.

Q. It has diverted a great deal of business that otherwise would have gone over the Central Pacific, do you mean?—A. That diversion became serious only when the Southern Pacific had to compete with these other lines which the Central did not control. The Central, when it controlled the Southern Pacific, dictated the rates both ways.

COMPARISON OF RATES.

Q. How do the rates on the Southern Pacific between San Francisco and New York compare with those over the Central Pacific?—A. They are about the same, I believe, but in times of competition no relation of Central and Southern could control competing lines. Then we met the competition and got the best we could.

Q. Has the Southern Pacific taken adverse proceedings for the purpose of securing traffic as against the Central Pacific in bidding or soliciting through freight?—A. It never interfered with prices at all. There has been complete harmony. The Union Pacific and all of the lines, of course, were interested in sending it by the Central, because in doing that they sent it over their own line and they had their own agents.

EFFORTS TO SECURE THROUGH FREIGHT.

Q. What efforts do you make to secure through freight, either here or in New York?—A. We have our agents in New York and our agents here. And all these other lines have their agents at all Eastern points, and they all have their agents here in San Francisco, Los Angeles, and sometimes above here. Every railroad in the United States that wants to send business to California is interested to get it over its own road, and with the most favorable connection.

NO CHANGE IN MARKING OF ROLLING STOCK.

Q. After the lease of the Central Pacific to the Southern Pacific was the title of the property and rolling stock changed to the Southern Pacific?—A. Yes; that passed into the control of the Southern Pacific with the condition that they should return it in its present condition.

Q. I mean, was the title of the cars and of the general property—the marks on them—changed to the Southern Pacific after the lease from the Central Pacific to the Southern Pacific?

Mr. BERGIN. I do not think the title would change.

By Commissioner ANDERSON:

Q. Were the car marks changed?

Mr. COHEN. The name of the company was changed, but the title would not pass.

The WITNESS. I do not think any car marks were ever changed.

By Commissioner LITTLER:

Q. They were not changed, but bear the Central Pacific marks?—A. Of course, yes; all the property of the Central Pacific the Southern Pacific must keep in good order and repair.

MILEAGE RATES ALLOWED.

Mr. HAYMOND. They allow mileage rates.

Commissioner ANDERSON. That is for the cars, stock, and engines, and other rolling property?—A. Now, if the cars of the Central Pacific Com-

pany are used on the Southern Pacific they get credit for it. The account is kept between the two roads just as it is between Eastern roads. Every car is counted and every company has its credit for the cars that it runs.

Q. That is, a mileage account is kept?—A. Yes, sir.

By Commissioner ANDERSON:

Q. Does the Southern Pacific keep a separate agent in San Francisco separate and independent of the Central Pacific?—A. No, sir.

Mr. COHEN. If you will read the lease that will explain it to you better than the witness can.

The WITNESS. A complete inventory of the property of the Central Pacific has been taken.

Q. Is it printed?—A. No, I do not think so.

Mr. MILLER. It is not printed.

AGREEMENT TO KEEP ROLLING STOCK IN GOOD ORDER.

By the CHAIRMAN:

Q. So that after the lease, the property of the Central Pacific, the engines and the rolling stock, remained still designated as that of the Central Pacific, and so appeared on the outside?—A. Yes; and they must be restored in as good condition, or, if they use a car up, they must return one in its place. That is, they must return the same property or substitute some other for it. Of course they are liable to have engines smashed up and worn out, but they must keep the rolling stock in good order and condition.

Q. What I wanted to know is, whether there was an outward change in the designation of the cars and other property of the Central Pacific upon leasing that road to the Southern Pacific?—A. No, sir; but there is an account with all those departments and their earnings are noted. The accounts, I think, are in every respect as distinct as though the roads were entirely different.

Mr. COHEN. The property remains in the Central Pacific as though the transfer had not been made?

Mr. BERGIN. The names of the cars, as I understand the drift of the question, have not been changed. They retain the same name since the lease as they had before.

SEPARATE AGENTS FOR EACH ROAD.

By Commissioner ANDERSON:

Q. In regard to these agencies, has the Southern Pacific a separate agency from the Central Pacific in New York, San Francisco, and at other points where through freight may be solicited?—A. Yes; there is an agent of the Central Pacific who has been the agent of the Union and Central together. The Southern Pacific has its own agent there.

Q. Under what officer is that agent?—A. The general manager of what we call the Atlantic Division is a Mr. Hutchinson. He is in New Orleans. On this side the general manager is Mr. Towne.

Q. From whom do these gentlemen receive their instructions as to what they shall do to get freight?—A. On that side from our general traffic manager.

Q. That is Mr. Stubbs?—A. Mr. Stubbs; yes, sir.

Q. Do you know anything in relation to the instructions Mr. Stubbs has given to these gentlemen?—A. I do not know of any special in-

structions. I can understand that the general instructions would be to do the very best that they can for the company, but there is no competition allowed, or cutting of rates, to divert the business from one road to the other.

METHODS OF OBTAINING BUSINESS.

Q. Do you know whether they have not, as a matter of fact, bid for business by offering rebates and issuing passes?—A. Not for the purpose of diverting business from one to the other. They have met competition. There never was any competition between those two lines to induce them to cut rates, one against the other, but when they have given rebates I suppose it has been to obtain business. I justify obtaining business by any fair means and meeting competition wherever it exists, either by accepting the business at the low rate or by giving a rebate. Where competition exists it practically fixes the rates that the railroad company may obtain. I do not know but what the Union Pacific may have cut rates against them, but we never allowed it; they could not do it over our line of road; they had to do it entirely over their own line of road.

BUSINESS DIFFERENCES WITH UNION PACIFIC.

Q. Without saying anything hostile to the Union Pacific, have there not been many differences between the Central Pacific and the Union Pacific in regard to the working of the through business?—A. There have been business differences. There is not as much, perhaps, as might naturally be expected. There is a great deal of competition, of course, from the East to the West at Salt Lake and for the business of Montana, Wyoming, Idaho, and Utah, and sometimes there has been friction, but it is very seldom such that the freight agents were not able to fix it up among themselves.

METHODS OF MEETING COMPETITION.

Q. Have there not been occasions when they asked you to prorate or divide a decrease in the rates with them in order to meet the competition of other roads and where you have declined to do so?—A. I do not know but that that may be so, but we did not feel it necessary. Our lines over here for a time entirely protected this end. Then we had the road from Mojave eastward, the line from San Francisco to the Colorado River was about the same in distance as the line by the Central Pacific to Ogden, and the same was true of the Southern Pacific to Fort Yuma, and we did not want them to compete. They were all under one management, that of the Southern Pacific, and we would not consent to cut the rates for the Union Pacific to compete with other lines of road, because to the Central Pacific it would not make any difference whether the freight came by the Union Pacific or any other road, because the proportion going to the credit of the Central Pacific was about the same on all these lines.

CHARACTER OF FREIGHT UNDER DISPUTE.

Q. What articles of freight did that matter refer to; what was involved?—A. I do not remember anything in particular.

Q. From what points was it? I mean was it freight that would come necessarily over the Southern Pacific, so that you would get the bene-

fit on that side?—A. I think not that way. It was more particularly that which would take the Atchison, Topeka and Santa Fé or the Union Pacific line. It was about the same in either case. It was in that kind of freight that this competition occurred. The greater portion of the freight, you know, arises west of the Atlantic seaboard; of course it is a very large amount of the freight. It is the freight along the Atlantic seaboard which seeks, most conveniently, the Southern Pacific route. The three lines being so nearly equal, when they were all under the management of the Central Pacific there was no reason why they should consent to share a cut rate with any Eastern company competing with it.

INTEREST OF CENTRAL PACIFIC IN THE FREIGHT.

Q. Well, the question we wanted light on was whether, even if this traffic came over the Atlantic and Pacific or the Atchison, Topeka and Santa Fé you were not bound to get substantially your share of the rate before the freight in question could reach San Francisco. It could not get there without going over a large portion of your line?—A. In any event it practically did not make any difference to the Central Pacific whether it took one line or another.

Q. If it came over the Southern Pacific what interest would the Central Pacific have in it?—A. Because the Central Pacific at that time had a lease of the Southern Pacific.

Q. That was before the present lease?—A. Yes.

IMPORTANT ARTICLES OF TRANSCONTINENTAL FREIGHT.

Q. Referring more especially to the present state of affairs, will you please state what are the more important articles that are carried over and form part of your transcontinental freight. I presume fruit is an important class of freight with you?—A. That is a very important factor. So is wine. Sometimes we have carried grain, wheat, and barley east, and we have carried cabbages to Saint Louis.

Q. And wool?—A. Yes; a very large quantity.

Q. Is there much tea carried?—A. Yes; I think that the greater portion of the tea now used in the United States passes over these roads.

Q. Do you carry much sugar?—A. And sugar too; yes; a good deal of sugar I think has been made here and gone to Saint Louis.

Q. Over what road does most of the sugar go now?—A. Most of it goes by the Central Pacific, I think.

Q. Since last April?—A. I cannot say as to the period since last April. I cannot say what are the proportions going by the Atchison and Santa Fé, or the Atlantic and Pacific.

Q. Mr. Stubbs can give us those figures, can he?—A. I think he can give them to you.

COMPETITION FOR BUSINESS OF OREGON AND WASHINGTON TERRITORY.

Q. Your lease contains a recital that the Union Pacific Railroad Company has obtained the control of the line known as the Oregon Short Line, and thereby secured an outlet to the Pacific, independently of that over the Central, and, in that respect, had placed itself in opposition to the interests of the Central Pacific. How far did that consideration enter into the making of that lease?—A. It had this effect, that so far as the influence of the Union Pacific, over on the other side, can be exerted

in regard to freight for Oregon and Washington Territory, it is used to send it by their own line and not over the line of the Central Pacific.

Q. How often has that occurred?—A. I do not know the proportions, but I think Mr. Stubbs in his report to me grouped all the business that went to Oregon and Washington Territories together. I do not know whether he was able to divide the freight on the Oregon Short Line from that on the Northern Pacific, but may be he was. There is one thing that I want to say in regard to this Union Pacific. I understand that the impression has gone out that we treated them unfairly. We never have treated them unfairly or intruded on their territory. They established lines, and would not allow us to prorate at all for the business of Utah, Wyoming, and Montana, and we had to pay them the local rates for any business that went from here. They intruded upon the territory which otherwise would be divided, but we did not complain. They complained of our carrying a road over on their line of territory. We had no line of road to cut into their territory.

OREGON SHORT LINE AN INJURY TO CENTRAL PACIFIC.

Q. We are only asking for information as to how much the Southern Pacific has diverted from the Central, or how much the Oregon Short Line had diverted from the Central. As a matter of fact, do you, or does your general passenger agent, regard the completion of the Oregon Short Line as injurious to the Central Pacific?—A. Yes; because they had an interest in diverting from our line all the Oregon business, and sending it to their own line; also the Idaho and Montana business. They have the control of that from Ogden north, and they would never allow us to send anything over except at their local rate, which was very high.

REDUCED EARNINGS.

By Commissioner LITTLE:

Q. How does the volume of business over the Central Pacific for the last year compare with that of former years, can you tell us?—A. I cannot say, but of course the earnings have been much less.

Q. Are those reduced earnings to be attributed directly or remotely to the leasing of the Central Pacific to the Southern Pacific?—A. Not at all. Those reduced earnings are entirely due to the competition which has grown up since the road was completed.

SOLICITING AGENTS.

Q. I do not know whether I understood you or not in relation to soliciting agents. Do you say that the Central Pacific has no soliciting agents here or at New York?—A. Oh, no; we have an office here and an office in New York, but the soliciting over there is done by a common agent of the Central Pacific and Union Pacific.

Commissioner LITTLE. I can well see how this lease of the Central Pacific would become injurious to that road and to the Government if there were a combined effort on the part of the officers of the leasing line to send freight and passengers over the Southern Pacific.

CENTRAL PACIFIC AND "SUNSET" ROUTES NOT COMPETITORS.

The WITNESS. Yes; if that was the policy then the Central Pacific would complain. But the competition of the Central Pacific is not with the "Sunset" route. It is through those routes that start from the

doors of the shipper—every branch line of railroad connecting with the trunk lines through the entire Eastern States. Those lines of roads compete with the Southern Pacific and Central Pacific.

Q. It is true, however, that freight can be transported over the Southern Pacific to all eastern ports and points?—A. Yes; but if freight is to reach New York, and then be sent into the interior, as to, say, Chicago, it has got a thousand miles of railroad to be sent over, and it will have to pay the local rates. It does not go back that way. I think it rarely, if ever, reaches as far back as Chicago.

FINANCIAL INTERESTS OF THE MANAGERS.

Q. How do the interests of the managers of the Southern Pacific and the Central Pacific compare? I mean their financial interests in the respective corporations—A. We have a larger financial interest now in the Southern Pacific than we have in the Central Pacific.

Q. If you should consult your own financial interests you would probably be willing that the Southern Pacific should have its full share of the traffic, to say the least of it?—A. Financially, yes; but it does not compete except for that comparatively small business that runs along the coast. Just think of it. The Southern Pacific Railroad runs to the Gulf of Mexico on the south and through to Louisiana.

ACTIVITY OF AGENTS OF COMPETING LINES.

Q. I understand; but do you mean to say that there is no traffic going from California to New York which does not find its way over the Southern Pacific road, and roads connecting, east?—A. We have one agency for the roads. Here is the Atchison, Topeka and Santa Fé; it has an agency, and there is an agent for the narrow-gauge road that comes into Salt Lake. There is an agent for the Southern Pacific, and there are agents in here for the Northern Pacific, and for the Union Pacific, all of them looking out vigilantly for their interests as against competing lines. It is not very easy for the Southern Pacific if it wanted to divert business to do so as against five or six agents who are as active in securing business as any agent of ours could be.

Q. The question still recurs whether the agent of your company, representing both the Central Pacific and the Southern Pacific, after securing through traffic to New York, is not capable of sending that through traffic over the Southern Pacific to New York by way of lines connecting eastward from El Paso or from New Orleans, or from Houston, Tex., if you please?—A. No; you see the cutting of rates to divert business away from the Central Pacific would mean an interference with all the rates; not only the rates to New York, Baltimore, Philadelphia, and Boston, but it would interfere with the rates which the Central Pacific would obtain for that interior business which comes over, because if they cut the rates to New York City the rates to Buffalo would follow and necessarily be cut.

ROUTE GENERALLY DESIGNATED BY SHIPPER.

Q. You would not have to cut the rates under my proposition. The agent of the Southern Pacific, having secured the freight and having the option whether to send it over the Southern Pacific or the Central Pacific, the freight being destined, say, to New York, the question is whether he could not send it over the Southern Pacific to New York by routes connecting with your road, say at El Paso, Tex., or at Houston,

Tex.?—A. The shipper generally directs which way his freight shall go.

Commissioner LITTLER. Very often he does not.

The WITNESS. Yes; sometimes he might be influenced, but our agent is always watched by competitors, and we cannot afford to interfere with the rates of all the vast business that lies west of the Atlantic coast.

Commissioner LITTLER. It would not be interfering with anybody else's rates at all, as I put the question.

The WITNESS. It would interfere with rates the moment you cut the rates or make them less to New York by the Southern Pacific than it is by the Atlantic and Pacific.

Commissioner LITTLER. I do not ask you about the cut rates.

The WITNESS. Then how are you going to divert the business?

THE TWO ROADS WORK HARMONIOUSLY.

Commissioner LITTLER. The question I put is, could your agent, representing the great financial interests of yourself, and the other gentlemen interested in the Southern Pacific, after securing the freight for transport to New York, exercise his own judgment and send it over the Southern Pacific instead of the Central Pacific, without disturbing the rates at all?

The WITNESS. Well, practically that does not occur.

Commissioner LITTLER. That is what I wanted to know.

The WITNESS. The two roads work entirely in harmony. Their interests are identical, and they never cut rates. I think they do the best they can. They have to meet the competition of other roads, but as between themselves they never had to cut rates, and an agent would not be allowed to do so. The agents have never had such permission.

Commissioner LITTLER. I understand that, and I know that prior to the adoption of the interstate commerce law there were pools and contracts to sustain rates, but all these questions I am putting to you do not contemplate the cutting of rates at all.

The WITNESS. Those things were hardly able to fix rates.

Commissioner LITTLER. Well, there were fixed rates?

The WITNESS. So called.

Commissioner LITTLER (jocularly). I have no idea that any of you ever lived up to them.

The WITNESS. All our agents say that they lived up to them, and that the others always cut first.

THEIR INTERESTS IDENTICAL.

Commissioner LITTLER. The question I put to you does not involve the cutting of rates at all. The question is this: The consolidated company (which embraces the leased lines and the Southern Pacific), having secured the business on a fixed rate to New York, and your agent being more interested in the earnings of the Southern Pacific than he is in the Central Pacific, the question is whether to secure business and increase the earnings of the Southern Pacific, rather than of the Central Pacific, it is not possible for him to transport that property at that fixed rate from San Francisco to New York over the Southern Pacific and the Texas Pacific, if you please, and the Wabash system?—A. I suppose it is possible, but in practice it is not done. We forbid that. If the two companies were separate, if their interests were not so dove-

tailed and so intermingled in the local as well as the through business, it would no doubt occur. And that is the real reason why we kept them so close together, that they should work in entire harmony and work out to a common interest.

COMPARATIVE COST OF TRANSPORTATION OVER BOTH LINES.

Q. Do you not think it probable that you could transport freight from San Francisco to New York, in the winter time, more particularly, over the route I have indicated, as cheaply as you could over the Sierra Nevada and the Rocky Mountain ranges?—A. We could really do it a great deal cheaper. The trains from Yuma to New Orleans I think do not have to climb as heavy grades. I think we have grades that do not exceed in any place 52 feet to the mile.

Q. Then the distance of a thousand miles added cuts but very little figure in the transportation of freight from here to New York?—A. Yes, it does; you cannot transport freight for a thousand miles without costing something, and over the Sierra Nevadas, where a hundred miles of that road requires nine times the engine power to lift the freight over that 100 miles—for many purposes that counts for a thousand miles in many places on easy grades.

SOUTHERN PACIFIC THE CHEAPEST.

Commissioner LITTLER. For that very reason I am inquiring into the operation of these roads.—A. The Southern Pacific works to get what business it can, and so far as the cost of movement is concerned it is less there. The actual cost of movement sometimes becomes very small, and the question is whether you shall take the freight or not. It does not depend on the freight paying the average cost, but if it will pay the additional cost consequent upon that movement. Then you take it rather than reject it. If all the business was done at that low rate the railroad could not live. We do not take into consideration the interest account, or the semi-fixed expenses, such as station men, brakemen, trackmen, and the minutiae of expenses of the roads; but will it pay the additional cost consequent upon its movement, and if it will do that we take it rather than refuse it.

Q. Recurring again to the question I have put, I ask you whether it is not in the interest of the Central Pacific, and consequently in the interest of the Government, that that road should be represented by its personal independent representative as a solicitor of freight?—A. If the stockholders do not like our management, let them say so.

Commissioner LITTLER. That is not a fair answer to my question.

RESPONSIBLE TO STOCKHOLDERS FOR MANAGEMENT.

The WITNESS. I think it is. I want to say to you this: The first consideration to me in the management of this road is that I shall so conduct its business as to satisfy my stockholders. Now, the management of the Central Pacific has been approved time and time again at the annual meetings of the stockholders as well as at the meetings of the board of directors. That is a fact. That is the relation we occupy, and as long as I have their approval I do not think I should give myself much trouble. We have done the best we could for the road. There are large numbers of stockholders in the road now—larger numbers than ever—and I don't know that there is a stockholder in the Central Pacific that is dissatisfied with our management.

Commissioner LITTLER. You should understand that we are not representing a stockholder, but a large bondholder, and we have a right, and it is our duty under this act of Congress, to inquire in a respectful manner as to the causes of the falling off of the traffic of the Central Pacific road. We have that right as a creditor of that road.

The WITNESS. I might dispute that right.

SEPARATE MANAGEMENT NOT ADVISABLE.

Q. While I desire to be entirely respectful to you, of course, I will repeat my question whether it would not be to the interest, the very best and highest interests of the Central Pacific Railroad, to have its independent representative to solicit freight, and, if possible, increase the traffic over that road?—A. No, sir; the Southern Pacific in a short time will have its own completed line from here to the coast [showing on the map]. It is over the Sierra Nevada Mountains and into the valley of the San Joaquin, and all the sources of traffic of the Central Pacific are open to competition, and if the two lines are managed, I do not care how amicably, but still with entirely independent interests, they would be in conflict, which is now avoided, and the safety to the Central Pacific is in its harmonious connection and relations with the Southern Pacific. Of course it was largely for the benefit of the Southern Pacific at first, but finally we found it necessary to go on and protect it until at last it has become a great system of roads.

Commissioner LITTLER. That is all I care to ask you just now.

GOVERNMENT NOT ENTITLED TO MAKE INQUIRIES BECAUSE OF ANY DEFAULT.

The WITNESS. I like to have you ask these questions. I do not think myself that the Government is in the position of a creditor to inquire into this, because the Central Pacific has never been in default to the Government, and the company has a right to pay off its indebtedness by services. Now, there are thirteen years during which this contract runs before the maturity of those bonds, and it may be that the Government will yet have business enough for this road to pay off the entire debt. Suppose a foreign war were to occur, a war with Great Britain, and suppose England were to send twenty-five or more thousand troops and some of her fleets over on this side, it is impossible to say how much service we might render to our Government before the maturity of those bonds. I have never heard before, and I do not think, in all your experience, you have heard, that a man is to be controlled in the payment of his debt and his capacity to earn the money with which to pay it before the maturity of the debt.

CAUSE OF CREATION OF THE COMMISSION.

Commissioner LITTLER. The existence of this Commission results from efforts of the Central Pacific Company and the Union Pacific Company to secure more favorable terms for the payment of the debt, and are sent here to inquire diligently into all the facts and the circumstances which surround this company and its property. And you, as its president, expressed a very great satisfaction to see us when we first came here. We hope we have not become irksome or tiresome to you. We are here for the purpose of getting at the bottom facts of this property and its earning capacity with a view of recommending to Congress such legislation as may seem proper under all the circumstances, and we hope

you will not become impatient under our examination. We desire to get all the facts so that no Commission hereafter shall have even straw to thresh over.

CONTRACT BETWEEN THE GOVERNMENT AND THE COMPANY.

The WITNESS. Well, it was a query in my mind whether you came here like a judicial body to investigate the matters between two parties, or whether you came here as a representative of the Government alone; because the courts have decided that there is no question that, whatever control the Government has, their control arises from the contract itself, and that we are two parties to the contract, the company and the Government. I hope you have come here holding the scales evenly and to do us justice and right as well as the Government.

Commissioner LITTLER. Speaking for myself alone, I am here to ascertain the exact truth in relation to all these matters and to be governed in my recommendation to Congress by those facts, but I am going to be tolerably inquisitive, in order to get at the facts. That is a part of my duty.

HOPING FOR GOOD RESULTS FROM THE INVESTIGATION.

The WITNESS. I should be very much disappointed not to have this Commission go on, because we hope largely through this Commission to establish our case by the proofs that we shall submit and are submitting. We feel that we have been wrongly treated by the Government. We know that we have great equities and we hope that this Commission will be able to present those equities as they may appear to them, and it will make a very great difference to our case, I think, in public estimation. But as far as concerns the legal status of the Commission and its right to investigate our books, we have, I may say, an opinion of our own. We do not want, however, to throw any obstacles in the way of the Commission.

Commissioner LITTLER. It is due to the Commission and every member of it to say that not a line of their report has been written or considered nor will be until the investigation is entirely completed. When we have time to review all this evidence, we expect to sit down as a judicial body and write a report that will be sustained by the facts, and make such recommendation, following that report, as seems to be justified.

A FRIENDLY INTERVIEW BETWEEN DEBTOR AND CREDITOR.

Mr. HAYMOND. In other words, it is a friendly interview between a creditor and a debtor.

Commissioner LITTLER. Yes, sir; and we do not want any ill feeling about it, but we do want all the facts, and you can facilitate very greatly the ascertainment of those facts, if you will.

The WITNESS. I think so far we have evinced a disposition to do so.

Commissioner LITTLER. We have no complaint to make except in one little matter which we settled by diplomacy.

Mr. HAYMOND. In all examinations a period arrives when somebody objects to producing books.

Commissioner LITTLER. We want to see all your books and see what they show. I have no doubt from what Governor Stanford states that they will not convict anybody of high crimes. They might show, however, that some of you gentlemen have made a great deal of money.

THE GOVERNMENT AND THE PEOPLE BENEFITED.

THE WITNESS. We have made a great deal; I think that is so. I can tell better after the debts are all paid. But we owe a great many millions of dollars. At the same time I have this to say about it, that the values that we have created where none existed before, we have created without prejudice to a single individual in the United States, and where we have created one dollar of value for ourselves, we have created hundreds for the Government and the people in developing the country and its resources. The amount saved in the cost of transportation has been several hundred millions to the people of California.

AN INTERESTING FACT.

To show the effect of these railroads I will state an interesting fact: Prior to the construction of the Southern Pacific Railroad, which was constructed largely for the moving of agricultural products, they were charging upward of \$17 a ton on vessels for wheat from here to the East. Immediately upon our moving the first train load of wheat from here to New Orleans freights dropped down to \$10 a ton and then came down from \$10 to \$5, and they have never been up to \$10 since. That year we had millions of tons of wheat to move, and we saved several millions of dollars to the farmers of this coast alone.

Commissioner LITTLER. That is a part of your case.

THE WITNESS. Well, we feel like telling, once in a while, what we have done for others as well as for ourselves; of course what we have done for ourselves is a little problematical while those large debts remain unpaid.

EFFECT OF SOUTHERN PACIFIC UPON UNION PACIFIC.

By the **CHAIRMAN**:

Q. What effect had the construction of the Southern Pacific upon the Union Pacific?—**A.** So far as it diverted business of course it was injurious, but we got on pretty well without cutting rates. There was no chance for the Southern Pacific to touch the Union Pacific at all, until the Atchison and Santa Fé reached it, and that immediately formed a new line; but before that the Southern Pacific went off by way of Fort Yuma and down into Texas, and it did not affect the Union Pacific business by as much as a penny or a pound of freight. There was no place where they could come into competition, but the moment that the Atchison and Santa Fé touched the Southern Pacific and formed a through line for all the business of the interior as well as the Atlantic coast, then both the Union and the Central became affected.

PERCENTAGE OF TRAFFIC DIVERTED.

Q. What percentage of a year's business after the connection of these roads was affected or diverted?—**A.** I think you have it here. I think that year it had the immediate effect of diverting 23 per cent. of the whole through business.

Q. So that the income of the business of the Union Pacific, by reason of the construction of the Southern Pacific, was affected to the extent of 23 per cent.?—**A.** Yes, sir. I may be mistaken as to it being immediately in that year, but I think the accounts show that. I was going to say this: Neither we ourselves, individually, nor any of the Central Pacific people, are in any manner responsible for the building of the

Southern Pacific line. I mean to say they had nothing to do with procuring the Government aid for the Southern Pacific. They had no interest in the Southern Pacific until long afterwards. Mr. Anderson spoke yesterday about the Northern Pacific being provided for the same year that we were. That is a mistake. We organized and commenced work under the act of 1862, and our company accepted its terms. So that the provision for the building of the Northern Pacific was made two years after the commencement of the construction of the Central Pacific.

NO DIVERSION OF CENTRAL PACIFIC FUNDS TO CONSTRUCT SOUTHERN PACIFIC.

Q. Were the funds of the Central Pacific used in the construction of the Southern Pacific?—A. There has never been a dollar in any shape or manner of Central Pacific money diverted to the construction of these other roads. There have been accounts between them, but they have been as carefully kept as though one railroad were in Russia and the other in America.

Q. Were the funds of the Central Pacific borrowed by the Southern Pacific for the purposes of construction?—A. No, sir; but while these roads were in process of construction the Pacific Improvement Company or the Western Development Company had running accounts with the Central Pacific, sometimes performing services for it and having a balance sometimes in its favor, and sometimes against it; but in that case the accounts have always been kept carefully and the interest accounted for, whichever way it might fall. It was a great convenience to have harmonious relations existing between the entire Pacific system of roads in this State, and it has been of immense advantage to all.

THE SHORT LINES NOT SELF-SUSTAINING.

If one were to divide up all the little companies which were consolidated, and which are running to-day, many of them could not have lived. The Central Pacific was running these roads successfully, while if they were divided up into sections of 100 miles each, there are not two of them that would be self-sustaining. Take for instance all of the roads on the other side of the Sierra Nevada through Utah and Nevada; unsustained by business originating outside, they could not maintain themselves or pay their running expenses. There is not a station over there that is worth anything. The business has been mostly in carrying supplies to the miners and bringing out the product of their labor, which is of course very valuable (being the precious metals), but it did not make so much business. In Nevada the commercial business is very slight. Outside of their mines the chief transportation business is in cattle, and some of the cattle come over here and some go east.

NO MONEY BORROWED OF CENTRAL PACIFIC TO CONSTRUCT SOUTHERN PACIFIC.

Q. Did you, as an individual, borrow the money of the Central Pacific for the purpose of using it in the construction of the Southern Pacific?—A. I never borrowed a dollar in that way. I do not think there has been any real borrowing between the companies, but in the way of deposits and services rendered the account in balancing has sometimes been, in favor of one and sometimes in favor of the other. I have never borrowed

any money from the Central Pacific for these other companies. I have borrowed a great deal of money individually for the Central Pacific and continued to do so up to the completion of the road. Whatever was done in the way of financial management on this side I did it. Money never went down to less than 1 per cent. during the construction of that road. I think the Bank of California first brought the rates down to 1 per cent. in this State, but I do not think it has ever got below 1 per cent. per month during the time of that construction.

INDIVIDUAL OBLIGATIONS.

Q. Did you, with your associates, borrow money from the Central Pacific?—A. No, sir.

Q. For any purpose?—A. No, sir. I borrowed with my associates plenty of money for the Central Pacific.

EXTRACT FROM MINUTES AS TO INDIVIDUAL LOANS.

Q. I call your attention to the minutes of the Western Development Company of September 15, 1875, from which I read:

Whereas Leland Stanford, C. P. Huntington, Charles Crocker, and Mark Hopkins are owing the Central Pacific Railroad Company the sum of \$273,347, and were owing said company said sum of money on the first day of January, 1875; and

Whereas the said Leland Stanford, C. P. Huntington, Charles Crocker, and Mark Hopkins ask to make their promissory note for said amount to said Central Pacific Company, bearing date of January 1, 1875, and payable two years thereafter with interest at the rate of 10 per cent. in gold coin; and

Whereas said Stanford, Huntington, Crocker, and Hopkins—

Will you please explain that transaction?—A. I do not remember it, but we never borrowed any money ourselves from the company, and so if we ever borrowed or became responsible for money it was in connection with these roads. We had no object in doing it individually, and it was not done individually; but we may have assumed obligations.

MILLIONS BORROWED ON INDIVIDUAL PAPER FOR CENTRAL PACIFIC.

That we very likely did. I have borrowed millions of dollars on the paper of Mr. Huntington, Mr. Crocker, Mr. Hopkins, and myself, and sometimes on my individual paper, for the Central Pacific Company. Very likely I put up the collaterals of that company, but our people here did not care to take the trouble lest there might be a default. They preferred that they should look to us individually rather than to look to the railroad for their money, and so for a long time—I guess, up to the completion of the road—we had an individual credit here that we used for the benefit of the company. Why, I have been overdrawn to the Bank of California, without a collateral, at one time over \$1,300,000, just on my individual checks. That was all for the benefit of the company, and it went in there, and at the proper time they settled the thing to my credit, but it shows you how our credit was. I only tell you this to show you how our credit was here at the time, and the extent to which we could use it. We never hesitated to use our individual credit for the benefit of the company from beginning to end. But as to that particular transaction I have no recollection of it either one way or the other, but I have this general knowledge of our business, that that could not have been associated with our personal use in any way, but must have been in connection with the companies in some way.

NO RECOLLECTION OF TRANSACTION MENTIONED IN MINUTES.

Q. That is in the direction of my question whether this money was at any time borrowed from the Central Pacific upon collateral by you or your associates for the purpose of the construction of the Southern Pacific.—A. I have no recollection of this transaction; it may be that Mr. Miller can explain it.

Q. Did you at any time borrow the money of the Central Pacific after placing collateral, with your notes or with any other security, for the purpose of using it in the construction of the Southern Pacific?—A. I have no recollection of any such transaction.

Q. Were you at the time of the construction of the Southern Pacific banking with the Central Pacific?

The WITNESS. Do you mean me individually?

The CHAIRMAN. No; I am speaking of the company.

The WITNESS. Of the Southern Pacific?

The CHAIRMAN. Yes.

The WITNESS. Well, I am not able to say, really; but we had such business relations that no doubt the balances were sometimes one way and sometimes the other.

MONEY LOANED TEMPORARILY TO PACIFIC IMPROVEMENT COMPANY.

Q. Was that while you were drawing on the Central Pacific during the construction of the Southern Pacific?—A. I never drew from the Central Pacific except sometimes when we may have had a surplus, and the Central Pacific would loan its money where they knew all about it for a time. For instance, in the sinking fund there was a time here when it had two or three millions of dollars in it, and there was no good chance to invest it because the only way we could do it well was to invest it in some security, and then I think they loaned it temporarily to the Pacific Improvement Company until they could make an investment of it; I cannot recall to mind the circumstances, but this I do know, that when you come to investigate it the books will show that it was not as an individual thing for the benefit of us four gentlemen.

SOUTHERN PACIFIC DEPENDED ON ITS OWN RESOURCES.

Q. You misunderstand me. I want to ascertain whether, in the construction of the Southern Pacific road, not individually, but for the purpose of building the Southern Pacific, you at any time, with your associates, representing the corporation, the Southern Pacific, borrowed money from the Central Pacific for the purpose of constructing the Southern Pacific?—A. I have no recollection of any such circumstance. The Southern Pacific Railroad, like these other roads, depended upon its own resources. When we started in it did not cost much to buy that road; two or three hundred thousand dollars, I believe; and we made bonds and hypothecated those bonds, and so we went on for a long time, and I think we went on hypothecating bonds and using our individual credit one way and another until the road was completed through to Yuma, about 720 miles from here.

BONDS HYPOTHECATED.

Q. With whom did you hypothecate your bonds?—A. Oh, a good many people. We borrowed a good deal of money.

Q. Did you hypothecate your bonds at any time to the Central Pacific?—A. Oh, yes; during the early time of the construction we of

course parted with the Central Pacific bonds very reluctantly at the low rates. We had faith in the Government triumphing in the civil war, and we knew that whenever the end was apparent bonds of all kinds would go up, and we hypothecated our bonds and hypothecated the Government bonds when we could. Generally they went just as soon as we had them, but still we borrowed money on them on the prospect of reserving them.

Mr. BERGIE. The witness seems not to catch the meaning of the question. I understand the point of your question to be, Mr. Chairman, whether or not the bonds had been pledged to or hypothecated with the Central Pacific.

The CHAIRMAN. Yes, whether the bonds of the Southern Pacific were pledged with the Central Pacific.

The WITNESS. I beg your pardon: I did not understand it; I thought the question was whether we had used the Central Pacific bonds in borrowing money for the Southern Pacific.

NOTE AND COLLATERAL OF WESTERN DEVELOPMENT COMPANY.

Q. I will call your attention to the minutes of September 18, 1876, the minutes of the Western Development Company:

We, the Western Development Company, hereby transfer and deposit with the Central Pacific Railroad Company as collateral for the payment of the above promissory note and the interest which may accrue thereon, the following personal property of which we are the sole owners, the same being at our expense and risk, to wit: \$500,000 first-mortgage bonds of the Central Pacific Railroad Company for \$1,000 each.

Will you please explain that transaction if you can recall it? I will read to you further:

The president and secretary were ordered to issue the following note of the company:

FEBRUARY 7, 1876.

One year after date, for value received, we promise to pay to the order of the Central Pacific Railroad Company the sum of \$1,796,714.41 with interest from date until paid at the rate of 10 per cent. per annum, both interest and principal payable in United States gold coin, at par, dollar for dollar.

Does that aid your memory in recalling the transaction?—A. No; I do not remember anything about that. It may have been in connection with the sinking fund. I think at one time we borrowed a great deal of money of the sinking fund, that is of the different companies, until the sinking fund could invest it in good bonds. In doing that it was a benefit to the sinking fund and gave them some interest. And until they could do better it was very well.

NO RECOLLECTION OF THE CIRCUMSTANCE.

Q. Was the money so borrowed by you used at any time in the construction of the Southern Pacific road?—A. I cannot say as to that. As to this particular sum I have no recollection of that transaction. I think that the Pacific Improvement Company, and very likely the Western Development Company, has had money from the sinking fund when they had it to lend. I think so, but I presume never without having security, or else it was of such temporary kind that it did not need any security.

Q. Were such sums used in the construction of the Southern Pacific Railroad?—A. I cannot say. It probably went into the general fund of the Pacific Improvement Company and was spent in their various businesses, whatever they may have been.

Q. So that if such sums went in to the Pacific Improvement Company at the time of the construction of the Southern Pacific road, then the probabilities are, I understand you, that such sum went into payment for the construction of the Southern Pacific Railroad?—A. No; I do not say that.

Q. Then will you please explain?—A. I say if they borrowed the money they did with it as they pleased in their business. Now, where they expended it, I cannot say. If they borrowed the money they used it as they would if they had borrowed it from the Bank of California, or from any private individual, and used it accordingly, and paid for it.

SOUTHERN PACIFIC NOT AIDED BY CENTRAL PACIFIC.

Q. Do I understand you, upon your oath, to say that no funds of the Central Pacific Railroad ever went into the construction of the Southern Pacific Railroad?—A. Yes; I do not say that the money of the Central Pacific Railroad may not have been borrowed and used that way, but I say this, that the Central Pacific was never under any obligation to furnish, nor did it furnish, money for that unless they might have done so in a business way, for which they had their full compensation. The Central Pacific never has been in such a condition as to loan money except some small sum that they might have had on hand. I do not remember any; but if I am to understand your question to mean whether the Southern Pacific, by reason of our being managers of the road, ever had an undue advantage or an undue facility in obtaining aid from the Central Pacific, then I tell you no, and I say that the accounts had been kept as honestly and faithfully between the two companies as though they had no connection, and as though their managers were entirely different persons.

NO ADVANTAGE TAKEN OF FRIENDLY RELATIONS.

Q. I am not questioning the integrity of the accounts or the honesty of the transactions, or the security that was put up at the time. I am only endeavoring to ascertain this: Whenever the Central Pacific Company had a surplus of funds, and you and your associates in the Southern Pacific Company gave sufficient security and borrowed sums of money for the Improvement Company, did that money go into the construction of the Southern Pacific Railroad?—A. I do not remember any transaction of that kind, but I have no doubt at all that if the Central Pacific had money that was idle we would have loaned it as soon to the Southern Railroad as to anybody else, if we thought that was the best place to loan the money of the Central Pacific; but, if your question is whether because of our relationship we gave in any way an advantage at the expense of the Central Pacific, then I say no. We never did that. Of course there were many transactions that I cannot call to mind now, but I do not think the Central Pacific ever had much money to loan. My recollection is that it had not. It generally borrowed. Certainly all through its construction it had no money to loan, and I do not think it ever had any money to loan except out of its sinking fund. There, of course, it has had money to loan, and we have endeavored, as far as possible, to invest that money in good bonds, but when they could not make that investment then of course we would loan the money. But you had better see the books. I think they would explain this matter.

Mr. COHEN. I would like to have the books. I remember this transaction that Governor Stanford speaks of. I had in my mind at one time what the explanation was, though I do not recall it now.

WHEN SOUTHERN PACIFIC BONDS WERE ISSUED.

Q. Were the bonds of the Southern Pacific Railroad Company hypothecated with the Central Pacific Company through the Western Development Company before the construction of the Southern Pacific Railroad?—A. The bonds of the Southern Pacific Railroad were issued from time to time, as the work progressed. I think there was a clause in there that the bonds should not be issued for more than so many miles in advance of the completion. So much a mile and not more than so many miles in advance of completion.

(Question repeated.)

A. I cannot say that they ever hypothecated any of them with the Central Pacific, but they were used in borrowing money by hypothecating.

Mr. BERGIN. But not with the Central Pacific.

The WITNESS. I have no recollection, and I cannot call to mind anything in regard to this one that you have read to me, or anything to remind me of it.

Q. How much in advance of construction did you issue the bonds of the Southern Pacific?—A. Not very much. I think there was a clause in there that we were not to issue them at the rate of more than a certain number of miles in advance.

Q. I want to know whether upon the deposit of collateral these gentlemen used the money of the Central Pacific (the same gentlemen having given the Central Pacific authority to so use it) in the construction of the Southern Pacific Railroad?

NO DIVERSION OF CENTRAL PACIFIC FUNDS.

Mr. HAYMOND. The chairman has been addressing himself to the proposition whether the money of the Central Pacific has been taken and used to build the other roads.

The CHAIRMAN. That is it.

A. The funds of the Central Pacific were never in any manner appropriated to the building of these roads unless it was in a matter like borrowing from the sinking fund. That may have been done. As to the issue of the Southern Pacific bonds, I know that some of our mortgages provide that we shall not issue more than twenty miles in advance of the completed line. And I am of the impression that that clause related to the Southern Pacific, so that we issued the bonds substantially only about as the road was completed. I want in some manner to make it plain on this point, that there have been no improper diversions of money or money ever used to the inconvenience in any respect whatever of the Central Pacific to build the Southern Pacific road.

FINANCIAL RELATIONS CONDUCTED ON BUSINESS PRINCIPLES.

By Commissioner LITTLER:

Q. Do I understand you to state, that if funds were borrowed of the Central Pacific at any time, or any number of times, they were borrowed upon business principles, and were paid back in due course of business, with interest?—A. Entirely so. All the relations of the two companies have been carried on on true business principles, and never to the disadvantage of one or the other, and I do not think either of them ever suffered any disadvantage. The company, however, that has reaped the great advantage from all these lines is the Central Pacific itself. While it controlled these lines as the main trunk they developed the

country and developed business, and the developed business passed on to the Central Pacific. That gave it, of course, a volume of traffic.

Mr. COHEN. You will find that all these construction companies were always short of money, and borrowed money wherever they could find it.

THE BOOKS WILL SHOW THE RELATIONS OF THE COMPANIES.

Commissioner LITTLE. These inquiries are made for the purpose of dispelling the accusations that are sifted throughout the country; and it is due to you, as well as to this Commission and the Government, that we should get at the hard-pan facts. That is what we want, and that is why we ask you for your books.

The WITNESS. I do not know what our books may develop in our relations with private individuals. But I have no idea that there is anything there that would hurt them or us much. It may be a little unpleasant, but the books themselves in our relations to these companies would show, I think, a thorough explanation of these transactions, and will show the relations of the Central Pacific to any other railroad corporation. The more thorough the examination is the better we shall like it.

Commissioner LITTLE. We will try to make it thorough.

TWO LEADING QUESTIONS.

Mr. HAYMOND. I understand that there are two propositions about which you particularly wish to be satisfied: First, whether the Central Pacific actually cost as much money to build as the money loaned by the Government in the shape of bonds and that received from other sources; and, second, were the funds of the Central Pacific used to build up and construct these other roads, or were these other roads constructed from the funds belonging to these private individuals? As I understand it, those are the two leading questions that you want information upon.

Commissioner LITTLE. Yes; at this time those are the controlling questions.

Mr. HAYMOND. It seems to me that in the spirit in which Congress has directed this investigation to be made those are the questions.

CAUSE OF HEAVY INDEBTEDNESS.

The WITNESS. The great reason of the heavy indebtedness was that we had to build these roads largely with bonds, and the bonds would not sell at anything near par. That was the trouble. If I had time I think I could tell you exactly what the company realized on the Southern Pacific bonds from time to time. We held on to the bonds, and I think never sold any bonds until that road was through to Yuma.

By the CHAIRMAN:

Q. I will call your attention to the minutes of June 7, 1884, of the Pacific Improvement Company, from which I read.

LETTER OF SECRETARY OF SOUTHERN PACIFIC.

The secretary presented and read the following letter from the secretary of the Southern Pacific Railroad Company:

SAN FRANCISCO, June 6, 1884.

F. S. DOUTY, Esq.,

Secretary Pacific Improvement Company:

DEAR SIR: On August 3, 1882, the S. P. R. Co. made its first payment to your company of \$1,000,000 on account of its contract for constructing the road from Merced to the Needles, and in like manner had paid your company \$750,000 more before

the opening of the road for business on November 13, of that year. Throughout the construction of this line not only have our payments been far in advance of the opening of the several sections, but we have invariably paid beyond the points to which the road has been operated, thus bearing quite a loss in interest in the absence of receiving rental.

Further, the Central Pacific Railroad Company, our lessee, in leasing this line, had reason to believe that eastern connecting roads would be completed within a few months, but owing to the delay in such connections it incurred a heavy loss in operating the road during the year 1883, and requests this company, as lessor, to reimburse it for the amount of such loss.

As the amount received by this company for rent is but equal to the interest it pays on its bonds, it would seem that the claim of the Central Pacific should be referred to your company, and I would respectfully suggest, in view of the foregoing facts, the propriety of your allowing from the amount which has been received on the contract for construction the sum of \$234,211.83, a demand for which is hereby made.

I would respectfully request you to inform me of the action of your company in this matter.

Yours, respectfully,

J. L. WILLCUT.

On motion of W. E. Brown, duly seconded, it was resolved that the claim of the Southern Pacific Railroad for \$234,211.83 be and hereby is acknowledged as just, and that the secretary of this company be and is hereby authorized and directed to pay the same to the Southern Pacific Railroad Company.

CAUSE OF LOSS ON LEASE.

Does the letter recall to your mind the transaction of this particular case?—A. I remember generally that the Central Pacific lost money on that lease, and it was mainly because that connection was not made at the Needles with the Atlantic and Pacific.

Mr. COHEN. The Central Pacific lost money.

The WITNESS. Yes, sir; the Central Pacific leased that portion of the road from Mojave to the Needles, and they expected at the time that the Atlantic and Pacific would come and meet the Central Pacific at the Needles. There were obstacles, and they did not; and consequently the Central Pacific local business was not sufficient to pay, and they were properly asked for relief. Well, the Southern Pacific itself charged to the Central Pacific just enough to cover the interest on the mortgage. They had nothing, and therefore it fell properly, I think, upon the Pacific Improvement Company to make the reimbursement.

Q. Does not this letter indicate that rentals were being paid in advance of construction?—A. Not in advance of construction. The road was completed through, or a portion of it. They paid for the interest, the interest accruing every six months, and I have no doubt they made the interest, whatever it was, and the object of the lease was to make enough to protect the interest on the bonds. With regard to that minute book, this is the first time, to my knowledge, that I ever saw it. I would prefer that you should ask somebody about it who is familiar with it.

The Commission then adjourned to Thursday, August 4, 1887, at 10 a. m.

PALACE HOTEL, SAN FRANCISCO,
Thursday, August 4, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

DANIEL W. STRONG, being duly sworn and examined, testified as follows:

By the CHAIRMAN:

Question. Where do you live?—Answer. At San Diego, Cal.

Q. What is your business there?—A. I am not doing anything.

Q. How long have you lived there?—A. Since 1869.

Q. Have you ever had any connection or association with the Central Pacific Railroad Company?—A. Not since that date.

Q. Since what date?—A. Since 1869, when I left.

CNE OF ORIGINAL TRUSTEES OF CENTRAL PACIFIC.

Q. What was your first connection with the Central Pacific Railroad Company?—A. I was one of the original trustees and directors.

Q. How were you connected with the company at the beginning?—A. Before the road was commenced, I was living up at Dutch Flat, and knew the country very well. I thought there ought to be some way of getting over the Sierra Nevada Mountains and diverting a portion of the travel—of the emigrant travel—across the plains, so that it would come our way and to Sacramento.

Q. What year was that?—A. It was in 1859. Being interested in Placer County at the time I was very anxious to do all that I could to get a portion of this emigrant travel to come through that county.

Q. Where did you live then?—A. At Dutch Flat.

EFFORT TO DIVERT EMIGRANT TRAVEL ACROSS THE PLAINS.

Q. What county?—A. Placer County, State of California. I was in business at Dutch Flat, mining and keeping store. It was thought that we could divert the emigrant travel across the plains for the general benefit of the community, and I started out with a party of volunteers to make a reconnaissance for a road across the mountains, to see whether we could not build a road and get a portion of that travel for the benefit of that part of the county.

ORIGINAL SURVEY.

Q. Who was with you?—A. Nobody at that time. The others had no particular interest in the matter. They were men that I picked up who were willing to pick up a living in that way, and to go along and assist me to make a survey. I have a list of the names, but they were parties who had no interest other than simply to pass over the mountains and render such assistance as they could. That was the origin of it. In making the reconnaissance for that route I discovered a place where a railroad could go through. There was a continuous divide upon the summit of the Sierra Nevada Mountains to the Sacramento Valley, and all along to the foundation, between two rivers, probably between three rivers—the north fork of the American River upon the south side, Bear River for a part of the distance, and Yuba River on the north side. There is a continuous divide all along there, and I saw that a road could be easily constructed.

INTERESTS MR. JUDAH.

Mr. Judah was a gentleman with whom I was not personally acquainted, but I had heard of him, and knew that he was investigating the country trying to find a pass over the mountains a little further north than the thirty-second parallel. Shortly before this he had been at Tehachapi Pass and other points below here. He was then in Sacramento canvassing the subject, and hearing of his being there I wrote to him and told him what I had discovered and that I would show it to him. He came up the next day by stage to Dutch Flat from Sacramento and was introduced to me by the stage-driver who brought him to my place. The next morning I went with him to the livery stable, got some horses, and we started up over the trail. There was no wagon road, nothing except the marks left by the Donner party, but there was a regular trail by which we went up to the summit. I took him up to the summit where we could take in a general panorama of the country east, looking down on Donner Lake, and so on down to Truckee.

Being familiar with the country beyond, I gave him a description of it as well as I could, but the main point that he was after was to find a way to get through the Sierra Nevada. I asked him no questions, but gave him all the information that I could. We camped there over night in an abandoned herder's or stockman's house, and came back the next day. It rained all the way down, and we were pretty wet and did not feel very much like doing anything. We then changed our clothes.

ARTICLES OF ASSOCIATION.

The next morning Judah came into my place and he said to me, "Give me some writing material." I had a little room back of the store that I occupied myself. I produced writing material and he sat down and drew up what he called "articles of association," and he shoved them across the table to me and said, "Sign for what you want."

Q. Articles of association of what?—A. A railroad.

THE CALIFORNIA CENTRAL.

By Commissioner LITTLER:

Q. What railroad?—A. That was in the incipency of the whole thing, and we had not adopted a name, but before we left Donner we concluded to call it the California Central. I told him that he could sign first, but he said, "No; you are the party, and you sign for just the shares you want."

He explained to me that the law required that there should be \$1,000 a mile subscribed for the approximate distance that the road was to be built, and we estimated that the distance to the State line was 115 miles. He said to me that there would have to be \$1,000 a mile subscribed and 10 per cent. paid in before we could organize as a company.

CANVASSING FOR SUBSCRIPTIONS TO STOCK.

I signed for fifty shares of stock. He looked at it and said, "Well, that is about right." He then said, "Go around town and see what other subscriptions you can get in the town from merchants, from the Ditch and Water Companies, and so forth." Knowing everybody, I went around with him and called on different parties. The highest

number of shares taken there was twenty-five. D. L. Bradley and one other man took twenty-five shares, and other parties all the way from five to twenty-five shares. Then we went to Auburn, and when we stated the case to some of the leading citizens there they proposed to call a meeting of citizens and see what the town would take. Some of the leading men there made a proposition that they did not wish to take hold of it unless they had the control of it. I told them that nobody would have control, except ourselves, and that they could only have the amount of stock which they might be willing to subscribe for; that if they did not want to take any stock in the concern to say so and I would move on. When the stage came I took it and went to Grass Valley, as I had told them that we could not wait any longer. I rode to Grass Valley, in Nevada, canvassed those points and got considerable stock taken. Then I went to Sacramento and canvassed the city pretty thoroughly. The merchants, saloon men, draymen, and everybody in fact, took an interest in the matter, and took from five to ten and fifteen shares of stock simply to encourage it. They said that if anything came of it it was bound to make business for Sacramento, and they simply took hold of it to show their interest in the matter.

NO SUCCESS IN SAN FRANCISCO.

Not getting it all taken there I went to San Francisco, and the people there laughed at the idea; and there were only two men in this city—and they belonged to Grass Valley (Colonel Raymond and Judge Walsh), stopping then at what was called the Tehama House—who said that they would take twenty-five shares apiece. That was all I got subscribed here; and they were men belonging in the mountains anyway. I went back to Sacramento and got some more stock taken there, but it was a very few shares only.

In the mean time, whenever I was in Sacramento, being well acquainted with Governor Stanford and Charles Crocker and Huntington and Hopkins, I used to frequently go into Huntington & Hopkins' place of business.

INTERESTS HUNTINGTON, HOPKINS, STANFORD, AND CROCKER.

Q. What business were they engaged in?—A. Huntington & Hopkins had a hardware business on K street; Charles Crocker had a dry goods business on the Plaza. Governor Stanford was interested in camphene and burning fluid and lamps, and so forth. I used to buy goods from those men, and being somewhat acquainted with them it was natural for me to go and see them. They took a great deal of interest in the matter, as far as stock went, and always told me that they would like to see the thing progress, and so forth; but Mr. Huntington told me that they had been burned out but a few years before and had not got well started in business again; though doing a good business, yet it was not proper for them to go into any wild speculation of that kind on account of their creditors. They had good credit in New York, and were doing a good business, and hoped to be in good shape again presently, and did not feel that they could take hold of anything of the kind. I went on with the work, and was out a great deal evenings, and one evening after I got the stock pretty much all subscribed for I went to their store, as usual, and found Governor Stanford and Huntington, Hopkins, and Crocker all there.

TAKING BALANCE OF STOCK.

The CHAIRMAN. He was not governor then.

The WITNESS. He was governor-elect. I think that he was elected, but had not qualified. He had not taken his seat, but we called him governor all the same. After asking me how I was getting along, and so forth, and what success I was having, Mr. Huntington turned around and said, "Governor, what do you think; suppose we take the balance of this stock and close it out, and let Strong go home?" I was then living at Dutch Flat.

The governor said, "I do not know. What do you think, Charlie?" (referring to Mr. Crocker). Crocker said, "Do whatever you think best about going in." Hopkins was sitting at his desk, and he laughed and said, "What do we want of anything of that kind? We do not want to meddle with anything of that kind, Huntington." After discussing the matter, they finally took the stock and closed the thing out, and I went back.

MEETING OF STOCKHOLDERS.

Q. How many shares did they take at that time?—A. I do not recollect what it was, but they closed it out. It was a small amount, I think.

Q. Was there much left?—A. No, sir; that was simply to put the thing in shape. Afterwards, of course, the next thing was to call a stockholders' meeting. We got all these stockholders together and organized a company.

Q. Where did you call the meeting?—A. The arrangement was made at the rooms of Huntington and Hopkins; at their store. I think that Governor Stanford owned the building, and there was considerable room overhead. We held our first meeting there. Those rooms were put into shape and occupied afterwards as the railroad company's rooms for two or three years; I do not know how long. We always met there, and had our meetings there. The office of the company was there, &c.

Q. After you called your meeting, what then did you do?—A. We discussed everything pertaining to the business.

Q. Who were present at the meeting?—A. I do not recollect; that is a matter with which I never had occasion to charge my mind; there were quite a number, but I do not recollect all of their names.

WHO WERE PRESENT.

Q. About how many were there?—A. There were a good many; I presume that there were at least thirty; probably more. I remember L. A. Booth, Charles Marsh, T. D. Judah, James Bailey, and also Governor Stanford, C. P. Huntington, Mark Hopkins, Charles Crocker, and myself, and numerous others whose names I do not now recollect.

Q. What did you do at the meeting?—A. After discussing these things, Governor Stanford was called to the chair, and he presided during the meeting. There was a motion made to appoint a committee to retire and nominate officers for the ensuing year—directors or trustees. The chair nominated Huntington, Judah, and Strong to nominate a board of directors, and they retired to a room.

PROPOSING NAMES FOR DIRECTORS.

Q. After they retired, whom did they nominate?—A. After they retired together, Huntington said, after shoving over a paper, "I propose"

"Here, make such nominations as you think proper. As you have taken so much interest in this matter, we want you to be satisfied with whom the directors shall be, and if Judah and I approve of it it will be all right." So I wrote down names of those whom I thought proper parties, and whom I had known to take the most interest in the project. We had agreed upon nine directors as the number to constitute the board, and I put down nine different names and shoved the paper over to Huntington. He looked at it and said: "It is all right but one thing. You are a little too modest in this matter. We propose to cross out one of these names and substitute your own." My name was not on the list that I made.

FIRST BOARD OF DIRECTORS.

Q. Whom did you nominate as directors?—A. I do not know that I can recollect all of them. I put down Huntington, Hopkins, Crocker, Stanford, Judah, James Bailey, Charles Marsh, and myself. L. A. Booth was afterwards a director of the company, but whether his name was on that list or not I cannot say. I think not, however. I think he afterwards came in, but I would not be positive about that.

Q. After you formed your board, what then did you do?—A. That was all there was to it so far as the stockholders were concerned. We then adjourned.

Q. Did you report to the meeting?—A. Yes, sir. The nominations that we made were unanimously elected. We then adjourned, and it was stated by Governor Stanford, I think, that the law required us to meet within three days as a board of directors, and elect officers from among ourselves, and that, being all then present, it would be better to call a meeting of those persons who had been elected directors, have a directors' meeting, and proceed to business, which we did.

NOMINATION OF OFFICERS.

Q. What was done at that meeting?—A. The same programme was gone through with. The governor was in the chair as usual, and nominated the same committee to select officers. The committee retired to the same room, and Huntington handed me a paper, saying, "I want you to state whom you would like for officers, according to your notions." I wrote down the names and made comments as I nominated them. I think the officers were whom I thought proper to fill those particular positions, Stanford as president of the company, Huntington as vice president, Judah as chief engineer, Hopkins as treasurer, and Bailey as secretary. Those were all the officers that were to be voted for that time.

MR. HUNTINGTON OBJECTS.

Q. Did the committee approve your selections after you had written the names?—A. When I first commenced this list Huntington did seem to be satisfied with the first nomination, and rather intimated he was the proper man to fill that position; but Judah and I had minds fixed on this matter, and there was no use in his further intimation, and he simply threw out that hint.

Q. What objection did he express to Stanford as president of the company?—A. Nothing of that kind. He rather intimated that he was the right man in the right place. As Judah and I understood, he rather have been there himself at that time.

Q. What did they do with the list?—A. We returned to the meeting, handed in the list, and reported. We then took a vote and elected those gentlemen as officers.

Q. After you had effected your organization, what did you do next?—A. Simply adjourned, and that ended that part of the programme.

A PRELIMINARY SURVEY.

Q. When was your next movement in the organization?—A. Very soon afterwards. Judah went to work and organized a surveying party—a surveying corps—to go out and lay out the line, that is, to make a preliminary survey across the Sierra Nevada Mountains so as to make some kind of an estimate of what should be done. Judah being chief engineer, and I knowing the country so well, I was always with him as his chief assistant, as he called me.

Q. He called you what?—A. His chief assistant. In his pamphlet of the reports of the meetings he called me his chief assistant. I was always along, as knowing the country, and always went with him when he was out in the field. We would generally go ahead of the surveying party, and I spied out the route, of course, all the way from Illinois Town, which is now called Colfax, to the State line. The surveying party, the two parties with the level and transit, were following us, and as we had set out flags, of course they knew where to go. The line did not afterwards vary very much from the one which we set out. Of course they made some changes in it after they came to make a close survey, but these changes were very small and unimportant, and the road as finally built was practically upon the survey which we made.

REPORT OF ENGINEER.

Q. You are getting ahead of your story. Did Judah report to the directors?—A. He prepared to go out on the line.

Q. After he had been out on the line and made the survey as the engineer of the road, did he then report to the board of directors?—A. Yes, sir.

Q. Was that report discussed by the board?—A. Yes, sir.

Q. What was the discussion, if you can recollect it?—A. There were so many meetings, and it is matter with which I have never had occasion to charge my mind, that I could not give it. I could not say exactly.

Q. Was the report to the directors adopted?—A. Yes, sir.

THE WORKING SURVEY.

Q. What did you do afterwards?—A. We organized a regular party and went into the field. When we got into the vicinity of Dutch Flat the weather became so rough and boisterous that the engineers could make no progress on account of the glasses being covered with rain and mist and snow, and they quit work. Judah went back to Sacramento, but the majority of the party staid at Dutch Flat until such time as the weather cleared up. That was the intention.

Q. In what year was that?—A. That was in 1860, I believe. I think it was March, 1860. It was in October, 1859, when Judah and I went there first, and this was in the following spring; I think it was in March, 1860. As soon as the weather cleared up again, and things got so that we could put regular parties in the field with teams, tents, and

everything to take along the whole party, we started out. Mr. Judah and myself had a tent and a team to ourselves, and we went ahead of the rest of the party. Sometimes we were with them, and sometimes five, ten, or fifteen miles ahead of them. Sometimes we would be back of that party, as occasion required. We were going back and forth constantly. We kept our tent as near to the scene of operations as was advisable.

Q. Did you commence construction at that time?—A. No, sir.

PREPARATIONS TOWARD RAISING FUNDS.

Q. After you had been over the line with Mr. Judah, what was the next step in the organization and in the work of the road?

The WITNESS. After making the survey?

The CHAIRMAN. Yes.

The WITNESS. It took us pretty much all summer to make that survey to the State line, and then there was a good deal of other preparation to be made. Elections were coming on, and there was a great deal of work necessary to be done to make preparations for them in order that we might get funds for carrying out the work, and so forth. We went to work at Placer, Nevada, and Sacramento Counties, and at San Francisco County to get them to subscribe for stock. Elections were called for the purpose of seeing whether the people would vote to take stock or not. They required a good deal of attention from the parties interested.

GENERAL MANAGEMENT OF FINANCES.

Q. Who had charge of the looking after the finances of the counties' subscriptions? Who had charge of that part of the business on account of the road?—A. This board of directors had general management, had these elections called to vote upon the question of stock. Placer County, I think, took \$150,000. I think that Nevada County took \$200,000. I think that Sacramento County took \$250,000. I would not be positive about the amounts. San Francisco took \$600,000, and afterwards compromised by paying \$400,000 and throwing up its stock. Some little misunderstanding arose between Placer County and the company. That county had bought a certain amount of stock which they got, and paid their money for. They got some of the old stock.

PLACER COUNTY STOCK.

Q. What was the misunderstanding with Placer County?—A. I do not recollect what it was now. It was a long time ago, and I know that it did not retain the stock. How much money it cost the county, I do not recollect.

Q. How long did Placer County keep the stock?—A. I think a compromise was made and a settlement effected some time in 1864. It probably had the stock three years. I would not be positive about that.

Q. Do you remember any discussion as to the difference between Placer County and the railroad company with reference to that subscription?—A. No, sir; I was out on the line at that time, and the other members of the board—Huntington, Hopkins, Stanford, and Crocker, who lived in Sacramento—attended to this matter, and I did not know much of what was going on at that time with regard to that board.

CHANGE OF ORGANIZATION.

Q. What was the next step after the counties had voted subscriptions to this stock?—A. They changed their first organization and organized under the general railroad law of the State. In order to do this, they had to get deeds of trust from all of these original subscribers. Having solicited these subscriptions, and knowing the parties better than anybody else, Mr. Hopkins requested me to go around and make these changes and get these deeds of trust, which I did, and the stock went into the hands of the company; that is, these deeds of trust, so that the company really had the whole thing in their hands—all this stock.

DIRECTORS VISIT THE LINE OF ROAD.

Q. What was the next step?—A. I do not know as I can follow up the routine just as things came along one after the other; but I know that it was necessary to look out the country beyond, and Governor Stanford, Mr. Huntington, and Mr. Crocker came up to Dutch Flat and made a start to team it over the Henness Pass road. It was the only way to get out in order to reach the east side of the Sierra Nevada Mountains and reach the road at Donner Lake. We took horses at Dutch Flat and teamed it over there, and camped there for twenty-four hours. We did not get through until the next day. We then turned the horses over to the man who brought the team around, and he went to Dutch Flat with it. We took the team and went down the Truckee River, following the old American road, and came out at what was then called the lower crossing of the Truckee, now known as Wadsworth, where the road crosses the Truckee River the first time. We came there that night. It was about 9 o'clock when we got there. We camped there in a stack of hay. In the morning we moved out on the desert. That was as far as we intended to go east on that line. We calculated to swing around to a place known as Honey Lake Smith's at that time. That was the name of a man, and the station was generally known as that. I do not suppose that you want the particulars of that trip across there.

Q. Give us the information that you have with reference to it. What was the next thing?—A. We unfortunately broke down on the desert about 10 miles after crossing the river. It was one of the hind axles which broke in two, caused by rolling over the cobble-stone road. Governor Stanford being the heaviest man in the crowd, we concluded to let him take the team to Honey Lake Smith's and we would foot it in, which was done. He managed to get into Smith's that night.

RIGHT OF WAY ACROSS NEVADA.

The next day we went to Carson City. Nevada was not then a State. The council, called the Territorial council, was in session, and we spent about two weeks there, as near as I can recollect. We tried to get a bill through, giving us the right of way across Nevada as far as the Territorial council could give it to us, together with certain privileges for the company. After that we went to Sacramento.

Q. After you had returned to the board of directors, after you had been over the route, what took place in the business organization of the company as to raising funds?—A. There had been some means raised, you know, from these counties. Mr. Huntington, I think, had been East in the mean time and had raised a couple hundred thousand dollars for stock. Things looked pretty blue for the company during those times.

Q. Of what year are you now speaking?—A. I think it must have been 1862.

CHANGE IN BOARD OF DIRECTORS.

Q. Had you made any change in the board of directors?—A. I cannot be positive, but I think that in the mean time Mr. Bailey had retired from the company and Mr. Miller had been elected in his place. I think so, but I would not be positive; that is, I do not know whether it happened as soon as that, or at that date. I would not be positive.

Q. Was there any difficulty in the board of directors at any time along there, as to the organization?—A. Yes, sir; they did not agree very well.

DISAGREEMENT IN THE BOARD.

Q. When did the disagreement take place?—A. Very soon; not a great while after the organization. There was a regular meeting of the board once a month, but there was a portion of the board that used to meet oftener than that at Sacramento, but what was done at those meetings I do not know.

Q. What portion of the board was that?—A. A majority of them. I think five of them—at least four.

Q. What were their names?—A. I do not like to say; but I can give the names of those who were not there better than those that were. Judah and myself, Charles Marsh, and L. A. Booth.

Q. Were they four of the regular directors, and did they meet at the regular meetings of the board?—A. Yes, sir.

Q. When did the other five meet?—A. They might have met twice a day, as far as I was concerned.

Q. Who were they?—A. Not having been present, I could not tell you.

Q. Were Stanford, Huntington, Crocker, Hopkins, and Bailey the other men?—A. Mr. Bailey did not very often meet with them. But after his retirement, Miller did.

DISAGREEMENT AMONG MEMBERS.

Q. Did the four directors, with whom you were associated, complain of these quiet meetings of the other five directors?—A. There was a good deal of dissatisfaction.

Q. About what was your disagreement or dissatisfaction with the other five?—A. As to the *modus operandi* of conducting the whole thing.

Q. What did they do; what was the *modus operandi*?—A. You have seen the result of it, or at least the world has. Things came to such a pass that there was a disagreement to a certain extent, so much so, that there was a proposition made to buy or sell the stock. One side was to remain and the other to go out, and *vice versa*.

CAUSES OF DISSATISFACTION.

Q. What was the difference between the four and the five as to the conduct of the business of the company?—A. The minority was not satisfied in not having much to say in regard to the management and the running of the company. In the general meeting of the board we would oftentimes pass certain resolutions, but they would be acted on differently and reversed as to the results.

Q. Would the five who would meet afterwards, those who would have a quiet meeting after the regular meeting would adjourn, reverse

whatever was done first in the regular meeting?—A. They were really the board.

Mr. COHEN. He did not say that, Mr. Chairman.

Q. What do you say?—A. I say that we thought they were running the thing according to their notions, regardless of the opinion of the whole board, and things came to such a pass that one side or the other had to retire from the management.

Q. What did this difficulty arise over? What did the difficulty come out of?—A. No particular one thing; but there was a long list of grievances.

COUNTY SUBSCRIPTIONS.

Q. Was the subject of the subscriptions of the counties discussed?—A. Yes, sir; that was one thing.

Q. Was there a difference of opinion on that point?—A. Yes, sir; there was a difference with regard to that, and also with regard to this stock that these counties had taken.

Q. What was the difference? What did you maintain with the gentlemen associated with you and what did the other five do after the regular meetings of the board were held?—A. The remark that Judah made was this: "We have got a very good thing. It is good enough for anybody. Let us live up to our agreements and relations with the counties and all parties interested in this matter." There seemed to be a little disposition to take some little advantage of subscribers to the stock.

Q. Did they take advantage of the subscribers?—A. I do not know how it was accomplished, but I know that the counties did not retain their stock.

Q. What did they do?—A. I do not know; but a good many members also did not retain their stock. They were original subscribers and had full-paid stock, and they said, "Here, take it off our hands, and we will have no more to do with it."

Q. What did the five do differently from what you wanted them to do?—A. They were the controlling influence in the board. They were the majority.

Q. How did they take advantage of the subscription to the stock?—A. I do not know, sir, how the thing was worked or managed.

DEATH OF CHIEF ENGINEER JUDAH.

Q. How long afterwards did you remain in the board?—A. After this agreement about buying and selling Judah went East to perfect an arrangement to take the stock. He was taken sick while crossing the isthmus, and died at the Astor House, in New York City, two or three days after he arrived there; and that ended the matter, so far as that transaction went. When he left here he left Montague—he being chief engineer and Montague being his assistant—he left Montague as acting chief engineer in his absence. As I have said, Judah died, and as soon as I got an account of his death I tendered my resignation as director. Governor Stanford wrote back to me that it had better not be accepted, unless I insisted upon it, as they did not propose to make any changes in the board. I said nothing more about it and it rested there. At the next annual meeting of stockholders there were seven directors elected instead of nine, and from that time on, I believe, there have been only seven directors of the company.

APPLICATION FOR STOCK.

Q. Did you get your stock?—A. No, sir.

Q. Did you make application for it?—A. Yes, sir.

Q. To whom did you make your application?—A. The last application that I made was to Miller, the secretary of the company.

Q. What Miller?—A. Ed. Miller we used to call him.

Q. What position did he occupy with the company?—A. Secretary.

NOT ALLOWED TO INSPECT THE STOCK BOOK.

Q. Did you get your stock?—A. No, sir. I went in and asked him for the privilege of looking at the stock book, as a stockholder, and claimed the right to see it, the same as any other stockholder. There is a long counter across his office, and behind that there is a vault, where the books are kept. He objected to handing the book to me, and finally laid it on the table between the vault and the counter, with the back of the book towards me, and said, "There is the book; look at it." I said, "Mr. Miller, that is not what I came for." He said, "You cannot look at that book, and nobody else can; I will not allow it." I said, "If that is the case, all right. You acknowledge, I suppose, that I am a stockholder?" He said, "Yes." I said, "I would like my Central Pacific stock." He said, "Very well." My stock was the original stock; but, as you have seen before, the stock at this time had been watered up to one hundred millions. The proposition was to give me my fifty shares of this watered stock, and I objected to take it. I said I would not take that stock, and he said, "All right; you may take it if you want it, otherwise not, as you please." I have never had anything to do with him since that time.

Q. Did you ever get your stock?—A. No, sir.

DO MONEY CONSIDERATION RECEIVED.

Q. Did you ever get any money consideration for your interest in the company?—A. They never paid me a cent.

Q. Were you ever offered any money consideration?—A. Mr. D. O. Mills went on the street in Sacramento and bought up quite a number of shares. I was told so, though I did not see it. It was the same style of stock as mine, and I was told that he paid at the rate of a thousand dollars a share for it. I was told so, and I believe it to have been true. I think it was worth that value, provided it was par value original stock. I tried to have him take my stock, but he would not even make me an offer for it at all.

ADVISED TO INSTITUTE LEGAL PROCEEDINGS.

Q. Have you made any efforts through the courts to recover your interests in the company?—A. I have not. There was a Jo. Hamilton, with whom I was well acquainted for a good many years, and who was attorney for a good many years, and as a prosecutor, and he frequently informed me in Auburn, his place of residence, that I ought to get something. He frequently said to me, "How are you getting along with the company?" And I said, "Everything stands as usual." He would say, "Why don't you bring suit against them and bring them to some kind of terms?" and I would say, "There is no use in doing that; I could not afford it. I think the gentlemen will do the fair thing when it suits their convenience." The thing went on in that way for several years; finally, as I was going away from there and had made up my mind to go to San Diego, a party came to me and said, "I understand that you have some misunderstanding with the railroad company, some claim or other against them?" I said, "Yes." He said you had better put it in some kind of shape and try to collect something."

I saw two or three parties in San Francisco, leading attorneys, and they said that they were not in shape to take the case against the company. They listened to my statement and said that it was all right, but that they were not in shape to take it, and recommended me to go to others, and I finally fell in with Mr. Stratton, whom I have been acquainted with for a number of years. He used to be State librarian. Stratton said to me, "I have all the things necessary here, and would like to take your business, as you are going away."

HAYMOND AND STRATTON EMPLOYED AS ATTORNEYS.

Q. What was the result of it?—A. The result was that Haymond and Stratton took the case and went on with it. They said that I need not be present, that they would keep me posted; that it was a matter of but sixty days or ninety days at the furthest before it would be straightened up. They said that I would not be wanted in the mean time, so I went to San Diego.

RESULTS IN DEFEAT.

Q. What was the result?—A. The result was that I was defeated, and I want to give you a little of the particulars. They kept me posted for a time—two or three letters a week. Finally this communication stopped—this correspondence—and I heard no more from them. I suppose it went by default or some other way. From that time to this Mr. Haymond has been the leading attorney of the Southern Pacific Company. That is all I know about it.

WITNESS'S LETTER TO THE COMMISSION.

The CHAIRMAN. Mr. Strong, I want to read your letter to this Commission. It is as follows:

SAN DIEGO, CAL., July 26, 1887.

To the honorable RAILROAD COMMISSIONERS,

San Francisco:

GENTS: Ask Mr. Crocker why he, Stanford, and Huntington swore to an affidavit that the foot-hills commenced at Arcade Creek instead of Dry Creek, as laid down by T. D. Judah and myself, who was the chief assistant. The subsidy was \$16,000 per mile for the foot-hill section, a distance of 22½ miles. Mr. Huntington & Co.'s affidavit which Mr. Judah refused to sign, as well as myself, gave them \$32,000 per mile where there was not a cut or fill of 3 feet in the whole distance.

And why they broke up every one of the first contractors, then formed the Finance and Construction Company composed of Stanford, Huntington, and Hopkins, Charles Crocker and Ed. Miller, and let the whole job to Crocker & Co., although directors of the road. As directors they let the contract, as the construction committee they took the contract, and as the railroad company they paid themselves.

Why did they collect \$3,000,000 tolls on the Dutch Flat wagon-road, and then charged up the cost of its construction to the railroad company as necessary work for the construction of the railroad, besides freezing me out of my tenth interest in the same, which Mr. A. A. Sargent can verify.

To introduce myself I signed for the first share of stock of the C. P. R. R., of Cal., and solicited the subscriptions of the Messrs. Stanford, Huntington & Co. They declined, as they said, on account of poverty, but gave me encouragement until the stock was mostly taken, when they finally closed it out; the last of the charter stock at \$1,000 a mile had to be subscribed and 10 per cent. paid in to organize.

It was estimated 115 miles to the State line; they took 15 miles.

Respectfully,

D. W. STRONG.

P. S.—I was director for the first four years of the company.

Q. Are the facts set out in your letter true?—A. I think so; yes.

Q. Have you any other information to impart?—A. As to the length of time I was one of the board I would not be certain, but it was about that time.

Q. Have you anything to add to what you have already testified to?—A. No, sir; not that I know of.

Q. Have you any other information to give this Commission?—A. I do not recollect of anything that comes to my mind now.

CORRESPONDENCE PRODUCED.

Q. Have you any other papers in your possession?—A. I have some correspondence between Governor Stanford and Huntington, Crocker, Bailey, and Hopkins.

Q. Have you that correspondence with you?—A. I have also some from Mr. Creed Haymond, &c. Yes; I have it all with me.

Q. Has it any connection with the construction of the Central Pacific Railroad?—A. It is simply a verification of what I have been stating here.

Q. Suppose you produce the letters and let us look at them.

The WITNESS. You do not want to look over all that list of letters, do you?

The CHAIRMAN. We want any statement, or any proof, or any evidence that you have to sustain what you have stated to this Commission.

The WITNESS. Mr. Norris can go up to my room and bring down what letters he thinks necessary.

Q. Where are those letters?—A. They are in my room on the third floor of this house.

Q. Suppose you produce them before this Commission.—A. All right, sir.

MR. HAYMOND'S EXPLANATION.

By Mr. HAYMOND:

Q. My name is Haymond, Mr. Strong, and I am the party to whom you have referred in your statement. The application that Stratton and myself made was an application to the attorney-general for leave to bring suit against the Central Pacific Railroad Company, and was made upon your verified affidavit, was it not?—A. Yes, sir.

Q. In what year?—A. It must have been in 1868 or 1869.

Q. Do you not know that upon the hearing of that application before the attorney-general, Judge Robinson, the counsel for the Central Pacific, and I came almost to blows and came very near having a fight about it?—A. I know that I had a letter from you to that effect.

HIS CONNECTION WITH THE CENTRAL PACIFIC.

Mr. HAYMOND. I had never been in the employment of the Central Pacific Railroad in any shape, manner, or form previous to the year 1881. The application to which Mr. Strong refers was an application which required no testimony, was made on affidavit, and was based upon the fact that the Central Pacific had not completed the road within two years, as required by the State of California. Our claim, therefore, was that it had forfeited its charter, and we asked the attorney-general, whom Mr. Strong supposed to be his friend, to allow us to bring a suit to annul the charter of the company, unless it would pay him for his stock. Was not that the cause of action, Mr. Strong?

The WITNESS. It was something of that kind; yes, sir.

FINAL RESULT, DEFEAT.

Q. And you were advised about its progress from time to time, were you not?—A. Yes, sir; but the final culmination of the whole thing was that I was defeated, and no explanation came to me one way or the other.

Q. Mr. Stratton was the one particularly engaged, and he would have written to you. You engaged him particularly. You did not know me at all, did you?—A. No, sir; but you and Stratton were copartners.

Q. Yes; but Stratton was the one with whom you communicated, and was the one who drew up your affidavit for you, was he not?—A. Yes, sir.

NO SUIT WITH ATTORNEY-GENERAL'S CONSENT.

Q. And he depended upon the man whom you supposed to be your friend, the attorney-general of the State, to get a solution of the question. We knew that we could bring no suit without his consent, and you knew it also, did you not?—A. I know that that was the statement which you made to me, that I had to get his consent. At that time he was not attorney-general of the State. That was when the nomination was made, but there was no question about his being elected; but there was no proviso after he was elected.

Q. He was attorney-general of the State at the time, and we appeared before him. I distinctly remember that the counsel for the company, Robert Robinson, and I came very near having a fight on that occasion. Very bitter words passed between us. I thought that the only remedy that you had, because you had not bought your stock, and were not entitled to it as such under the laws of this State. I advised you that if we could get leave to bring such a suit, I thought the company, rather than have such a suit instituted, would be willing to pay the par value of that stock. Was not that the advice that I gave you?—A. Yes, sir.

REFUSAL OF ATTORNEY-GENERAL TO BRING SUIT.

Q. We had no difference of opinion in relation to this matter. We could bring a suit of this kind if we got permission, and we could have forced the company to do something. Under such a suit we could have caused these people some trouble unless they did what we claimed, and I think that we advised you that you had a right to recover. Did you ever hear anybody say that in that proceeding we did not carry out our instructions to the full length and do everything for you in our power? We failed simply because the attorney-general absolutely refused to allow us to bring a suit?—A. I never heard anything about it. There was nobody interested. I had no correspondence with anybody but yourself and Stratton.

A PERSONAL VINDICATION.

Mr. HAYMOND. The attorney-general having denied the application, that, of course, was the end of it. I only want, so far as I am personally concerned, to have it understood that I never took a suit for a man and did not do the best I could. I had nothing whatever to do with the Central Pacific until the year 1881, and this other matter came up in 1868 or 1869. I never had any employment of any kind, shape, manner or form before I entered the employment of the company six years ago.

Q. Was it not true, Mr. Strong, in point of fact, that you had only said

10 per cent. on your stock?—A. I have the documents to show the contrary.

AMOUNT PAID FOR STOCK.

Q. How much did you pay?—A. The books of the company ought to show.

Q. How much do you remember?—A. Four thousand dollars.

Q. On what?—A. Five thousand dollars. I had credits with the company which would more than balance it.

Q. Did you not know that under the laws of this State no stock in a railroad company could be issued until fully paid up in cash?—A. The other members of the board never had paid for their stock in cash.

Mr. HAYMOND. Of that I know nothing.

The WITNESS. I do. I had credits, and Judah went before the general board and tried to have them allow me something, which they declined to do.

LAW REGARDING ISSUE OF STOCK.

Commissioner ANDERSON. I want to know if what has been stated is really the law of this State. I have been given to understand that it simply required a payment of 10 per cent., and that then the parties could take their stock.

Mr. COHEN. Under this incorporation law, as it then stood, you could only be called upon for 10 per cent. per month, until the whole amount was paid in.

Commissioner ANDERSON. Does your law forbid the issuing of railroad stock unless it be paid for in full?

Mr. HAYMOND. Yes; money, or what is equivalent to money. The courts here have held that promissory notes are equivalent to cash.

The CHAIRMAN. How long has that been the law?

Mr. HAYMOND. I will not state how long, because I have not been very familiar with corporation law until late years.

THE TEN PER CENT. PROVISION.

Mr. COHEN. The original railroad law of this State was passed in 1861. You will find it in the session laws of that year. They were amended in 1863, and the law as then amended continued until the adoption of the code in 1871.

The CHAIRMAN. Was that 10 per cent. provision in the act of 1861?

Mr. HAYMOND. Yes, sir; it had to be paid in advance before the articles of incorporation could be filed. The supreme court of this State has held that payments could be made in money, or anything equivalent to money; even a solvent promissory note was a payment.

Commissioner ANDERSON. At the time of the organization of this company, was it the law that the stock must be fully paid for before it could be issued?

Mr. HAYMOND. Yes, sir; I am only stating it now from memory, as it has been a long time since I looked it up. In this Strong matter of course we would not have brought suit to compel them to issue the fifty shares of stock, because he had forfeited them. I do not care to examine Mr. Strong any further, because I have brought out all that I wish. I knew that he was mistaken in his statements, and simply wanted to bring out the facts.

INCORPORATION OF CENTRAL PACIFIC.

By Mr. COHEN :

Q. What is your recollection of the year in which the Central Pacific was incorporated ?—A. 1861.

Q. You said 1860, did you not ?—A. I think the opening occasion was the 8th day of January, 1861. We broke ground on that occasion and had a grand demonstration in Sacramento. Organization was perfected the year before.

Q. Did you sign more than one article of association ?—A. Yes ; I think so. I would not be positive.

Q. The articles of association signed by you bear date the 27th day of July, 1861. Did you sign any other than that ?—A. None after that.

SUBSCRIPTION FOR STOCK.

Q. You subscribed there for fifty shares, did you not ?—A. That was previous to that, a year previous to that date.

Q. Did you pay any money previous to the date of the signing of the articles of association in 1861 ?—A. No, sir.

Q. Previous to signing the articles of association in 1861, did you pay any money to the Central Pacific ?—A. Money or its equivalent. I had a receipt from the company, which was the same thing.

Q. Have you that receipt ?—A. No, sir.

Q. What value did the company get for that receipt ?—A. It was a receipt for 10 per cent. ; a monthly receipt.

Q. You had a receipt for 10 per cent., did you ?—A. Yes, sir.

Q. When did you first pay 10 per cent. to the company ?—A. I would not be positive, but I received my credits by vote of the board of directors. I had done as much work and probably more than anybody else at the time.

Q. How many payments of 10 per cent. did you make on the fifty shares that you subscribed ?—A. I had receipts for four.

Q. How much ; that would be \$2,000, would it not ?—A. No ; I am mistaken ; there are eight receipts. I had receipts for 10 per cent. on \$5,000, and I had eight receipts.

PAID FOR IN MONEY OR ITS EQUIVALENT.

Q. You paid 80 per cent. on your subscription, did you ?—A. Yes, sir ; and I have receipts to that effect.

Q. Did you pay that in money ?—A. Money or its equivalent.

Q. What was the equivalent ?—A. I had receipts for it.

Q. What was the equivalent of the money ?—A. A part, in fact all, was for services. I used a great deal of money on behalf of the company, and I was credited for the money when I made my statements.

Q. What was the character of the service rendered ?—A. In connection with the surveying party. I never received any salary or payment, or anything, for my services as director. It cost me a good deal of money. I had to travel from Dutch Flat to Sacramento by stage, and spent a good deal of time going there and back again, and I never got my expenses. I paid out other money for the company during the time that I was an active member of the board.

Q. Did you pay any portion of the 80 per cent. in money ?—A. I did not go into the office and pay it as an assessment, but I did pay it out for the benefit of the company, and it was credited to me in my settlement as cash and services in connection with my other services.

Q. Your payments were for your own personal expenses in traveling, were they not?—A. For the benefit of the company.

Q. Were they expenses that you yourself had incurred?—A. Yes, sir; while with Mr. Judah I paid bills for the company for different men out on the line of the road. The bills were brought to me and I paid them, and charged them up to the company.

NO MONEY PAID TO SECRETARY ON STOCK.

Q. You paid nothing to the secretary in the shape of money on your subscription to stock, did you?—A. No, sir; I did not, not a 10-cent piece, nor did any of the rest.

Q. How much of that 80 per cent. was for money disbursed by you, and how much for your services?—A. I am sure that I never charged my memory with it. I could not tell you.

Q. Can you approximate it?—A. I cannot tell you anything about it. I never troubled myself with it. Everything was going along smoothly, and I did not pay much attention to it. When I got my receipts I supposed that was enough.

OFFER TO PAY BALANCE DUE ON STOCK.

Q. Did you offer to pay the balance due on your stock, the balance between the \$4,000 and the full amount?—A. I did, after I gave in my charter stock.

Q. When did you make that offer?—A. I do not know whether it was in 1868 or 1869. I have got the documents to show the date.

Q. You say it was 1868 or 1869?—A. It might have been 1867.

NUMBER OF SHARES DEMANDED.

Q. How many shares did you ask the secretary to give you at the time that you made this demand?—A. I claimed that that watered stock was only worth 10 per cent. of my original stock.

Q. How many shares did you want him to issue to you?—A. I had fifty shares of original stock.

Q. How many shares did you want issued to you for your original subscription of fifty shares?—A. Five hundred shares of this watered stock.

Q. Would he not give it to you?—A. No, sir.

Q. How much did he want to give you?—A. The same amount as my original stock.

WATERED STOCK.

Q. You say the stock was "watered;" what do you mean by that?—A. When I subscribed for the stock the capital stock of the company was only \$15,000,000. It was afterwards increased to one hundred million, and when I asked for my stock one hundred million was the capital stock of the company. The books of the company will show that the stock was one hundred million. I considered my stock was equal to 500 shares.

Q. I would like you to inform the Commission a little further, if you will be so kind, as to when the service that constituted your payment of 80 per cent. on your subscription was rendered; was it before organization of the company or afterwards?—A. Afterwards. I was also in the service of the company before that time.

NO CHARGE FOR ORIGINAL SURVEYS.

Q. You have spoken of surveys made in 1859 and 1860, before the organization of the Central Pacific. That company was not organized until 1861, was it?—A. They had nothing to do with that. I never made any charge for those services. I took charge of that party and went over the country to the crossing of the Truckee. Judah and I went only to the State line; afterwards the men went on a separate survey; and a man by the name of Kingsbury, on the Placerville road, undertook to head us off. I took charge of the party, and went over to the upper crossing of the Truckee, at the lower end of the Truckee cañon, and commenced a line of surveys upon the upper river.

DATE OF SERVICES RENDERED TO COMPANY.

Q. Between what dates were your services rendered to the company?—A. You may say between January, 1860, and 1864.

Q. What time in 1864?—A. I do not know. I do not recollect the date.

Q. Can you not remember at what time these services ceased?—A. No, sir. I had no occasion to charge my memory with it. I do not know anything about it. It made no difference to me whether I recollected it or not.

Q. Did you render any other services to the company, or do any other thing than on the survey, or in connection with your services as director, during the time you mentioned?—A. I did, sir.

COUNTY ELECTIONS CONCERNING SUBSCRIPTIONS.

Q. What were they?—A. Hopkins, I think, it was—

Q. Which one?—A. Mark Hopkins. He was the only Hopkins that we knew in those days. He requested me to take charge of the canvass in Placer County, and try to get as many votes as we could on this question pending to take stock in the Central Pacific Railroad Company on the part of Placer County.

Q. In what year was that?—A. I do not know whether it was in 1860 or 1861. It was at the election, or previous to the election, in Placer County, on the question of taking that stock. I do not remember the date.

Q. Was it in 1860 or 1861? It is important to discover that fact.—A. I do not remember the dates of those elections held in Sacramento, San Francisco, and Placer Counties at that time. Each county had an election of its own.

Q. Do you say that your services to the company ended in 1864?—A. Yes, sir.

Q. But you cannot remember at what time in 1864 it was?—A. No, sir; I cannot.

ORIGINAL CAPITAL STOCK OF CENTRAL PACIFIC.

Q. Do you remember what the original capital stock of this company was?—A. I think it was fifteen millions.

Q. Do you mean the original capital stock?—A. Yes, sir.

Q. The articles of association show it to have been eight and a half millions. Which do you think most reliable, your memory or this document?—A. The probability is the document is correct. I do not want to say anything about the fact. I do not recollect anything about it.

Q. Were you a director of the Central Pacific in the year 1864?—A. I think that my letter from Governor Stanford was dated in 1864, some time.

INCREASE IN 1864.

Q. When?—A. Some time in 1864.

Q. Do you remember the capital stock of the Central Pacific Railroad Company being increased in the year 1864 from eight and a half millions to twenty millions?—A. I recollect something about it. I do not recollect the particulars.

Q. Was that done with your consent?—A. I do not recollect. I do not think I was present at the meeting of the board.

Q. You did not testify your dissent to that increase in any way, did you?—A. No, sir; I did not.

Q. Can you remember when it was that you demanded five hundred shares of stock from Mr. Miller?—A. Some time in 1869.

Q. Did you know that previous to that date, on July 23, 1868, the capital stock of the Central Pacific had been increased to \$100,000,000?—A. I did.

DOES NOT OBJECT TO INCREASE TO \$100,000,000.

Q. Did you, as a stockholder, object any, or make any dissent before the board of directors?—A. I was not a member of the board.

Q. You were a stockholder, were you not? Do you not say so?—A. I supposed that I was a stockholder. Mr. Miller would not allow me to look at the book.

Q. You stated that it was afterwards that Mr. Miller would not allow you to look at the books. Do you know that in July, 1868, before you made your demand on Mr. Miller for 500 shares of stock, the capital stock was increased to \$100,000,000?—A. Yes, sir.

Q. Did you, after July, 1868, between the time of that increase and the time you made your demand on Mr. Miller for this 500 shares of stock, testify your disapprobation in any way to that increase of capital?—A. I do not think I ever did. I had lost a good deal of interest in the whole project at that time.

Q. You started out originally with the statement that the stock had been watered, did you not?—A. I put it in that way. You can modify it if you want to. I call it watering stock.

Q. I cannot modify your testimony. Why do you call it watering stock?—A. I call it watering stock, because it was an increase of the capital stock.

WERE ASSETS INCREASED CORRESPONDINGLY?

Q. Was there an increase of the capital stock without corresponding assets?—A. That I do not know. I never investigated this matter.

Q. Do you not think that it is rather necessary to investigate that fact before you charged the directors with watering their stock?

The WITNESS. Where do these assets come from?

Mr. COHEN. I am asking you if you do not know that there were assets corresponding to that increase of capital?

The WITNESS. The Government made two different subsidies to this company. Of course that was afterwards.

ARTICLES OF ASSOCIATION.

Q. That does not answer my question at all. Did you know the purpose of the articles of association which you signed? How much

road was to be built under those articles?—A. We were organized under the State law to build to the State line. That is, as far as California went. We afterwards formed a different organization to extend east, after the Government had made arrangements with the Union Pacific and Central Pacific that each should extend its line until it met the other, or any other line going east or west.

Q. Was it not required by the act of Congress that the company should construct portions of road not contemplated by the original articles of association, and was it not for this reason that the stock of the Central Pacific was increased?—A. I do not know. It was all one organization and one company. What the excuse was I do not know. It was under the same organization that it was made.

OPINIONS VS. FACTS.

Q. Are you not guessing at a great many of the things that you have informed this Commission about as being positively aware of them; are you not adopting some popular traditions, and coming here and putting them in the form of evidence without knowing them to be facts of your own knowledge?—A. No, sir; I have vouchers for anything I state.

Q. It seems to me that you have not upon the question of watering stock. Do you know any of these facts personally, from being present before the board of directors?—A. I do not know things that have been done at meetings when I was not there.

Q. You have testified here as to disagreements among the board of directors; you have said that there were quiet meetings of a portion of the board of directors, at which the minority were not represented; do you know of any instance in which the directors met officially as a board of directors, and passed any act, adopted any resolution, or did anything to bind or affect the interests of the company, at which meetings you were not invited to be present, at the time that you were a director?—A. I was notified to be present at all the regular monthly meetings of the board. At none of these other meetings, except one or two or three different occasions, was I present, except when I was notified by the secretary to be present on some special business.

SECRET MEETINGS OF BOARD.

Q. There were no secret meetings held then without your knowledge, were there?—A. I could not say as to that. As I said before, they might hold a meeting twice a day, and I would not know of it.

Q. But that would not be an official meeting, would it; and anything done at such a meeting would not bind the company, would it?—A. No, sir. But where there are two factions in a board the majority can nullify the acts of the whole board.

Q. You mean that the board was divided into a majority and a minority, do you not?—A. About the time that I left it; yes, sir.

Q. And the vote of the majority controlled the action of the company, was not that it?—A. Yes, sir.

Q. Is that different from the mode of government of any other company?—A. I do not know that it is.

PROPOSITIONS TO BUY OR SELL STOCK.

Q. You have stated that when that condition of things prevailed the majority vote was controlling the affairs of the company, so that the influence of the minority was not felt, and there was a proposition made

to buy or sell the stock held by the different members of the direction. At what time was that proposition made?—A. It was either in 1863 or 1864; I cannot say which.

Q. How much had you paid on your stock when this proposition was made?—A. I have got receipts for the amount, I told you.

Q. You had then paid 80 per cent., had you?—A. Yes, sir.

NO ASSESSMENTS MADE ON WITNESS'S STOCK.

Q. Was not the balance due on your stock called for between that time and the time that you applied to Mr. Miller for the five hundred shares?—A. I never was asked for an assessment on this stock.

Q. Did you not see the notice of the secretary published in the papers of Sacramento calling upon stockholders to pay their assessments?—A. Yes, sir; but I had receipts ahead of the advertisements.

Q. Did you follow those advertisements right along?—A. I had receipts ahead of them up to the time I left.

Q. Did you see the advertisement calling for the ninth assessment upon the stock that had been subscribed, or the tenth?—A. No, sir; I do not think I did.

Q. You paid no assessment on your stock to the officers of the company, did you?—A. The company was owing me more than they amounted to, and I supposed it would be credited up to me.

Q. For what did they owe you more than the 80 per cent. with which they had credited you?—A. I have not the minutes of all the little transactions that I had with the company.

Q. You have said in your examination-in-chief that the prospects of the company at the time you were a director were looking very blue; what was the reason that you did not, when the offer was made to buy or sell, sell your stock?—A. Because we thought we could do better.

Q. Do you say that you never have received anything at all for that stock?—A. No, sir; nothing.

NO LEGAL MEASURES TAKEN TO SECURE STOCK.

Q. Did you ever make any attempt whatever, by legal or other means, to force the Central Pacific Railroad Company to issue to you those fifty shares of stock on payment of the balance due?—A. No, sir. I found that I had no strength to litigate against leading attorneys who were apparently subsidized, or otherwise engaged, so that they could not act. I could do nothing because of the expense, and there was no use throwing good money after bad. I went away entirely, and never expected to realize any money from it.

Q. The evidence brought out in this case is that some people who owned stock received over \$500 a share for it; could you not have put in your stock?—A. I had no stock.

Q. Did you not have receipts for 80 per cent.?—A. I did not meet this party. I think it was Mr. Mills. I was in San Diego at the time, and I saw the report in the Sacramento Union.

Q. Had you receipts showing your payments of 80 per cent.?—A. Yes, sir.

RECEIPTS TURNED OVER TO O. D. LAMBARD.

Q. But you never attempted to enforce your rights under those receipts, did you?—A. I turned the receipts over to a man by the name of O. D. Lambard. He told me that he thought I could realize something

from my stock, as the company was not disposed to give me anything for it. He said that the company would not do so, but that if he could collect it he would do so upon the basis that he would take all up to the par value and divide everything above that figure. I was to get half of the advance. I turned the receipts over to Lambard, and from that day to this I have never seen him. I went to San Diego, and I do not know what he has done with the stock or with the receipts. I presume, from what I have seen in the newspapers, that the same stock has been litigated in New York in connection with some suit in which Mr. Huntington is involved.

Q. Is the Lambard you mentioned the same party who instituted a suit against the Central Pacific for an accounting upon the stock issued by that company?

The WITNESS. Did I see such a statement, do you mean?

Mr. COHEN. Was the Lambard you speak of the gentleman who was plaintiff in the suit I have mentioned?

The WITNESS. I do not recollect the suit. The name of that party was O. D. Lambard.

Q. In what year was it that you turned that stock over to Mr. Lambard?—A. I think it was in 1868.

Q. Then you were not in possession of the stock when you asked Mr. Miller to issue stock to you in 1869? You did not hold the certificates at that time, did you?—A. I would not be positive in regard to these dates, because I had no occasion to charge my mind with them. It has been some time since these things took place; but by reference to certain documents I can give you the exact dates.

ALLEGED PURCHASE OF STOCK BY D. O. MILLS.

Q. You spoke of D. O. Mills going on the street in Sacramento and offering \$1,000 a share for stock of a similar character to that which you claim you were entitled. Do you know that of your own knowledge?—A. No, sir; I know it by reading it in the local papers of Sacramento at the time.

Q. Did you ever have any conversation at all with D. O. Mills on this subject?—A. No, sir.

Q. You said you asked Mr. Mills to buy your stock, and he refused to make you an offer for it; is that true?—A. I did not make that statement.

Q. I refer to the evidence. I think it will show that you did so state. What is your present recollection on the subject?—A. I never asked Mr. Mills to buy the stock.

Q. You said that Mr. Mills was buying this stock on the street, and that you could not get him to make an offer for it. Did you ever ask him to buy your stock?—A. I did not see Mr. Mills. I was acquainted with him, but did not meet him after I found out that he was buying that stock.

BELIEF BASED ON NEWSPAPER REPORTS.

Q. You have no knowledge on the subject, then, but you give this information from hearsay; is that so?—A. I only know from reading the newspapers.

Q. Most of the information that you have given here, except regard to your personal connection with the company, you have from newspapers, have you not?—A. Most of it.

Q. They are very reliable in some cases, I know, but not always so. Is this letter, which you addressed to the Commission, dated the 26th of July, 1887, in your handwriting?—A. If they have one to that effect it is in my handwriting.

Q. Is the body of the letter in your handwriting?—A. It is in my handwriting.

Q. At whose request did you write this letter?—A. Nobody's but my own, sir. I heard that the Commission was here, and did not know but that my testimony might be wanted for some reason. I wrote it more particularly to call their attention to the questions embodied in the letter. I did not know whether they would want to get witnesses who would give them the data and ask the questions given in the commencement of my letter.

EXPENSES OF WITNESS.

Q. Were you subpoenaed to come here?—A. Yes, sir.

Q. Who paid your expenses here?—A. I paid my own expenses so far.

Q. Are you stopping here at your own expense?—A. So far.

Q. Without any assistance from anybody?

The CHAIRMAN. It is understood that we pay the expenses.

Mr. COHEN. I am not asking about the Commission. We are getting a little outside information.

A. I certainly should not have come up if they had not dispatched to me, requesting me to appear, and saying that all my expenses would be paid. I am not interested enough in the matter to pay my expenses coming to San Francisco.

CONVERSATION REGARDING GIVING TESTIMONY.

Q. With whom have you conversed as to the testimony that you would give before this Commission?—A. I do not know anybody but the gentlemen present. Mr. Norris here is the one that I have said the most to.

Q. Previous to your writing this letter did you converse with any one as to the testimony you could give, and the testimony you desired to give, to this board?—A. I am sure that I do not know that I conversed with anybody in particular that I recollect anything about now, unless it was Mr. Mixer. I may have said something to him about it.

Q. Who is Mr. Mixer?—A. He is the agent of the Southern Pacific Company at San Diego.

Q. Did you show him this letter?—A. No, sir; that was after that letter was sent and after I had received the dispatch from the Commission to appear here.

Q. Did you tell him what your testimony would be?—A. I do not know. I do not think I did. I simply told him that I was going up on business pertaining to this matter, and asked him to pass me over the line of the road. He said he could not do it, and that was all there was of it.

Q. You did not tell him whether your testimony would be favorable or unfavorable to the interests of the Central Pacific, did you?—A. No, sir; I do not think I did. I was not aware whether it would be or not.

Q. You did not know whether the information that you could give was prejudicial to them or not?—A. It is given in a nutshell there in that letter.

Q. You request the Commission to ask Mr. Crocker whether he and Stanford and Huntington swore to an affidavit that the foot-hills com-

menced at Arcade Creek instead of at Dry Creek. Were you aware of the contents of that affidavit at the time that it was made?—A. I did not see the affidavit.

Q. Where did you get this information?—A. From T. D. Judah.

DECLINED TO SIGN AFFIDAVIT AS TO WHERE FOOT HILLS COMMENCED.

Q. You were a member of the board of directors of the company at that time, were you not?—A. Yes, sir.

Q. Did you set yourself on record anywhere against that affidavit as being improper, or as taking any advantage of the Government?—A. I simply declined to sign it.

Q. Were you asked to sign it?—A. Yes, sir.

Q. By whom?—A. By some member of the company; I do not recollect.

Q. Which one? Did Governor Stanford ask you to sign it?—A. No; I do not think it was the Governor.

Q. Did Mr. Huntington ask you to sign it?—A. I think it was Huntington or Crocker. I would not be positive about it. Judah and I discussed the matter several times. It was laid down on the maps of the company as valley land—as a valley section—and says he to me, "We cannot sign it, because the foot-hills do not begin here according to our surveys."

CONTENTS OF AFFIDAVIT.

Q. How did you know the contents of that affidavit? Did you read it?—A. I did not see the affidavit.

Q. Who told you the contents of the affidavit?—A. I got it from various reports; I do not know how. There was no question, I guess, about the matter. I was told by a man who had seen it in Washington, or claimed to me that he had seen the affidavit there. That was the first I knew that an affidavit had been sent to that effect.

Q. Who told you that?—A. That I do not recollect. It was some friend.

Q. Did you read that in the newspapers?—A. No, sir; I got that from some one. I would not be positive, but I think it was Mr. Judah himself.

Q. When was it that Mr. Huntington or Mr. Crocker asked you to sign that affidavit?—A. It was shortly previous to the commencement of construction. I do not recollect the time.

Q. When was the construction commenced?—A. I do not think that any work was done to any amount until 1861.

DATE OF CONSULTATION WITH JUDAH ABOUT AFFIDAVIT.

Q. Was that the time that you had the consultation with Mr. Judah about the contents of this affidavit?—A. We had frequent conversations together all the time. We often talked about matters pertaining to the company and its business. I could not fix any dates.

Q. Can you not say what year it was?—A. No.

Q. Was it while you were a director?—A. Yes, sir.

Q. How long before you ceased to be a director was your attention called to this matter?—A. I do not recollect. It was a matter I did not charge my mind with.

Q. Did you think the matter stated in the affidavit was wrong, and that it ought not to have been prepared?—A. I did not think the foot-

hills commenced at that point. Otherwise I would not have hesitated to have signed the affidavit myself. It was laid down on the maps of the survey as valley section between those two points.

Q. Is there anybody alive or anybody now connected with this company, or any officer of the Government, to whom you testified your dissent or disapprobation of the contents of that affidavit?—A. I do not recollect. There are very few now living who were in that department at that time.

Q. You were a stockholder, were you not?—A. Yes; I supposed that I was.

Q. And were perfectly willing to take your share of any benefits to be derived from getting this aid from the Government, were you not?—A. Of course, like all other men, I was willing to take anything that came to me fairly; but when I was asked to testify, when I had already testified to the contrary, I did not feel like giving an affidavit to that effect. I could not sign a paper describing it as foot-hill land when I knew it to be a valley section of road. I objected to giving my assent and to making any such statement as that it was foot-hill.

CHANGE IN NAME OF STATION.

Q. There is a great deal of valuable testimony contained in your letter and also in your evidence, about which I would like to ask you a few questions. There is one very important fact that I find on my list, and I will ask you regarding it before I go farther. You speak of the change of the name of one of the stations from Illinois Town to Colfax. What was your prejudice against Illinois that you made that change? What was the reason for that change?—A. I do not know that there was any prejudice against the town as a town, but it suited the company to have a village of its own, and so the change was made.

Q. You agreed to the change, did you not?—A. I never was asked for my opinion upon the subject.

ORIGINAL CONTRACTORS.

Q. You ask the Commission to inquire of the officers of the railroad company why they broke up the first contractors. Will you explain who those contractors were, and what the action of the company was that broke them up?—A. I do not recollect the names of those gentlemen; they were strangers to me. I knew their names at the time, but I have forgotten them. At that time the road was let out in mile or half-mile sections, more or less; as the contractors bid, they would examine the work and agree to take so many miles, or so many thousand yards, or so many hundred yards, at so much a yard, according to the material or the estimates of the engineer.

Q. Can you give us the name of a contractor whose fate invoked your sympathy?—A. I had no particular sympathy for them; I cannot recollect. One of them, I think, is a boarder at the Stockton Asylum now. He was formerly a resident of Stockton and lost all he had and then went crazy. All the contractors quit their work, and the work was broken up, and they could not carry out their programmes.

Q. Was there a written contract between the company and these different contractors?—A. I presume there was.

OBSTACLES IN THEIR WAY.

Q. Did the company ask any more of those contractors than they had undertaken and agreed to perform?—A. I do not know that it did.

But it is a very easy matter for an employé to throw obstacles in the way of the contractor. When they came to measure up, there might be quite a discrepancy in his judgment as to whether it was hard or soft rock, and so forth.

Q. Will you state from your own knowledge any fact or circumstance, or the name of any employé who threw any obstacles or obstruction in the way of any contractor performing his contract?—A. I do not know that I can give you any particulars.

SOURCE OF INFORMATION.

Q. Did you get that from the newspapers?—A. No, sir; I got that from Judah.

Q. In what year was it that these contractors were broken up?—A. It was the first season of the commencement of the construction of the Central Pacific Railroad. I cannot tell in what year that was.

Q. Can you not tell pretty closely?—A. I think it was in 1861.

Q. You were a director all that time, were you not?—A. Yes, sir.

Q. Did you ever lift up your voice in the board, or anywhere else, in favor of these contractors?—A. I was out on the line a great deal, and was not in the town, and did not know anything about it. The looking after national affairs and the management of the company were left to the board of directors of the company, or to that portion of the board living in Sacramento.

Q. In that time, in 1861, if that was the year, was it when these contractors threw up their contracts?—A. I do not recollect.

RELATIONS OF COMPANY WITH CONTRACTORS.

Q. Did you ever know of the company refusing to perform its part of the contract or to pay any contractor any money that was earned?—A. No, sir; how would I know it?

Q. You were a director, and must have been aware of what was going on, were you not?—A. I knew that there were several contractors who never received money unless they would agree to certain things.

Q. What things?—A. Unless they would settle disagreements in regard to certain business. Hiram Hubbard and Mr. Baker had a contract to build a bridge across the American River, the first bridge of the Central Pacific. There was a disagreement between them and Mr. Crocker with regard to a gravel deposit. I think that it was good for making concrete. Baker and Hubbard did not want to give it up, and \$30,000 was held back on the bridge contract until they agreed to certain things with regard to the concrete matter. The company would have had to pay them eventually, no doubt, but the fact is that they were out of funds and could not go on with the work, and therefore they had to agree.

Q. Were they contractors with the Central Pacific, or contractors under Charles Crocker & Co.?—A. They were under the Central Pacific Railroad Company.

Q. Was the contract on account of the railroad company?—A. Yes, sir.

Q. Did this matter come before the board of directors at the time that you were a member of it?—A. Not at the meetings when I was present.

Q. Did you take any positive action to do what you thought right towards the contractors?—A. I did not have anything to do with those matters. They did not pertain to my branch of the business.

out on the road most of the time, and those matters were left to the board at Sacramento.

CROCKER & CO. AS CONTRACTORS.

Q. You further stated to this Commission in your letter that they formed a finance and construction committee, composed of Stanford, Huntington, Hopkins, Charles Crocker, and Ed. Miller, and let the whole job to Crocker & Co., although directors of the road. Where did you get that information?—A. With regard to the committee, I have no positive knowledge. Mr. Crocker was a member of the board of directors.

Q. When?—A. About that date. He was one of the first directors.

Q. Can you state the real date? Give us the year.—A. He was a member of the first board of directors.

MR. CROCKER AS DIRECTOR.

Q. How long did he remain a director after he was first elected?—A. If I could remember positively I could give the date of this matter.

Q. Was he a director of the Central Pacific after the early part of 1862?—A. I think not. If you allow me to make a statement, I want to say that Judge Crocker, or Ed. Crocker, as he was called, was not a stockholder. When this arrangement came to develop itself in a way that there seemed to be money in the construction of the road, Charles Crocker gave a portion of his stock to his brother Ed.

Q. How do you know that? Did he tell you so?—A. I am not sure whether he told me that he gave it in that way, or whether he sold it to him. I know this: that at the time Charles Crocker retired from the board Ed. Crocker was substituted in his place.

Q. Did you ever have any conversation or communication with Charles Crocker upon that subject?—A. No, sir; I think not. It was something that Crocker would not give me any information on, even if I asked him.

Q. Do you say that Crocker would not give you any information?—A. We talked about matters generally, but with regard to this matter Crocker never told me anything. He said he was going to retire from the board, and that Ed., as he called him, was going to take his place.

SOURCE OF INFORMATION.

Q. I want to remind you that a great deal is predicated on your testimony and the testimony of other intelligent witnesses like yourself, and I wish that you would be particular in your statements as to how you know these matters.

The CHAIRMAN. Perhaps he has read some of Mr. Cohen's speeches.

Mr. COHEN. He has not said so. I am like my friend Anderson. I have watched his career in New York for a great many years. He always does the best he can for the side that employs him. I was about to say, as the chairman has referred to some of my speeches—

The CHAIRMAN. I do not wish to interrupt you.

Mr. COHEN. I was glad to have that question raised; but if the chairman was about to predicate anything on any of my early ebullitions of temper, when I was young and green, I would like to have a chance to explain and tell what I thought I then knew, and what I have since found to be the facts.

THE COMMUNITY AND THE COMPANY.

Senator STANFORD. If you will allow me, I will say to the chairman that there was a time in this State when it seemed that everybody was

against the railroad, but I have lived long enough to see almost every one of these people in this State a friend of the railroad. I have very friendly relations with a good many men who have been referred to as having once been most hostile to the railroad company. I have seen the time when the people of this town thought that we were their enemies.

Mr. COHEN. I was about to say that there was a time in this State, and of course the Commission will find that out in the course of the examination, when the Central Pacific Railroad Company was as much under a cloud as the Democratic party was until Cleveland raised it from the slough of despond and gave it a new lease of power.

MR. CROCKER'S STOCK.

Q. You say that you do not know whether Mr. Charles Crocker gave that stock to his brother or sold it to him? What do you mean by such a statement as that? What information have you to support the statement that you have made to this Commission?—A. I do not know anything about it positively. I only know that Ed. Crocker got some stock from his brother.

Q. What information have you to support the statement that you made to the Commission as to the formation of the finance and construction committee, as you call it? I suppose you mean the Contract and Finance Company, do you not?—A. I presume that is the name of the company. It was called "Crocker & Co." at that time.

THE FIRM OF CROCKER AND CO.

Q. You mean, then, Crocker & Co., and not the Contract and Finance Company?—A. Yes, sir.

Q. Do you mean to say that the firm of Crocker & Co. was composed of Stanford, Huntington, Hopkins, Charles Crocker, and Ed. Miller?—A. Yes, sir; I think it was.

Q. Did Governor Stanford ever state to you that he was a member of that firm?—A. No, sir.

Q. Did Mr. Huntington or Mr. Hopkins?—A. No, sir; none of them. I got it from general information at the time, and from what happened afterwards.

Q. And from the newspapers?—A. I presume I got some of it from the newspapers. I do not know how much credence to give to the newspaper reports, but they sometimes state facts.

Q. You say that they let the whole job to Crocker & Co. You were a member of the board of directors when that contract was let to Crocker & Co., were you not?—A. I believe so. I would not be positive, but I think so.

DATE OF CROCKER CONTRACT.

Mr. COHEN. What was the date of that contract?

Commissioner ANDERSON. I think it was December, 1862.

Q. You were a member of the board in December, 1862, were you not?—A. Yes, sir.

Q. Did you lift up your voice to denounce that contract as being improper?—A. No, sir; I do not think it would have done any good if I had. I said nothing.

Q. You thought it improper then, did you?—A. I did not like that way of contracting. I believed that the better way would be the old plan of contracting by the mile.

WHAT THE CONTRACT COVERED.

Q. Do you say that that contract was not by the mile?—A. It was a general contract to complete the road—the whole road.

Q. From where to where?—A. As far as they might build, as I understand it.

Q. Do you mean that it was to construct the road from the Sacramento River until it met the Union Pacific?—A. I think that was the contract with Crocker & Co.

Q. That is your best recollection, is it?—A. Yes, sir.

Q. Are you just as sure of any other fact that you have testified to as you are about the contents of that contract?—A. As I said before, it was a matter that I had but little interest in, and a number of years have passed since that time. I have not charged my mind with it, and it is difficult for me to answer positively questions of that kind.

QUALITY OF WITNESS'S CHARGES.

Q. You are nearly as old as I am, Mr. Strong, and you have a very kindly look. Do you think that it was right or fair to send a letter to a Commission of this kind and make charges of this character against your fellow-citizens who have been members of the board of directors of this company with you, upon such imperfect information as you appear to possess on this occasion?—A. I do not think that you have in this examination been inclined to show any sympathy for me, and they have not shown much sympathy for me.

Q. I am speaking now, not of sympathy, but of truthfulness. Do you think it is fair?—A. I am stating facts as I know them, or as I believe them. I did not expect to appear before the Commission. What I know I am willing to state, and what I do not know I am willing to qualify.

BASIS OF INFORMATION.

Q. You asked this Commission to inquire, why did these gentlemen collect \$3,000,000 of tolls on the Dutch Flat wagon road, and then charge up the cost of its construction to the railroad company as necessary work of the construction of the railroad, besides freezing you out of your one-tenth interest in the same, which you say Mr. A. A. Sargent can verify. What information have you that they collected \$3,000,000 in tolls on the Dutch Flat wagon road?—A. I cannot tell as to the exact figures, but I was living on the line of the road all this time, and knew the business that was being done, and knew the rates of toll.

Q. Did you ever see any weekly, monthly, or daily report of the receipts of that road that enabled you to fix these figures?—A. I think there was a published statement at the winding up of the affairs of the company, showing the cost of construction, receipts, &c.

Q. I suppose that is so. Is not the whole of the information contained in your letter to this Commission the result of general reports which you have heard from time to time from irresponsible sources?—A. I do not think it is all from irresponsible sources.

Q. How long was it from the time that this wagon road was completed until the railroad was finished to Truckee, when there was no further use for this wagon road?—A. I think that the wagon road was used for a toll road for about three years. I think it was for that time.

Q. Between what years?—A. I do not recollect the date. I am positive about it, though.

AMOUNT OF TOLLS ON WAGON ROADS.

Q. Your judgment is without any positive knowledge on the subject. Did the wagon road collect \$1,000,000 in tolls each year?—A. According to my understanding of the matter, they did.

Q. Where did you get that understanding?—A. I got it partly from parties interested, and a part of it from general information, and my own knowledge of what was going on over the road. There were teams reaching for 3 miles, one leading right on to the other, and from my own knowledge of what tolls were charged I could figure that amount.

Q. From your own observation you thought that they were collecting over \$3,000 a day in tolls, did you?—A. Yes, sir.

Q. Did you have a list of the tolls charged on that road?—A. No, sir.

Q. Did you ever see one?—A. Not a list of the charges. You mean the toll per mile or per head?

Mr. COHEN. Yes, sir; that is what I mean.

The WITNESS. Certainly I have seen that list, but I do not recollect what it was. It was put up at each of the gates at each of the toll-houses.

Q. Do you know what were the tolls charged on a wagon team?—A. No, sir; it was divided into sections. They did not make one charge all the way through on the whole length of the road. I do not recollect what the through toll was.

INFORMATION AS TO CONSTRUCTION OF WAGON ROAD.

Q. From whom did you get the information that the cost of this wagon road was charged up to the cost of construction of the railroad; was it done while you were a member of the board of directors?—A. No, sir; if it had been, I would not have agreed to it.

Q. From whom did you get this information, which you have given to this Commission as true, that the cost of the wagon road was charged up to the cost of the construction of the railroad as necessary work in the construction of the railroad; did Governor Stanford tell you so?

By Commissioner ANDERSON:

Q. Let the witness answer. Mr. Strong, where did you get that information?—A. I was trying to think who gave me the first information, but I cannot fix it in my mind. It was from a source that I got it which I know fixed itself in my mind. I do not recollect what the source was or who told me.

Q. Did you get it from anybody likely to know the fact?—A. Yes, sir; from some person pertaining to the company. I cannot tell you whether it was Judah or who it was, but it was somebody that I had faith in.

Q. Was Mr. Judah living when the road was completed to Truckee?—A. I cannot give the date of Judah's death. I cannot recollect about that.

Q. Do you know as a fact whether Mr. Judah was living at the time that the railroad was completed to Truckee?—A. I think he was not. I think he died before they got to Truckee.

Q. Do you know it as a fact that the cost of this wagon-road was charged to the construction of the railroad?—A. Not from my personal knowledge; no, sir.

OBJECT IN WRITING LETTER.

By Mr. HAYMOND:

Q. I would like to ask you one question, because I think I understand your letter a little differently from the other counsel: This letter was not written by you with the view that you were coming here to testify, was it?—A. That is it.

Q. You embodied in this letter things, some of which you thought you knew, some of which you had heard on what you thought good information, and some of which you learned through the newspapers, and you simply expected this Commission to call witnesses to prove whether these things were true or not; is not that the case?—A. Yes, sir. I did not expect to be called as a witness in this matter, but I sent them these questions which I thought they would like to have explained. I felt an interest in this thing, and I wanted them to ask the proper parties and get the desired information.

Q. Indeed, many of these inquiries were directed to the directors, were they not?—A. Yes, sir; that was only what I intended.

Q. Some of these things you had heard, some you thought of, and some you heard through newspapers, and these facts you sent to this Commission in a general way for its investigation?—A. I drew the Commission's attention to it, and thought that would be the end of it.

Q. And as a citizen of the United States, you thought that it would be the proper thing to do?—A. Yes, sir.

Q. At that time, did you intend to come before the Commission?—A. No, sir. I did not suppose there was any secret about it, or anything else.

FINANCIAL CONDITION OF STANFORD, HUNTINGTON & CO.

By Mr. COHEN:

Q. You said that Messrs. Stanford, Huntington & Co. declined to subscribe for the stock of the Central Pacific on account of poverty, but gave you encouragement until the stock was mostly taken. What do you mean by that?—A. The word poverty was simply an expression from Huntington to me. He used it and supposed I would understand what he meant. He was not so far ahead but that he had regard to the opinion of his creditors in New York. He told me that his firm had good credit then and that his creditors would not permit him to take hold of anything like that.

NO FIXED SALARY PAID TO WITNESS.

Q. When was it that the Central Pacific formed any arrangement with you to assist in the work of making a survey or in any other work which you did?—A. The Central Pacific had nothing to do with that. T. D. Judah, as chief engineer of the road, was in authority and could employ whomsoever he pleased on his staff. I had been interested in the whole project from the beginning and knew the country so thoroughly that Judah always had me with him, and it was understood by the company as to the position I was occupying and that I should be well remunerated.

Q. Was there any salary fixed for you?—A. No; nor for Judah or any other member of the association.

Q. No salary was fixed?—A. Not at that time.

Q. Did they fix a salary for you at any time during your connection with the company?—A. Only by days.

Q. Did they pay you by day's work?—A. My salary was fixed at so much per day, not by annual or monthly salary.

Q. Were you paid for every day, whether actually engaged in the business of the company or not? Or how was it?—A. There was no time when I was engaged in the office. I was out on the line most of the time.

Q. What was the condition of the company at that time as to its finances?—A. At that time they were what you might call rather impecunious. When we were making surveys we did not know exactly where the money was coming from.

GOVERNMENT AID.

Q. Did the financial condition change during your connection with the company?—A. Yes, sir.

Q. When?—A. I think it was in 1862. It was during the excitement of the rebellion. We talked the matter over in meeting and concided that we could without any difficulty probably get assistance from the Government. We decided that Judah should go on to Washington and see what could be done. Sargent and Jim McDougall were members of Congress; one in the Senate and the other in the House. They were going on to attend the sessions, and it was decided that Judah should go on with them. I drew one or two maps of the route across the country and made marginal notes, one for Sargent and one for McDougall, for them to take along and study up on the route. Mr. Judah also went along and discussed matters on the route, and so forth. They were pretty well posted and understood the subject so that they could work intelligently and together. Mr. Judah was appointed secretary of the Railroad Committee at Washington. Sargent had charge in the House and McDougall in the Senate, and between them there was a bill passed granting a subsidy to the company to that date, and from that time on they have managed to live.

Q. It was in July, 1862, that that bill was passed, was it not?—A. I think it was in 1862; yes, sir.

FIRST MORTGAGE BONDS.

Q. Was it the prospective aid to come to that line that changed the financial condition of the company?—A. Yes, sir; it was that that fixed them. They were to get so much in bonds per mile and so much land on each side of the road. Afterwards it was increased, and then they went on in very good shape until they found a chance to make a little more money in another way. The Government took a first mortgage on the road, but some time after this assistance was given it agreed to release that first mortgage and take a second and allow the company to issue first mortgage bonds in place of it. After that was done they were in good shape to do business.

Q. When was that done?—A. I do not know whether it was in 1863 or 1864 when the aid was granted.

COMPETITION BETWEEN UNION AND CENTRAL PACIFIC.

By Mr. HAYMOND:

Q. At that time had not the Union Pacific refused to accept the original proposition and done no work at all?—A. Yes, sir; and finally a bill was passed by which the two roads were to run east and west until they should meet, and each one should have credit for the number of

miles it would build. Mr. C. T. Durant, vice-president of the Union Pacific, telegraphed me through Mr. Lambard in the first place to furnish him three thousand Chinamen, to be delivered at Humboldt Wells, way this side of Ogden. They were preparing to commence there so as to cover the territory back and head off the Central Pacific at that point.

Q. Was that after the passage of the act of 1864?—A. Away afterwards.

FINANCIAL EFFECT OF ACT OF CONGRESS.

By Mr. COHEN :

Q. You say that the financial condition of the company changed after the passage of the different acts of Congress that you have named, do you?—A. Very naturally.

Q. During the time that you were a director of the company was there any money realized from the aid granted by the Government beyond that which was absolutely necessary to do the work of the road so as to improve the financial condition of the company or retire the obligations which they had previously entered into?—A. They got aid from the Government, and as the road progressed they drew on this subsidy from the Government.

Mr. HAYMOND. Mr. Anderson, do you remember the date that the Union Pacific Railroad Company actually began work? My recollection is that it was after the passage of the act of 1864. They did not accept the first one.

Commissioner ANDERSON. I do not recollect with sufficient accuracy to speak.

Q. What information did you have as to the financial condition of the company during the time that you were connected with it?—A. Up to the latter part of it, the last year, matters were in pretty good shape.

Q. Up to what time?—A. I have not had myself informed, but up to the last year of my connection, during 1863 and a part of 1864, I think.

AMOUNT OF MONEY RAISED IN 1861.

Q. How much money did they raise after the formation and signing of the articles of association in 1861, during that year, and from whom?—A. I do not know the amount. It was sufficient to keep things moving quietly and working on. In the next place, we found it somewhat difficult to keep up our expenses in regard to the survey, but after that the company got funds and began to contract. They contracted a bridge and contracted the work of a section or two.

Q. From what source, within your recollection, was this money raised?

Commissioner LITTLE. That is not cross-examination. We have not asked the witness anything in relation to this subject.

VALUE OF EVIDENCE OF WITNESS.

Mr. COHEN. No, sir; but I remember a statement made by your honor two days ago as to the course of this inquiry, in which, I believe, you stated that you were not confined by the ordinary rules of evidence; that you had not consulted either Greenleaf or Wharton as to the course that you would pursue, but that you picked up evidence wherever you could. Is not that the statement that you made?

Commissioner LITTLE. Yes, sir.

Mr. COHEN. I ask the question, not for the purpose of cross-examination, but really to call him in rebuttal and test his recollection and

show the value of the evidence which he has given to the Commission. I call your attention to the fact that this witness has stated many things which he is unable to verify.

Commissioner LITTLER. And I call your attention to the fact that this witness has not pretended in this letter, on which you have cross-examined him at great length, to know any of the facts contained in that letter. He simply asks us to ascertain these facts from somebody else. This cross-examination is making this record unnecessarily long. That is the objection I have to it.

Commissioner ANDERSON. I think so, too, after the statement that he has made that he simply wrote the letter as an indicator to us.

Mr. COHEN. Under the very skillful questions asked by the chairman, upon the supposition that the information contained in the letter of this witness is reliable, and that he was speaking of his own knowledge, a great many statements have gone on the record; and in order that we may appear as we wish and as we should in the report that you must make, and in which the companies may be criticised, it makes it perfectly proper for us to criticise these statements and examine this witness and ask him all of these questions. One of the ends that I have had in view was simply to show that he had given information about things concerning which he had no knowledge, and that he had jumped at conclusions. He has spoken in his letter about the financial condition of the company, and I propose to show by him that during the time that he was connected with the company it had no means, excepting such as it could derive for the construction of its road under these acts of Congress, and that its credit was at a very low ebb.

SUGGESTED LIMIT TO CROSS-EXAMINATION.

Commissioner LITTLER. You have stated that over and over.

Mr. COHEN. I do not think so.

Commissioner LITTLER. Governor Stanford has taken up much time to show to this Commission the financial status of this company, and the reports of the company will show the status much better than this witness can. This witness does not pretend to know anything about these matters, and it is simply a consumption of time uselessly for him to be cross-examined, or to be asked any of those questions.

Mr. COHEN. I want to put this witness before the country and the people, to whom this testimony is going, in exactly the position that belongs to him. I want the facts to go to the country as a whole, and I want our side of it to appear as well as the other side.

Commissioner ANDERSON. Colonel Haymond's question and the answer of the witness to that question would seem to dispose of the whole matter, and I do not think that you can make it any clearer if you spend your life at it.

Mr. COHEN. I want to explain that it is very necessary for us to show exactly the status of each witness who testifies here when he gives any evidence that we have got to rebut. The value of the report which you gentlemen will make consists in the power given to it to take testimony, and we say that it is very necessary that we should stand properly.

Commissioner ANDERSON. I do not object to your showing the animus of the witness, but I do object to your asking him about the financial condition of the company from 1861, because I think it is a waste of time to ask that question.

Mr. COHEN. When you look at the assumptions in his letter as to the prosperous condition of the company, it becomes necessary to show that he had knowledge that a contrary state of affairs existed at that time.

Commissioner LITTLER. Here is the official statement of the president of this company, and that ought to be better evidence than anything this witness can tell about the financial condition of the company.

Mr. COHEN. That cannot go in now.

Commissioner LITTLER. The president of the company will be able to state the financial condition of the company much better than this witness can, and I do not think that we ought to waste any more time in this cross-examination.

Mr. COHEN. I do not put my judgment in this matter against the intelligent judgment of this Commission, except to say this: That if nothing is to be predicated upon the credibility of this witness as to the standing of the company at that time, I do not wish to ask him anything further.

The CHAIRMAN. Does the Commission accept the testimony of the witness under those conditions?

COMMISSIONERS REMONSTRATE.

Commissioner ANDERSON. No, sir; but I think that unless we can get to some conclusion, we will never get to the end of this matter. I think that the question is immaterial.

Commissioner LITTLER. You can reserve this witness and make him a part of your case, if you want to. What you want now is not cross-examination.

The CHAIRMAN. We want to give you the fullest liberty in this matter to do as you please.

Mr. COHEN. These gentlemen say not.

Commissioner ANDERSON. We have been remonstrating with you in a gentle way. We say that there is no need to ask this question. It merely lengthens the time.

Commissioner LITTLER. And it makes the record long.

Mr. COHEN. This man has come a long way to testify, and while he is here I think that we should get out of him all that we can.

Commissioner ANDERSON. If you insist upon examining him, I will make no further objection. It is about time for adjournment now, however, and if the examination is to be continued, perhaps it had better be after recess.

Commissioner LITTLER. No adjournment must take place with my permission until this witness is disposed of.

The CHAIRMAN. Have you any further questions to ask?

Mr. COHEN. Under the circumstances, I am through.

THE COMPANY'S LIBERTY TO EXAMINE WITNESS.

The CHAIRMAN. I want the Commission to understand that so far as I am concerned I want Mr. Cohen and this company to have the fullest liberty to ask this witness any question concerning the testimony he has given, or anything else that he knows, or thinks he knows. If you ask the question, Mr. Cohen, we will get through in five minutes.

Mr. COHEN. I wanted to go to the assistance of Commissioner Anderson yesterday when he was examining Governor Stanford, to put in one pertinent question. I was told that I could do so when our side came to make the cross-examination, but that he then wanted him for an hour or more. The Commissioner from Illinois, whose bump of order is so well developed, very properly objected to my interrupting Commissioner Anderson by asking any questions, and I was then told that I

should examine all the witnesses who came before this committee as much as I pleased. I have not interrupted Mr. Strong during the time that he has been testifying, supposing that I would have this right of cross-examination. It is always very ungracious on the part of counsel to proceed with an examination when the judge is frowning upon him, and does not want him to do it, and thinks it is not necessary. We will excuse Mr. Strong, so far as we are concerned.

CENTRAL PACIFIC ACCOUNT WITH WITNESS.

By the CHAIRMAN:

Q. I wish to call your attention to some items which I will read to you, taken from the general balance sheet of the Central Pacific Railroad Company of California for the year ending December 31, 1863: "Voucher No. 477. Amount paid D. W. Strong, \$5,000." Do you recall receiving such a sum?

The WITNESS. I never did.

Q. This is from the general balance sheet, December 31, 1863: "Amount paid D. W. Strong for expenses incurred in promoting the interests of the company, \$5,000." From the same balance sheet, July 4, 1863, is the item, "D. W. Strong, amount of stock issued to him by order of the board of directors, July 1, 1863, for services rendered and expenses, \$2,000." Do you recall receiving such stock or such a sum of money?—A. Never. This \$5,000 was to pay my assessment in full on the stock, and the stock was to be issued. I never got the stock and never received any such amount.

Mr. COHEN. Does the Commission propose to give a decree for the delivery of this stock?

The CHAIRMAN. The Government may take an assignment of the interest.

DIFFERENCES AS TO AMOUNT DUE TO WITNESS.

Q. I find this entry in the general balance sheet of the Central Pacific Railroad Company of California for the year ending December 31, 1864: "D. W. Strong, services for the year ending July 1, 1864, \$1,400." Do you recall receiving any such sum?—A. I did not receive a cent. Speaking of that particular amount, it is what they claimed I owed as a balance on my stock. It was that amount when I asked for my stock. I claimed that it was all paid up and credited to me, and they claimed that I owed that amount, but I never received anything.

ISSUE OF STOCK.

Q. In the same balance sheet, ending December 31, 1864, I find a list of stockholders. In September, 1864, stock was issued to the following-named parties, and was charged to the construction account and to the legal expense account for amounts allowed by the board of directors September 5, 1864, for salaries and services to July 1, 1864: "Leland Stanford, 115 shares; Mark Hopkins, 100; C. P. Huntington, 250 shares; A. P. Stanford, 50 shares; Charles Crocker, 100 shares; Charles Marsh, 25 shares; Lauren Upson, 16 shares; D. W. Strong, 14 shares; Charles Crocker, assignee of E. B. Crocker, 230 shares. Total, 900 shares."

There is a note made by the accountant who made an examination of the balance sheet and vouchers to the effect that the vouchers for these items have not been found. Do you recall any such number of shares as I have read to you as having been issued by the company?—A. No, sir.

Q. Does it suggest to you any information which you had at the time of the number of shares which you were entitled to?—A. I subscribed for 50 shares, and that was the only amount that I subscribed to and it was all that I expected to have. I supposed that it was paid in full by the action of the board and that it would be subject to my order, but I never got it.

ASSIGNMENT OF INTEREST TO LAMBARD.

Q. Did you ever assign your interest, or the interest that you claim you have, in the Central Pacific Railroad Company of California to any individual or individuals or to any company?—A. As I explained to you before in my testimony, I transferred my receipts to Mr. Lambard, with the understanding that he was to collect from the company. He got my stock, and was to collect what he could from the company, and whatever he realized from the stock he was to divide everything above \$100 a share, par value, whenever he should realize. It was the condition that he was to have one-half of what would be realized above the par value of the stock.

By Commissioner ANDERSON:

Q. To whom was it transferred?—A. To O. D. Lambard.

By the CHAIRMAN:

Q. Have you received any consideration from Lambard?—A. Not since I transferred them.

A CALL FOR BALANCE OF WITNESS' PAPERS.

Q. Will you furnish to Mr. Norris the papers and documents and letters in your possession?—A. As far as I have them.

Mr. COHEN. The witness offered to furnish Mr. Norris a short time ago only such letters and telegrams as he desired. We would like to have him furnish all the letters and telegrams that he has bearing on the claim.

The CHAIRMAN. Mr. Strong, you will furnish to the Commission all letters, papers, contracts, agreements, and telegrams that you have in your possession relating to the subject before the Commission.

By Mr. BERGIN:

Q. Did you give vouchers to the company for the several sums referred to in those accounts?—A. No, sir; not that I recollect of. I do not recollect of having had any occasion to give vouchers.

DID LAMBARD BRING SUIT ON WITNESS'S CLAIMS?

By Mr. COHEN:

Q. Governor Stanford suggests that I should ask you whether you were not advised that Lambard had brought suit against the Central Pacific for an accounting upon certain shares of stock which he held, or which were in his possession, and that part of his claim was upon the stock which he had received from you. Do you know anything about it?—A. That is news to me.

By Mr. HAYMOND:

Q. Do you remember the date of the assignment of your stock to Lambard?—A. I do not, but I think I have the evidence.

By Mr. COHEN:

Q. Do you know whether Mr. Lambard founded his claim against the Central Pacific upon the stock which you had assigned to him?—A. I do not. I did not have any claim against the railroad company any further than my stock. I transferred it to him with the understanding that he was to collect and divide with me everything above par.

Q. Did you know that he brought a suit?—A. No, sir. I have not seen him since I assigned the stock to him.

SALE OF STOCK AT \$400 A SHARE.

By Mr. STANFORD:

Q. You parted with your stock to Lambard and he brought suit against the company. Do you know that he did not put that stock in as a part of the stock upon which he based his claim?—A. A. No, sir; I do not know anything about it. I saw a suit not long ago in New York, wherein Choate was one of the attorneys, in reference to the same amount of stock—a suit against Huntington—which was sold for a matter of \$400 a share. From the testimony in that suit I supposed that it was that same fifty shares of stock, as the amount was fifty shares, and the amount it sold for was \$400 a share. What the result of that suit was I do not know, but I recollect that I had my attention drawn to it.

The CHAIRMAN. Is there anything further that you wish to ask this witness?

Commissioner ANDERSON. If he has assigned his stock the assignment will show all the facts.

Governor STANFORD. The reason why I asked the witness about this Lambard suit was that Lambard was one of the parties who brought a suit, and I think that the stock described by Mr. Strong was a part of the stock upon which that suit was brought.

PALACE HOTEL, SAN FRANCISCO,
Thursday, August 4, 1887.

Afternoon session.

JOHN MILLER, being duly sworn and examined, testified as follows:

By Commissioner ANDERSON:

Question. Where do you reside?—Answer. I reside at Walnut Grove, Sacramento County, in this State.

Q. What is your occupation now?—A. Farmer.

Q. What was your occupation in 1867?—A. In 1867 I was not in the State then.

Q. Where were you then?—A. I was in Virginia.

AN OFFICER OF CALIFORNIA PACIFIC.

Q. When did you come to this State?—A. In 1870.

Q. What did you do after you came here?—A. When I first came to California I lived at Vallejo and I worked for the California Pacific Railroad. I worked at South Vallejo.

Q. Into what occupation did you enter?—A. I was clerk and ticket agent.

Q. For what road?—A. For the California Pacific road.

Q. How long did you remain in that capacity?—A. About a year.

Q. What did you do after that?—A. I went to Sacramento as a clerk for the Contract and Finance Company.

Q. How did you come to receive that employment?—A. By application, I think, sir.

APPLIED TO AUDITOR FOR EMPLOYMENT.

Q. To whom did you make application?—A. I made application to Mr. J. O'B. Gunn, who, I think, was auditor of the Central Pacific at that time.

Q. Had you had a prior acquaintance with him?—A. Yes, sir.

Q. Had you any acquaintance with any other officer of the Central Pacific or with the Contract and Finance Company at that time?—A. None of the principal officers.

Q. What was the result of that application?—A. He forwarded my application to Sacramento, and then Mr. Gunn wrote me to go to Sacramento and see Mr. E. H. Miller.

By Mr. COHEN:

Q. What date was this?—A. The latter part of 1870 or 1871.

EMPLOYED BY THE SECRETARY.

By Commissioner ANDERSON:

Q. What happened then?—A. Mr. Miller sent for Mr. W. E. Brown, who was the secretary of the Contract and Finance Company. He came in and we had a talk, and he gave me employment.

Q. Who was the president of the Contract and Finance Company at that time?—A. I think Mark Hopkins.

Q. Where was their office?—A. I think it was in a building known as the Railroad Building, in Sacramento.

Q. When did you go there?—A. It was about the latter part of 1870 or the first of 1871, I think.

MADE ENTRIES IN "CONSTRUCTION AND REPAIRS" BOOKS.

Q. What precise position did you fill?—A. I helped the young man who was paymaster, and I wrote in some of the books; not the regular account books, but the auxiliary books.

Q. Please describe more particularly the books that you first made your entries in.—A. They were the books that related to construction and repairs; I think it was described by Mr. Brown, in his books, as "Construction and Repairs."

Q. Who were the persons who occupied that office when you first went there?—A. Mr. Brown and Mr. Moore.

Q. What was Mr. Moore?—A. Mr. Moore was paymaster.

Q. Is Mr. Moore living?—A. No, sir.

Q. How long did you remain in the position to which you were first appointed?—A. About a year and a half.

Q. What change then occurred?—A. I was made secretary of the Contract and Finance Company.

Q. That occurred about 1872?—A. I think that was 1873.

DUTIES AS SECRETARY.

Q. What were your duties as secretary?—A. They were to keep the account of constructing roads and repairing roads already built, to keep the accounts as they came out until they got pay for them from the Central Pacific.

Q. Of what nature were the accounts at that time?—A. They were for repairs to the road in operation, and for the cost of grading, ties, rails, buying engines, &c.

Q. Was it all for the Central Pacific?—A. No, sir; some for the Southern Pacific—I forgot about the Southern Pacific at that time.

DESCRIPTION OF COMPANY'S BOOKS.

Q. When you first came to that office, in 1870 or 1871, what were the books that were being kept by the company?—A. I think it was in 1871 I went there. The principal books were the cash-book, journal, and ledger. Then this book that I kept was pretty much of the same kind, but the accounts were accounts that were transferred from Mr. Brown's books to my books, and related especially to the minutiae of construction and repairs. All the little items in my book were transferred in bulk to Mr. Brown's books.

Q. Mr. Brown's books you refer to as being the principal books?—A. Yes, sir.

Q. Do you remember how many volumes of journals there were in the office when you went there?—A. Of the journals, I think there were four or perhaps six.

Q. Were you familiar with those books?—A. No, sir.

Q. You were familiar with the outsides of them?—A. Yes, sir; I have seen them inside, of course; but I am not familiar with them.

Q. Do you know generally what dates they cover? I mean what periods of time.—A. No; I do not. I think that there was one set of books for Charles Crocker & Co., and then there were the Contract and Finance Company's books. I think there were two sets of Contract and Finance Company's books and one set of Charles Crocker & Co.'s books.

Q. When you speak of from four to six journals, do you include the journal of Charles Crocker & Co., as well as the journal of the Contract and Finance Company?—A. As well as I remember; yes, sir. I think there were four journals of the Contract and Finance Company and two of Charles Crocker & Co. When I speak of journals, I mean a regular journal, on one hand, and cash-book on the other.

Q. When you speak of this number of volumes you do not mean that they were all being used at the same time, but they were old books which had been filled up?—A. Yes, sir; Charles Crocker & Co.'s books had been set aside and one set of the Contract and Finance Company's books had been filled up and another set had been opened, and was being carried on.

Q. And there were the natural amount of ledger accounts which would be required to post the entries from the journal?—A. Yes, sir.

CHARLES CROCKER & CO.'S BOOKS KEPT SEPARATE.

Q. Were the books of Charles Crocker & Co. kept separate from the books of the Contract and Finance Company?—A. Yes, sir.

Q. Please describe the location of these books.—A. I never looked into the books of Charles Crocker & Co.

Q. You merely saw them there?—A. Yes, sir.

Q. Were they on the shelf or in the drawers?—A. They were in a locker.

Q. After you became secretary of the company were these books under your supervision and charge. I mean those that were in use?—

A. Those that Mr. Brown had in use? No, sir.

Q. In whose charge did they remain?—A. I do not know.

Q. I mean immediately after you were appointed secretary, in 1872?—A. When I took possession of the books, Mr. Brown's books were not in the office.

Q. Can you state exactly the time when you were appointed secretary?—A. No; I think it was in August or September, 1873.

USED BOOKS WITH BALANCES BROUGHT FORWARD.

Q. After you became secretary, what books did you use for your entries?—A. I used a set of books that Mr. Brown had opened up for me, and on which he had brought forward these entries from his books.

Q. Were they simply balances posted in there, or were they entirely new books?—A. Entirely new books with the balances brought forward.

Q. At that time who was in the office besides yourself and Mr. Brown?—A. Mr. Moore.

Q. Any one else?—A. No, sir.

Q. Was any one else in the habit of coming there and giving directions?—A. Yes, sir; Mark Hopkins.

Q. Any one else?—A. Probably Governor Stanford, but I do not think he did. Mr. Crocker was not present. He was not there at the time.

THE ENTRIES MADE BY WITNESS.

Q. In the books kept by you what entries were made by you? Only those that you have referred to as to repairs, and the building of bridges?—A. Yes, sir; and building roads. They were building roads at the time.

Q. What were the principal accounts opened by you in the books which you kept?—A. The principal accounts were those of the Central Pacific Railroad Company and the Southern Pacific Railroad Company.

Q. You say that the balances appearing on the old books were posted or carried forward into your new books?—A. Yes, sir.

100 BALANCES CARRIED FORWARD.

Q. How many of those balances did you remember as having been carried forward?—A. I suppose a hundred.

Q. Did you have an index to them?—A. Yes, sir.

Q. Do you remember how many accounts appeared in that index?—A. No, sir; it has been some time ago, and I do not remember.

Q. What did Mr. Brown say to you—what directions did he give you, in regard to these books?

The WITNESS. The books that I was keeping.

Commissioner ANDERSON. Yes; that you were to keep.

The WITNESS. He came in and said that at a meeting of the board of directors of the Contract and Finance Company I had been elected secretary, and he turned over the books to me—these books that he had brought balances forward in.

BOOKS TURNED OVER WERE BRAND NEW BOOKS.

Q. You mean to say that the books that were so turned over were brand new books?—A. Yes.

Q. Were they purchased to be started as new books?—A. Yes, sir.

Q. Was that all the conversation which you had at any time with Mr. Brown in regard to the books of the company?—A. Yes, sir; all that I remember.

Q. How long before that had you seen Mr. Brown's books?—A. I had seen them every day or two for six months or more.

Q. Were you absent from your duties at this time for any period at all—at the time that you were elected or prior to the time that you were elected secretary?—A. No, sir.

Q. You had been in attendance regularly day by day?—A. Yes, sir.

Q. How long before the day when you had this conversation with Mr. Brown, had you seen Mr. Brown's books?—A. That same day.

Q. You had seen them on the morning of that day when you arrived at the office?—A. Yes, sir.

Q. Did you remain at the office all of that day?—A. I left for lunch.

Q. With that exception did you remain there all of that day?—A. As well as I remember.

Q. Whom do you remember to have seen in that office on that day besides Mr. Brown?—A. I do not remember any person particularly. Mr. Brown was getting ready to go away and a good many persons were in and out. I know that he had a good many friends, and they were calling on him as he was about to start for Europe.

DISAPPEARANCE OF OLD BOOKS OF CONTRACT AND FINANCE COMPANY.

Q. You say that from the very moment that Mr. Brown delivered to you that new set of books, you have never seen those old books?—A. I do not say from the very moment, but about that time—during that day. I did not see the books that afternoon, and I have never seen them since.

Q. Did you mention this fact to Mr. Brown?—A. No, sir.

Q. You never said a word to him as to the disappearance of these books?—A. No, sir.

Q. Is that your answer?—A. Yes, sir; I said nothing to him about the disappearance of the books.

Q. At that time or ever?—A. Never to this day.

Q. Did you help pack those books up?—A. No, sir.

Q. Did any one whom you know help pack them up?—A. I do not know who did.

Q. But you say you were in that office the whole of that day except at lunch?—A. Yes, sir.

DISAPPEARED DURING LUNCH TIME.

Q. Did they disappear before lunch or after lunch?—A. They disappeared while I was gone to lunch.

Q. How long were you at lunch?—A. I may have been about an hour.

Q. When you say these books disappeared, please state in as great detail as you can all the books that were carried away?—A. All the general books were carried away. Of course when I speak of the gen-

eral books, I mean the books that Mr. Brown kept, but not any of the books that I kept myself. I considered mine as auxiliary books.

Q. Your books did not disappear?—A. No, sir.

Q. Were the Crocker books in the locker?—A. Yes.

Q. And all the books of the Contract and Finance Company, except those that you had kept?—A. Yes, sir; and Mr. Moore's, the paymaster.

Q. Have you ever seen any of those books from that day to this?—A. No, sir.

Q. Have you any memoranda or extracts made by you from those books?—A. I may have; I do not know.

Q. If you have them, where are they?—A. I do not know whether they are in Sacramento or at my home.

MEMORANDA LEFT WITH JUDGE CURTIS.

Q. If in Sacramento, where are they?—A. If they are in Sacramento, Judge Curtis has them.

Q. Who is Judge Curtis?—A. He is a lawyer of Sacramento City.

Q. For what purpose has he those memoranda?—A. I turned a lot of papers that I had over to him to keep for me. I afterwards instructed him to destroy them. I do not know whether he has done it or not.

Q. What was the nature of these memoranda?—A. It was an abstract of the principal accounts on Mr. Brown's books.

Q. What is Mr. Curtis's full name?—A. M. Greene Curtis.

Q. When did you instruct him to destroy these memoranda?—A. Several years ago.

Q. Who requested you to have them destroyed?—A. No one.

Q. Why did you wish them destroyed?—A. I had no use for them.

DESTROYED BECAUSE OF NO VALUE.

Q. Why did you wish them destroyed?—A. They were of no value.

Q. But they were no injury, were they?—A. Well, I thought there was no use keeping those old papers.

Q. You did not have charge of them; you were not bothered with them; why should you want them destroyed?—A. He did not wish to be bothered with them, I think. As well as I remember, he said that he would rather not keep them any longer, and I told him to destroy them, and he told me afterwards that he had.

Q. You say these memoranda contained statements of the principal accounts in the Brown books?—A. Yes, sir.

Q. What accounts?—A. All the principal accounts in the books.

Q. The construction accounts?—A. Yes, sir.

Q. Did they show the actual cost of the construction of the Central Pacific done by the Contract and Finance Company?—A. As well as I remember.

Q. Did they show the dividends declared by the Contract and Finance Company?—A. I do not remember how that was. I will tell you how the abstract was taken. I had not been with the company very long and the business was, to me, intricate, and I took this abstract with a view of making myself more efficient in the service of the company.

Q. Did your memorandum extend to the Crocker books also?—A. No, sir.

Q. Was Mr. Brown at this office when you returned from lunch?—A. I do not know whether he was or not.

Q. Was any one in the office when you returned there?—A. Probably Mr. Moore may have been there.

Q. Was it locked?—A. No, sir; the office was never locked during the day.

Q. Some one was in charge when you were away, then?—A. Mr. Moore may have gotten there before I did, or he may have been sick at the time. I do not remember. Anyhow, the office was never locked during the day.

Q. Whom did you leave in charge when you went to lunch on that day?—A. I left Mr. Brown.

Q. But you do not remember whether he was there when you came back?—A. I do not remember.

Q. Was it not a matter of some surprise to you to see these new books prepared for you?—A. They had been already prepared. I had seen him preparing them some time previous to that.

Q. How long had you seen him preparing them?—A. Probably a month.

OFFICE REMOVED TO SAN FRANCISCO.

Q. How long after this did you move your offices from Sacramento?—A. I think in about a month.

Q. You do not remember in what year it was?—A. We moved the office in 1873, I think.

Q. Where did you go to?—A. To Fourth and Townsend streets, San Francisco.

Q. Where you remained until the dissolution of the company?—A. Yes, sir.

NO REAPPEARANCE OF THE OLD BOOKS.

Q. Did you ever see any box said to contain books when you were here in San Francisco?—A. I do not remember that I did.

Q. Were you ever sent to find any of these old books, for the purpose of reference, by Mr. Brown or any other officer of the company?—A. No, sir.

Q. Did you ever hear of any one being sent to get any of those old books?—A. No, sir.

Q. Do you know why those books were made to disappear?—A. No, sir.

Q. You have no idea?—A. It is simply a private idea.

Commissioner ANDERSON. We do not object to private ideas.

The WITNESS. Well, it is simply a conjecture, such as you would have about anything that did not concern you. It did not concern me very much.

Q. Can you not suggest what possible object there was in making these books disappear? Who had any interest in making them disappear, that you know of?—A. I do not know of any one that had any particular interest.

GENERAL NATURE OF THE ENTRIES.

Q. Do you know what the nature of the entries in those books was?—A. Yes, sir; the general nature.

Q. They contained the transactions of the Contract and Finance Company?—A. Yes, sir.

Q. And they showed how much the construction had cost them, did they not?—A. As well as I remember.

Q. And the books also showed what payments the Contract and Finance Company had received from the corporations for which it had done work?—A. I think that the accounts were balanced up, but how they were balanced particularly I do not remember now—how the payments were made.

Q. I am not asking you that, but they showed generally what compensation had been received for what work had been done?—A. Yes, sir.

Q. Was any one interested in those books except those persons who were interested in the profits or losses of the Contract and Finance Company?—A. Not that I know of, except that a short time before Mr. Brown went away, I think that Mr. Samuel A. Hopkins, a nephew of Mr. Mark Hopkins, was made president, and he may have been made president with a small amount of stock. I do not know anything about that.

Q. Who were the stockholders of the Contract and Finance Company?—A. I do not know.

Q. You never heard?—A. Yes; I have heard, but I do not know.

Q. How much stock did you hold?—A. None that I know of.

Q. What stock was standing in your name?—A. No Contract and Finance Company's stock.

WITNESS'S CONNECTION WITH WESTERN DEVELOPMENT COMPANY.

Q. What company succeeded the Contract and Finance Company in its work?—A. The Western Development Company.

Q. Did you have any connection with that company?—A. Yes, sir.

Q. What was your connection with that company?—A. I was the secretary of it.

Q. How long did you remain secretary of the Western Development Company?—A. I do not think it was a year.

Q. Was it while you were also secretary of the Contract and Finance Company?—A. Yes, sir.

Q. You filled both offices at once?—A. Yes, sir.

Q. Where was the office of the Western Development Company?—A. In the same room with the Contract and Finance Company, at Fourth and Townsend.

Q. Who was the president of the Western Development Company?—A. Frank S. Douty.

Q. Who at this time was the president of the Contract and Finance Company?—A. Samuel A. Hopkins.

TRANSFER OF BUSINESS.

Q. Do you know whether any of the business of the Contract and Finance Company was passed over to the Western Development Company?—A. Yes, sir; I think a transfer was made of all their lumber, tools, teams, and things of that kind—operating material.

Q. Were there any contracts transferred that the Contract and Finance Company commenced?—A. Yes, sir, there were some contracts with the Southern Pacific.

Q. On which the Contract had done some work?—A. Yes.

Q. You say you were the secretary of the Western Development Company?—A. Yes, sir.

DUTIES AS SECRETARY OF WESTERN DEVELOPMENT COMPANY.

Q. As secretary of the Western Development Company, what were your duties?—A. I was secretary and treasurer. I had the books to keep, partly by myself and partly by clerks; and I presented to the company bills that were sent in. All the carpenters' work and bridge work was kept by Mr. Arthur Brown over at Oakland, and every month he would send in those bills for construction and repairs against which ever company it had done for. Then the cost of the grading and everything of that kind was charged up. Those bills were entered up every month.

Q. You were responsible for the correctness of those entries on the books?—A. Yes, sir.

Q. How long had the Contract and Finance Company been engaged on the contracts which had been assigned over to the Western Development Company before the assignment?—A. I do not remember.

Q. Some considerable time?—A. I think one of them had, probably.

PRINCIPAL CONTRACT RELATES TO SOUTHERN PACIFIC EXTENSION.

Q. Which contract do you refer to?—A. I think that the principal contract that was assigned over was for extending the Southern Pacific road.

Q. And the Contract and Finance Company had been engaged on that contract for how long a period?—A. About a year, I believe.

Q. How long before you moved to Sacramento was it before you were appointed secretary of the Western Development Company?—A. I think it was about a year or a year and a half.

Q. Do you remember whether the first work under the contract of the Southern Pacific in the books of the Contract and Finance Company had been entered in the books which were removed?—A. I think all the work for constructing the Southern Pacific, so far as it had been received, was entered in the Contract and Finance Company's books that were removed.

Q. How did you obtain the balances to enter in the Western Development Company's books when the contract was assigned to that company?—A. I have forgotten how long it was after the Western Development Company was organized before the assignment of the contract was made, but it was not long.

ACCOUNTS OF CONTRACT AND FINANCE COMPANY ADJUSTED BY WITNESS.

Q. When it was made, the standing accounts of the Contract and Finance Company had to be passed over to you to be adjusted?—A. Yes, sir.

Q. From what source did you get those figures?—A. I think that all the Southern Pacific road that had been constructed and received had been paid for to Mr. Brown, and settled with Mr. Brown before he went away, and then the unfinished sections were carried on, and when they were completed they were paid for—some to the Contract and Finance Company and some to the Western Development Company, I think.

Q. In order to keep the accounts straight between the Contract and Finance Company and the Western Development Company were you not compelled to know, when you made your first entries, just how much had been earned by the Contract and Finance Company, and how much had been received by the Contract and Finance Company?—A. Yes, sir.

FIRST ENTRIES IN WESTERN DEVELOPMENT'S BOOKS.

Q. From what source did you ascertain how much they had earned and how much they had received?—A. There was a contract between the Contract and Finance Company and the Southern Pacific for constructing the road, equipping it, and so forth, and as to the unfinished work the balances were brought forward from the Contract and Finance Company to the Western Development Company.

Q. I understand that; but you have just stated that the part that was done by the Contract and Finance Company had been kept in the books which have disappeared. I now ask you how you got the initial figures to enter in the Western Development Company's books, which showed how much work had been already done and how much had been earned by the Contract and Finance Company, and how much in bonds or stocks had been already paid them on account of their work. From what source did you get those figures; did Mr. Brown tell you?—A. No; there was a contract between the Contract and Finance Company and the Southern Pacific, and that contract with the Contract and Finance Company was assigned by that company to the Western Development Company.

Q. After some work had been done?—A. Yes, sir. I had been keeping the accounts right along for the grading so far as the work had progressed, and when any section was finished it was settled for by the Southern Pacific Company according to their contract.

CONTRACT AND FINANCE COMPANY'S BOOKS THE SOURCE OF INFORMATION.

Q. You have not yet answered from what source you ascertained how many sections had been finished, and how much money had been paid.—A. I felt, as secretary of the Contract and Finance Company, that I had nothing to do with any completed sections previous to the time that I took charge of the books.

Q. But as secretary of the Western Development Company you had to be informed at what section your accounts would commence?—A. Yes, sir.

Q. From what source did you learn at what section your account should commence?—A. From the books of the Contract and Finance Company.

Commissioner ANDERSON. You have just stated that those accounts had been kept in the books which had disappeared.

The WITNESS. All the completed sections, but the unfinished sections were on my books. When a section was completed Mr. Brown would take it on to his books.

Q. You say that the unfinished sections, which were the only ones that you were interested in when the contract was assigned, were kept in your books?—A. Yes, sir.

Q. That is, in the new books, delivered to you by Mr. Brown?—A. Yes, sir.

Q. How long did you keep those books?

The WITNESS. The Western Development Company's books?

Commissioner ANDERSON. No; the Contract and Finance Company's books.

A. They were kept for about two years.

Q. You kept them in San Francisco, here?—A. Yes, sir.

Q. For about how long?—A. For about two years.

WITNESS'S ASSOCIATES IN THE OFFICE.

Q. Who was in that office with you?—A. Mr. Charles H. Reddington and Frank C. Ross, and a boy named Goury, I believe.

Q. Which of these persons are living?—A. I think Goury probably is dead, but I think Ross and Reddington are probably alive.

Q. Where does Mr. Ross live?—A. I do not know. I have not seen him for a good many years.

Q. Where does Mr. Reddington live?—A. I do not know. I have not seen either of them for several years.

Q. Are you aware that Mr. William E. Brown says that the last time he saw the books which disappeared from Sacramento, he saw them in the possession of yourself?—A. No, sir; I am not aware of that.

Q. Is that true, if it has been so stated?—A. They are not in my possession.

Q. You say when you went to lunch that day you left Mr. Brown there.—A. Yes, sir; and the books were there.

Q. When you went to lunch, Mr. Brown and the books were there?—A. Yes; and when I came back Mr. Brown was there, but I did not see the books. They may have been in his safe.

Q. When did Mr. Brown leave the employ of the Contract and Finance Company?—A. I think it was in September, 1873.

Q. While you were in Sacramento?—A. Yes, sir.

Q. How long after the disappearance of these books?—A. I think it was probably the next day; I think he left for Europe the next day after the books disappeared.

STATEMENT MADE BY MR. BROWN.

Commissioner ANDERSON. I will read you this statement made by Mr. Brown, or which appears to have been made by him.

Mr. COHEN. Might you not as well prove that that was made by Mr. Brown before you examine the witness concerning it?

Commissioner ANDERSON. If it was not made by him, he can so state. [Reading:]

Q. Do you know what became of these books and papers?—A. I do not.

Q. Have you made any search for these books and papers?—A. No, sir.

Q. Into whose possession did they pass when the corporation ceased to do business?—A. They passed into the possession of my successor, John Miller, when I left the employ of the company in 1873.

The WITNESS. I presume that he referred to the books that he had opened with the balances carried forward; the new set of books.

Q. That does not then refer to the books which you refer to as being Mr. Brown's books containing the transactions of the Contract and Finance Company for the years prior to your entries there, nor to the books of Crocker & Co., which were in the locker?—A. No, sir.

WITNESS EXPLAINS HIS ENTRIES.

Q. I wish you would explain a little more definitely how you made your first entries in the books of the Western Development Company, which related to this unfinished contract with the Southern Pacific, the earlier portion of the construction accounts having been kept in the books of the Contract and Finance Company.—A. General Colton had come into the railroad employ about that time and I was directed to have an inventory of all the property belonging to the Contract and

Finance Company taken, and all open accounts, and those open accounts such as grading, bridge building, and things of that kind, and every other open account that it was right and proper to turn over to the Western Development Company, was turned over to them and was put on the Western Development Company's books.

Q. From what books did you take these open accounts?—A. I took them from the books which Mr. Brown had opened for me.

TRANSFER OF BALANCES.

Q. Were there not some open accounts in Mr. Brown's books—the books which disappeared?—A. He transferred them, I presume. A certain contract or certain work, such as grading, &c., would be charged up so much, and that would be brought forward in bulk, and after that I would go on and add the additional charges to it. Then, when the Western Development Company was formed I transferred the balances in the same way to the Western Development Company.

Q. Then you transferred the balances from the books which had been kept by you personally?—A. Yes, sir.

Q. In whose handwriting were these initial entries in those books which Mr. Brown had prepared for you?—A. W. E. Brown's.

Q. In his own handwriting?—A. Yes.

Q. All of them?—A. As well as I remember.

Q. When did you last see Mr. Curtis?—A. I have seen him about ten days ago.

Q. Did you have any conversation in relation to these memoranda?—A. Yes, sir.

Q. What was said?—A. He said that he had destroyed them.

Q. This happened about ten days ago?—A. Yes, sir; he destroyed them.

RELATIONS BETWEEN WITNESS AND MR. CURTIS.

Q. How did you happen to go to see Mr. Curtis?—A. I met him on the street. He is my lawyer.

Q. Do you know whether he is in the employ of the Central Pacific?—A. I have no idea that he is.

Q. Do you know whether he has been?—A. He never had been, to my best knowledge.

Q. Without going into details, at the time that you left the Central Pacific, there was some bitter litigation in which you were concerned, was there not?—A. Yes, sir.

Q. Did Mr. Curtis defend you in that litigation?—A. Yes, sir.

Q. Do you know at whose instance he did this?—A. At my own.

Q. Do you know whether anybody paid him for it besides yourself?—A. I think not. I have no idea that anybody else paid him.

Q. Who selected him?—A. I did.

Q. After consultation with any of the officers of the Central Pacific?—A. No, sir.

MEETING BETWEEN WITNESS AND MR. CURTIS.

Q. You say that you met Mr. Curtis on the street?—A. Yes, sir.

Q. How long before that had you been in Sacramento?—A. I am there every two or three weeks, and frequently do not see him.

Q. It was an entirely accidental meeting?—A. Yes, sir.

Q. Did you go anywhere together or meet on the street?—A. Just met on the street.

Q. Did you go into any room?—A. No, sir.

Q. Did you see him more than once?—A. No, sir.

Q. Who opened the conversation?—A. I think he did, by asking me if I had been subpoenaed down here.

Q. He asked you if you had been subpoenaed to attend before this Commission?—A. Yes, sir.

Q. What else did he say?—A. I told him that I had not, and he said that he would not be surprised if I was.

Commissioner ANDERSON. Please tell us all that was said.

The WITNESS. I told him that I hoped I would not; that I was neutral as between the company and the Government; that I knew very little and it had been some time since, and I knew so little that I thought that I might be misunderstood for knowing so little as I did. I am farming now, and I have been farming for ten or twelve years, and my thoughts have run in a different channel from railroading or the railroads.

THE COMMISSION MIGHT WANT CONTRACT, BUT IT WAS DESTROYED.

Q. Will you describe the conversation between yourself and Mr. Curtis?—A. That was about all.

Q. There must have been something else.—A. He said that he supposed they might like to see that abstract, but that it had been destroyed.

Q. Have you not just told us that you told him or that you suggested to him that he had better destroy the memoranda, and that you did not know whether he had or not?—A. I said that he said they might like to see that abstract, but that he had destroyed it.

Q. Have you not, in the former part of this examination, stated to us in regard to those memoranda that you had suggested to your lawyer that he had better destroy the memoranda, and that you did not know whether he had done so or not?—A. I did. I only know now from hearsay. He told me he had. I instructed him two or three years ago to do so, and the question has never come up again until within this last ten days.

A GOOD THING IT WAS DESTROYED.

Q. He said it was a good thing they were destroyed, did he?—A. Yes.

Q. Was it a good thing that they were destroyed?—A. I do not know. I suppose he thought it was no use my meddling with this thing which did not concern me at all.

Q. For whom did he mean it was good; for you?—A. No. I suppose it was good for the company.

Q. Good for the company?—A. Yes, sir.

Q. That they were destroyed?—A. I suppose he meant that. I do not know what he meant.

NO KNOWLEDGE OF THE OTHER BOOKS.

Q. What became of these other books that you kept for the Contract and Finance Company?—A. I left them in the railroad office.

Q. Left them with whom?—A. With Mr. J. O'B. Gunn.

Q. Have you ever seen them since?—A. No, sir.

Q. Have you ever been called upon to make some explanations about the entries in these books?—A. No, sir.

Q. Do you know where they are now?—A. No, sir.

Q. Where is Mr. Gunn?—A. I do not know.

EMPLOYMENT OF MR. CURTIS.

Q. In regard to this employment of Mr. Curtis to defend you in the proceedings that occurred when you left the company, how long had there been trouble between you and the company before he was employed?—A. Very recently; not a month.

Q. The general nature of the difficulty was a charge that you had misapplied funds of the company, was it not?—A. Yes, sir.

Q. Was that difficulty adjusted?—A. Yes, sir.

Q. Between you and what officer of the company, chiefly?—A. I was owing them and I turned over property to them. I do not know how much it did amount to. I was tried for embezzlement.

Q. My question was, what officer of the company did you deal with in making this adjustment?—A. Mr. Harvey Brown and Judge Robinson.

Q. Had you known Mr. Curtis before that time?—A. No, sir; only by sight.

Q. Who introduced him to you with reference to defending you in this matter?—A. I think he introduced himself to me. My wife went to see him.

Q. Do you not know that he was either sent to you or introduced to you through the intervention of some officers of the Central Pacific Company?—A. No, sir.

Q. You did not meet him until after the matter between you and the Central Pacific had been adjusted; is that how I am to understand you?—A. It was not fully adjusted at that time. I think he had helped to adjust the matter.

CRIMINALLY PROSECUTED AND DECLARED INNOCENT.

Q. What part did he take in the adjustment?—A. I think by taking the property and calling the account square.

Q. How did he come to interest himself in the matter?—A. By my solicitation.

Q. How had you heard of him?—A. I had heard of Judge Curtis ever since I had been in the State.

Q. It was on his personal merits?—A. Yes, sir; as a fine lawyer. I wanted to get a good one, and I considered him the best in the State.

Q. Was the matter that was pressed against you, after the adjustment with the company, tried?—A. Yes.

Q. Was it tried on its merits?—A. It was tried on its merits.

Q. Was it litigated?—A. No. The criminal charge was tried on its merits, and through the testimony of the witnesses from the railroad company I was declared innocent of all crime.

Q. And the personal suit against you was adjusted?—A. There was no personal suit.

Q. The personal claim against you?—A. The personal claim was adjusted.

Q. Which occurred first, your acquittal or the settlement?—A. The settlement.

Q. Who appeared in this criminal prosecution against you?—A. The district attorney, Mr. Darwin.

Q. Any one else?—A. That is all, I think.

Q. And what officers of the company were examined as witnesses?—A. Judge Robert Robinson, Mr. J. O'B. Gunn, Frank S. Doty, and E. U. Wright. I do not remember any others.

10,000 SHARES IN WITNESS'S NAME.

Q. As to this Western Development Company, what stock stood in your name?—A. The company was formed by five of us, taking 10,000 of the shares each of the stock. I had 10,000 in my name.

Q. Who was the real owner; who did you represent?—A. Mr. Mark Hopkins.

Q. What became of that stock when you left the employ of the company?—A. Mr. Hopkins had it.

Q. You transferred it over to him?—A. Yes, sir.

Q. What understanding was there; what did you understand as to your relations to Mr. Hopkins as a holder of this stock?—A. I was only a nominal owner.

Q. You were to represent his wishes and carry out his views?—A. Yes, that is it.

Q. Do you say that Mr. Curtis was never in the employ of the company?—A. To the best of my knowledge.

Q. Do you know his handwriting?—A. Yes.

Q. Please look at the paper which I show you and state in whose handwriting the signature is.—A. I think that is his signature.

RECEIPT OF "N. GREENE CURTIS" TO CENTRAL PACIFIC COMPANY

Commissioner ANDERSON. In that connection I will read this in evidence.

Central Pacific Railroad Company to N. G. Curtis, Dr.

Jan. 17, 1872. For legal services in The People vs. Burke et al., in Nevada

There is a receipt at foot for the amount, dated January 17, 1872, signed "N. Greene Curtis."

The WITNESS. That was a special case which I knew nothing about.

Commissioner ANDERSON. Your statement was that to your knowledge he had never been in the employ of the company.

The WITNESS. Yes, sir; I knew nothing about it.

INDORSEMENT ON THE VOUCHER

Mr. COHEN. The indorsement on that voucher is:

C. P. R. R.

No. 101, \$500.00.

Name, N. G. Curtis.

Place, "Sac." (meaning Sacramento).

For legal services.

When paid, January 17, 1872.

Chargeable to legal expenses.

I certify that the within account, amounting to \$500.00, is correct.

NO EXTRA SERVICES

By Commissioner ANDERSON:

Q. What other business did you do for the company?—A. I do not remember any other business but the regular duties; I do not remember to have done any other business.

Q. Did you not purchase property for the company?

Q. What was the nature of the property purchased for the company; was it not in reference to the Nevada case?—A. No, sir.

NAMES CENTRAL PACIFIC OFFICERS HE HAS TALKED WITH.

By the CHAIRMAN:

Q. Have you talked with any of the officers of the Central Pacific since you have been in San Francisco concerning this case?—A. No, sir; I spoke to Colonel Haymond.

Q. Colonel Haymond is the attorney for the company?—A. Yes, sir.

Q. Who else have you talked with connected with the Central Pacific Company?—A. I only spoke in a casual way to Mr. Cohen, in the hall.

Q. Whom else did you talk with?—A. No one else that I remember of.

Q. Did you talk with Mr. Yost?—A. I did not know that he was with the railroad company now. Yes, I talked with Mr. Yost.

Q. Did you talk about the testimony that you were about to give?—A. I may have remarked that I knew very little; that it would not take me long to give it, or something of that kind.

CONVERSED WITH MR. YOST.

Q. What conversation had you with Mr. Yost?—A. We were only speaking about this case in a general way. He was Governor Stanford's private secretary at the time I was with the Contract and Finance Company. We were old acquaintances and friends, and just spoke in a general way. There was no comparing of notes or anything of that kind to see what I should testify to.

Q. Did he tell you what he had testified to?—A. No, sir.

Q. Did he tell you that he had been called as a witness?—A. Yes.

Q. Did he converse with you about the subject of his examination?—A. In our friendly talk it came up, and I said that the examination was pretty thorough. He said yes, more thorough than the papers had represented it. I told him that I had seen the papers; he did not state anything, though. He made no remarks as to any portion of his testimony.

Q. Did you talk with him about the affairs of the company at the time that you were employed by it?—A. No.

SPOKE TO THE DEPUTY MARSHAL.

Q. Who else did you talk with outside of the company since you have been here concerning this investigation?—A. I may have spoken to the deputy marshal, MacFarland, I told him I had very little to say and it would not take me very long to get through. I told him that I had very little to say, and I knew very little. It had been a long time, and I had not thought about these things, and had not cared about them.

Q. During your employment by the Central Pacific did you buy property for the company?—A. No, sir; I never was in the employ of the Central Pacific.

Q. During your employment by the other company did you buy property for yourself or for the company?—A. I bought property for myself.

Q. Did you buy property for the purpose of selling it to the Central Pacific Company or to the Western Development Company?—A. No, sir.

Q. Do you know Mr. Kennedy?—A. Yes.

Q. Was he associated with Mr. Curtis in the trial of your cause?—A. No.

Q. Did he represent you?—A. No, sir.

Q. Were you associated with him in the purchase of coal lands?—A. No, sir.

A "GO-BETWEEN" IN PURCHASING COAL LANDS.

Q. Had you ever had any interest with him in the purchase of coal lands?—A. I think I purchased some coal lands from some person through Mr. Kennedy. He was a go-between, or probably had some slight stock in some coal mine.

Q. Was the purchase for your individual account or for the account of the company?—A. My individual account.

Q. Where were you pending the negotiations between the company and your attorney?—A. I was at the railroad office.

Q. At what railroad office?—A. The Central Pacific Railroad office, corner Fourth and Townsend streets, San Francisco.

Q. Whom did you meet there?—A. I met quite a number of persons. The CHAIRMAN. I mean pending the negotiations for the settlement of your case.

The WITNESS. I mean that, too.

Q. How often were you there?—A. I was there every day for a month.

Q. Who met you there at first?—A. I think I was met by all the principal officers of the Central Pacific Railroad Company.

NEGOTIATIONS BETWEEN WITNESS AND CENTRAL PACIFIC.

Q. What was the character of the negotiations?—A. I was turning over property to them and settling up my accounts.

Q. What offer did the officers make to you?—A. They told me to make restitution and square up my account so far as I could, and they would call it square.

Q. Did it take a month to do that?—A. Very nearly.

Q. Was that the final negotiation?—A. With the company, yes, sir.

IMPORTUNED BY KENNEDY TO BUY PROPERTY.

Q. Did you talk to Mr. Kennedy about your case?—A. I may have done so. Mr. Kennedy is a man that I had very little business to do with. I met him frequently. I know that he was importuning me time and again for one thing and another—to buy some coal mines, or something of that kind—after I had left the railroad company, and I told him I had no money with which to buy, and of course he let me alone then. He was soliciting me to buy other property afterwards, but I did not buy.

Q. Was there any paper executed by the company to you?—A. No, sir.

Q. Was there any release given to you?—A. No, sir.

CALLING THE ACCOUNT SQUARE.

Q. What were the officers of the company to do for you in consideration of the property delivered up?—A. Nothing; only to call the account square.

Q. How did they square the account?—A. I do not know.

Q. What did you understand by that?—A. That it was equal to a receipt in full; they were to cancel my indebtedness and take what I had.

Q. Were all charges to be withdrawn?—A. No, sir; there was nothing said about charges; they made no charge.

Q. Was anything said about the case in the criminal court?—A. No, sir.

Q. Was the case discussed at all?—A. No.

Q. Who made the complaint in the criminal proceedings?—A. I think Fitch, or some of these newspaper men.

Q. Have you any other statement to make to the Commission?—A. No, sir.

Q. Have you any other information to give to the Commission?—A. No, sir.

The CHAIRMAN (to Mr. Cohen). Do you wish to ask this witness any questions?

Mr. COHEN. No.

PALACE HOTEL, SAN FRANCISCO,
Thursday, August 4, 1887.

D. Z. YOST, being further examined, testified as follows:

By the CHAIRMAN:

Question. Have you produced the papers that you were to bring to the Commission?—Answer. No.

Q. When will you do so?—A. This week.

The CHAIRMAN. We would like to have them at as early a date as possible.

The WITNESS. I will bring them as soon as I find them.

Mr. COHEN. What papers is he to produce?

The CHAIRMAN. All the papers or memoranda he has in his possession concerning the business of the Central Pacific.

LAW OF THE STATE OF CALIFORNIA ON EMBEZZLEMENTS.

Mr. HAYMOND. I would like to call your attention to a provision of a statute of this State, as you seem to attach some importance to what took place down there. A settlement here between a party who embezzles property is encouraged, and if that settlement is made and restitution is made before any offense is charged, the judge is bound to take that into consideration in fixing punishment; so that it is encouraged instead of being discouraged by the law of this State.

Commissioner ANDERSON. Personally, I attach no importance whatever to it so far as Mr. Miller is concerned. I only think that it is unfortunate that these books, which appear to have so vital a bearing on the real question of the cost of construction of the Central Pacific, should be missing, and that no one should be able to give us information that we could rely on as to that point.

Mr. HAYMOND. I agree with you that it is unfortunate. I think the company would give a million for them now.

The CHAIRMAN. I only want to say with reference to the testimony of this gentleman, that I regard it as important from the fact that the business of the corporation was so loosely conducted, as to allow at that time such irregularities to exist in an organization in which the Government has many millions involved.

NECESSARY TO TRUST SUBORDINATES.

Mr. HAYMOND. If you had been there for a month you would see that it was impossible to carry on that business without trusting subordi-

nates. There is not a man living on the face of this earth that could live twenty years and run any one of those departments without trusting his subordinates.

The CHAIRMAN. Our inquiries are with regard to the business methods.

Mr. HAYMOND. There is no other way in which that business can be run. These principals must trust some men and they do trust the heads of their departments. If you would stay there a week you would see that it was impossible to do anything else. My judgment is that they have saved money by that sort of confidence, although sometimes they have lost.

COMMISSION WILL SUBMIT REPORTS OF EXPERTS.

Mr. COHEN. I would like to know from the Commission whether they intend to submit to us the reports of their experts, or whether the Commission intends merely to annex them to its report. I mean the reports of the experts on the books and accounts of the Central Pacific.

The CHAIRMAN. We have no objection to submitting to you any papers or documents that we may have from the accountants, but they will not be ready, probably, until the first of October, when the balance sheets are taken off.

Mr. COHEN. There may be some things which we could explain to you.

Commissioner ANDERSON. Of course any paper or copy of a paper taken from your books that requires explanation will be submitted to you, if you desire it.

Mr. COHEN. We want to have an opportunity of explaining to you.

Commissioner ANDERSON. We shall hardly receive them until October, but we shall be very glad to see you, gentlemen, in New York in September.

Mr. COHEN. I shall be there, sir.

PALACE HOTEL, SAN FRANCISCO. Thursday, August 1, 1895.

W. E. BROWN, being duly sworn and examined, testifies as follows:

By Commissioner ANDERSON:

Question. Where do you reside?—Answer. In San Francisco.

Q. What is your occupation?—A. I am an accountant.

Q. Are you in any special employ, or are you a general accountant?

A. I keep the private accounts of Messrs. Stanford, Hopkins, and Hopkins, as they relate to each other.

Q. How long have you kept them?—A. For years.

Q. Have you been in the employ of the ~~Central Pacific~~ and ~~San Francisco~~ company?—A. Yes, sir.

Q. When was that?—A. From 1868 to 1870.

Q. Where was your office?—A. In San Francisco.

Q. During the whole period of your employment?

Q. Were you never in their employ in San Francisco?

WITNESS'S CONNECTION WITH ~~THE~~ ~~STANFORD~~ ~~HOPKINS~~ ~~AND~~ ~~HOPKINS~~ ~~COMPANY~~

Q. What was your position?—A. I was secretary of the Contract and Finance Company.

Q. How long did you hold that position?—A. From 1868 to 1873.

Q. Were you always at the same place in Sacramento?—A. Yes, sir.

Q. Did you occupy more than one room?—A. Yes; we had two rooms.

Q. Where were those rooms?—A. They were over Huntington & Hopkins' hardware store.

Q. Were they both rooms in which work was done?—A. No; one room was a store room and the other an office.

Q. Then you worked in the office room?—A. Yes.

Q. Who was in the office room besides yourself?—A. The clerks that I had at different times.

WITNESS'S ASSOCIATES IN THE OFFICE.

Q. Please give the names of those you had after 1871?—A. Ralph Smith was a clerk at one time, and a Mr. Moore was a clerk, and John Miller.

Q. Is Mr. Ralph Smith living?—A. I think he is dead.

Q. Mr. Moore is dead?—A. Mr. Moore is dead.

Q. And Mr. Miller is the last witness?—A. Yes, sir.

Q. What had you been doing before you entered the employment of the Contract and Finance Company?—A. I was private secretary to the governor of the State; Governor Low.

Q. Had you done any business for either Mr. Stanford, Mr. Crocker, Mr. Huntington, or Mr. Hopkins?—A. I was private secretary for Governor Stanford when he was governor.

Q. In 1861?—A. In 1861.

Q. Did you do any other business for any of these gentlemen between 1861 and 1868?—A. No, sir.

Q. Or any for the Central Pacific Railroad Company?—A. No.

Q. Or for any associate company?—A. No.

DATE OF EMPLOYMENT.

Q. In what part of 1868 did you enter into the employ of the Contract and Finance Company?—A. I think in the spring.

Q. Had you anything to do with the firm of Crocker & Co. before that time?—A. No.

Q. Had you examined any of their books?—A. No.

Q. Were you acquainted with Mr. Charles Crocker?—A. Yes.

Q. How well?—A. Meeting him every few days.

Q. Were you intimate with him?—A. Not at that time.

Q. How did you come to obtain the position of secretary in the Contract and Finance Company?—A. I think through Governor Stanford.

Q. Did he come to see you about it?—A. Yes, sir.

APPOINTMENT THROUGH GOVERNOR STANFORD.

Q. Will you, in brief, tell us how the appointment was made?—A. Governor Stanford told me that he had determined to organize a construction company for the purpose of building the Central Pacific Railroad from the State line eastward; that the work would be very extensive and it would be very necessary to do it more rapidly than it had ever been done before. He desired to organize a construction company, in order to get other capital interested with him and his associates to take stock in this construction company and assist them in carrying on the work.

Q. Please state how that led to your employment as secretary?—A. He asked me then to have a company organized, leaving the details of its organization to me, and I with Theodore J. Milliken and B. R. Crocker had the company incorporated.

Q. In connection with the subject of doing this through a construction company, was any allusion made to the difficulty of getting capital to embark directly in the enterprise by reason of the personal liability of the stockholders?—A. Yes.

Q. That subject was alluded to?—A. Yes, sir; that was alluded to, and it was more particularly alluded to from the fact that he desired to get prominent capitalists in San Francisco and Sacramento to take stock in this construction company.

Q. Did he suggest the names of the incorporators?—A. Yes, sir.

WHO SUBSCRIBED FOR THE STOCK.

Q. Did the incorporators themselves take the stock of the Contract and Finance Company in equal shares?—A. Yes.

Q. How many were there?—A. Three.

Q. Was that not subsequently increased to four?—A. No.

Q. Did they each take one-third?—A. Yes; I think they did.

Q. Please repeat their names?—A. B. R. Crocker, Theo. Milliken, and W. E. Brown.

Q. Was the stock taken in your name, the third?—A. Yes, sir.

Q. Did you pay anything for it?—A. No.

Q. Whose stock was it understood to be?—A. The whole stock was understood to be for Governor Stanford, Mr. Hopkins, the two Mr. Crockers, and Mr. Huntington.

Q. And you three gentlemen acted for them and represented them?—A. Yes, sir.

NO REASON ASCRIBED FOR SUBSCRIBING THROUGH OTHERS.

Q. What reason was assigned for not taking this stock directly in the names of the parties really interested?—A. I do not think any reason was assigned.

Q. Is that your best recollection?—A. Yes.

Q. Your best recollection is that the subject was not discussed?—A. My recollection is that there was nothing said on the subject.

Q. Were you at that period a man of substance or wealth?—A. I had some property.

Q. How was it as to these other gentlemen; was Mr. Milliken a man of means?—A. Yes, sir; he was a merchant in Sacramento.

Q. How was it as to the second, Mr. Crocker?—A. He had means.

Q. Is it your judgment that the object of doing the business in that way was to avoid personal responsibility on the part of the principals?—A. I do not know what their object was.

Q. Did you immediately enter on your new duties?—A. Yes, sir.

Q. Then it must have been at the very inception of this work that you went in and that you organized?—A. Immediately.

WITNESS PREPARED THE BOOKS OF THE CORPORATION.

Q. Who prepared the set of books that were to be kept?—A. I prepared them.

Q. What books did you select?—A. A cash-book, a ledger, journals, day-books, and time-books.

Q. The usual books appropriate to that business?—A. To an incorporation; yes, sir.

Q. How soon after you had the books prepared was the contract entered into between the Finance Company and the Central Pacific?—A. I think within a week.

Q. Were you present at the meeting when it was voted?—A. I was at the meeting of the Contract and Finance Company.

Q. Were copies sent in to your company from the other company?—A. Yes, sir.

Q. Where was the Central Pacific Company's office?—A. In the same building, across the hall from the Contract and Finance Company's office.

Q. And you kept a copy in your own office?—A. Yes, sir.

DISAPPEARANCE OF CONTRACT BETWEEN CONTRACT COMPANY AND CENTRAL PACIFIC.

Q. Do you know where that contract is?—A. I do not.

Q. Was it with the other papers of this company?—A. Yes, sir.

Q. And disappeared with them at the same time that they disappeared?—A. I do not know as to that.

Q. How long did you see it afterwards. Had you not had occasion to make frequent reference to it?—A. Yes, sir; very often.

Q. During the whole of this work?—A. Yes, sir.

Q. Where did you keep it?—A. I kept it in my safe.

Q. What sort of a safe had you?—A. I do not remember the name, but it was a very large safe.

Q. Was it large enough to keep all the books which you had in that office?—A. Yes, sir; all the general books. I did not keep the minor books there.

Q. Did you customarily keep the general books in the safe?—A. Yes.

Q. When did you last see that safe?—A. I saw it in the fall of 1873.

Q. The safe?—A. Yes, sir.

TERMS OF THE CONTRACT.

Q. Do you recall or remember the terms of this contract between the Contract and Finance Company and the Central Pacific?—A. Yes, sir. Commissioner ANDERSON. Please state them as nearly as you can.

The WITNESS. The Contract and Finance Company were to build the road from the State line eastward—to do all the work, the engineering, grading, bridging, &c. They were to lay the track, build and complete a telegraph line, furnish telegraph offices and instruments, furnish buildings necessary for the section hands, furnish necessary round houses, turn-tables and so many (I have forgotten the number of) engines, cars, and running material per mile; but whatever was necessary for the road and machine-shops.

Q. Furnishing and laying rails?—A. Yes, sir.

Q. Do you remember what the weight of the rails was?—A. It was, I think, 60 pounds to the yard; at least 60 on heavy grades and 56 on the level.

Q. Iron or steel?—A. Iron.

Q. Were they to furnish ties?—A. Yes, sir.

Q. Were they to pay all the transportation on the line of the road?—A. Yes, sir; beyond the State line.

Commissioner ANDERSON. Continue your statement of the terms of this contract.

The WITNESS. I think that was about all that the Contract and Finance Company agreed to do.

AGREEMENT OF THE CENTRAL PACIFIC.

Q. What did the Central Pacific agree to do?—A. They agreed to pay.

Q. On what?—A. They agreed to pay for this work \$86,000 a mile.

Q. In what way? On what certificates?—A. \$43,000 in cash and \$43,000 in the stock of the Central Pacific Railroad Company.

By Commissioner LITTLER:

Q. Did that contract extend from the State line through to Ogden? You said eastward.—A. Eastward until the connection was formed with the Union Pacific.

By Commissioner ANDERSON:

Q. On what certificates, or how were they to pay?—A. They were to pay when the sections were accepted by the Government.

Q. Did you keep an account of that construction from the commencement to the end?—A. Yes, sir.

PARTIES IN CHARGE OF CONSTRUCTION.

Q. Who had charge of the construction?—A. J. H. Strowbridge had charge of the grading and the track laying, and Arthur Brown of the bridge construction and of the buildings.

Q. Are both these gentlemen living?—A. Yes, sir.

Q. And did they have charge during the whole period, from the beginning to the end?—A. Yes; they did.

Q. Did they report to you?—A. Yes.

Q. How frequently?—A. Every month.

Q. In the form of detailed statements of the work done by them?—A. Yes; and in the form of pay-rolls.

Q. Where were those pay-rolls kept?—A. They were kept in my office.

Q. In what part of your office; I mean, were they kept in the safe or on the shelves?—A. They were kept on the shelves in the second office or storeroom.

Q. We will take Mr. Strowbridge first. What other reports did he make besides the pay-rolls?—A. His reports were confined to grading and track laying.

Q. Was any portion of the work sublet to other parties? I mean of Mr. Strowbridge's work?—A. No, sir.

MR. STROWBRIDGE'S DEPARTMENT.

Q. State a little more definitely the distinction between these departments. What was Mr. Strowbridge's department?—A. Mr. Strowbridge's department was grading and track laying; Arthur Brown's was bridge-building, and the building of structures for sheds, and turntables, and other structures where timber was required.

Q. Who had charge of the masonry?—A. Now that Mr. Strowbridge employed.

Q. Under Mr. Strowbridge?—A. Yes, under Mr. Strowbridge.

Q. In addition to the pay-rolls, they must have reported the price of materials to you.—A. Yes; all the materials that they purchased the road were reported to me.

WITNESS PURCHASED SUPPLIES.

Q. Who purchased the materials?—A. I purchased all the supplies.

Q. Do you mean the supplies for feeding the men?—A. Yes, the supplies for feeding the men and the teams.

Q. Who purchased the stone for the masonry?—A. I do not think that was purchased. I think they found it in the mountains, on or near the line of the road.

Q. Who purchased the cement?—A. I purchased it.

Q. Who purchased the iron rails?—A. They were bought by the Contract and Finance Company, through the purchasing agent, in New York, of the Central Pacific.

Q. Through Mr. Huntington?—A. Through Mr. Huntington.

Q. Who purchased the ties?—A. I bought those—made contracts for them.

Q. As to those matters which you purchased directly, there was no report made to you except the vouchers for the payments?—A. That is all, sir.

MR. BROWN'S DEPARTMENT.

Q. Now, as to Mr. Brown's contract, did he also have the pay-rolls to report?—A. Yes, sir; the pay-rolls of his carpenters and mechanics.

Q. Who purchased the material used by him?—A. He contracted for that through the mills.

Q. He purchased it, then, for the account of the Contract and Finance Company?—A. Yes, sir.

Q. And he reported such purchases in the form of vouchers?—A. Yes, sir; he would make contracts for large amounts of lumber and timber to be delivered from time to time, and when it was delivered he would turn in the vouchers to me.

Q. Who paid for all this material?—A. I paid for it.

Q. With what checks?—A. With my own checks.

Q. You mean your own individual checks?—A. Checks as secretary and treasurer of the Contract and Finance Company.

Q. Where did they keep their accounts?—A. They kept account at the bank of D. O. Mills & Co., in Sacramento, and at the Bank of California in this city.

Q. Are the books of those banks still in existence?—A. I suppose they are.

DISPOSITION OF THE BOOKS.

Q. What other books did you have in this office beside those books that you were keeping?—A. We had no books there except the minute books of the proceedings of the board of directors, and the time-books.

Q. Did you have no other books, kept in boxes or in a locker there?—A. After every two or three months, whenever the time-books were used up, they were packed away into a store-room in the office.

Q. Have you heard the testimony of Mr. John Miller, who has just left the stand?—A. Yes, sir; I have heard the latter part of it.

Q. Did you hear him state that in that room in a locker there, were the books which had been used by the firm of Crocker & Co.?—A. I did not hear him state that.

Q. Is that statement true?—A. I think there were books there. I never opened any of them.

Q. Where were these books?—A. They were in a store-room where we kept books and papers that we considered of no use; just across the from the main office.

Q. He used the expression "in a locker"; what locker was that?—A. I do not know what he meant by that. There was a small room with shelves where papers and books could be stored.

MR. MILLER EMPLOYED AS BOOK-KEEPER AND SECRETARY.

Q. When did you first become acquainted with Mr. Miller?—A. I think it was in 1871.

Q. How did you become acquainted with him?—A. I was short of hands in keeping time-books and keeping accounts, and inquired of some of our men for a good clerk to look after that branch of our business, and he was recommended to me. I liked his appearance very much and employed him.

Q. What books did you first put him on?—A. The time-books.

Q. How long did he remain on the time-books?—A. I think about a year and a half.

Q. What then happened?—A. Then he kept the regular books.

Q. Was he appointed secretary then?—A. He was appointed secretary when I left.

Q. And he was put on the regular books before he was appointed secretary?—A. Yes.

Q. How many journals or day-books had been filled in between the time you started and the time Mr. Miller commenced?—A. I think that there were two sets before Mr. Miller took possession of the books. Books filled very rapidly while we were doing a large amount of business.

Q. How large were these books?—A. The ordinary size of mercantile ledgers and journals.

Q. Containing about how many pages each; five or six hundred?—A. No; not as much as that; I did not have books so cumbersome; there were probably three hundred pages.

Q. Enumerate the books that you kept.—A. A ledger, a journal, and a cash-book were the principal books; I think in all there were three sets of those books.

Q. Your recollection is that they would all fit in this safe?—A. They were not all in the safe, except during the time they were being kept.

Q. After they had been filled, where were they placed?—A. They were placed in the store-room, right across the hall.

Q. And the books that were in actual use were kept where? Were they kept in the safe?—A. Yes, sir.

NEW SET OF BOOKS PREPARED BY WITNESS.

Q. Do you remember preparing a new set of books for Mr. Miller?—A. I remember preparing a new set of books about the time he took possession of them. Not especially for him.

Q. Were they a new set?—A. Yes, sir; a new set entirely.

Q. Were all the balances from the preceding set transferred to this new set?—A. All except such as had been closed.

Q. In whose handwriting were the first entries of this new set of books?—A. In mine.

Q. How long were you engaged in that work?—A. I think about a month.

Q. Did you do it all yourself?—A. Yes, sir.

Q. Do you remember the occasion when the work of transferring these balances was completed?—A. It was some few weeks before I left the employment of the company.

Q. Do you remember the occasion of telling Mr. Miller that the books were ready for him, and putting him in charge?—A. I think it was about a month before I left the employment of the company that I gave him charge of the books.

Q. That did occur?—A. Yes, sir.

BOOKS PUT IN THE STORE-ROOM BY WITNESS.

Q. Just at the time that you were engaged making these transfers, and at the time that you completed the transfers, what disposition did you make of the books in which the entries were taken?—A. I put them in the store-room.

Q. Did you put them in with your own hands?—A. Yes, sir.

Q. What part of the store-room?—A. I put them on the shelves of the store-room where I had put the books nearly a year before—another set that I had filled.

Q. Do you recall an occasion when (those books being in the office) Mr. Miller went out to lunch, leaving you in the office, and his returning shortly afterwards and finding the books missing?—A. No, sir.

Q. Have you heard his testimony?—A. I heard it; yes, sir.

Q. Did nothing of the kind happen?—A. I do not remember anything of the kind.

EXAMINED IN STEWART CASE AS TO BOOKS DISAPPEARING.

Q. Were you examined in the Stewart case, Mr. Brown?—A. Yes, sir.

Mr. COHEN. Do you want to read that deposition?

The WITNESS. If he asks me any questions from it.

Q. Were you asked this question in that case: "Do you know what became of these books and papers?" (referring to the books and papers of the Contract and Finance Company).—A. I think I was asked that question.

Q. What answer did you make?—A. I cannot tell exactly the answer I made.

Q. Well, what answer would you make if I put the question to you now?

The WITNESS. What is the question?

NO KNOWLEDGE OF CONTRACT AND FINANCE BOOKS.

Commissioner ANDERSON. The question is, Do you know what became of the books and papers of the Contract and Finance Company?

A. I have stated that I put the books on the shelf of the store-room of the company.

Q. Now, I ask you, do you know what became of them?—A. I do not.

Q. Have you made any search for these books?—A. Yes, sir.

Q. When did you make the search for them?—A. I think I made the search when I was called upon to testify in that case. I was asked to make a search for them, and I went to Sacramento and spent a day searching the store-houses of the company.

Q. Into whose possession did these books pass when you gave them up or ceased to have them?

Mr. COHEN. What are you reading from?

Commissioner ANDERSON. I am reading from Mr. Brown's examination in the Stewart case.

The WITNESS. I should like to look at that. That was a good many years ago.

Mr. COHEN. Where does that book come from?

Commissioner ANDERSON. It came from my room.

Mr. COHEN. Where did you obtain that from; from whose possession?

Commissioner ANDERSON. You did not give it to me.

Mr. COHEN. From whose possession did that deposition come?

Commissioner ANDERSON. If you want to know whether the book is a genuine book, I assure you that it is.

Mr. COHEN. How do you know that it is?

Commissioner ANDERSON. I know it from the character of the gentleman from whom I received it.

Mr. COHEN. Who was that gentleman?

Commissioner ANDERSON. I am not prepared to say at present.

Mr. COHEN. I think we ought to know where evidence of that kind comes from, if it is to be used in this examination.

The WITNESS. I should like to look at that evidence to see if it will refresh my memory at all.

Commissioner ANDERSON. You shall see it.

CONSIDERED BOOKS IN POSSESSION OF JOHN MILLER.

Q. In whose possession did those books pass when you gave them up?—A. I considered that they passed into the possession of Mr. Miller; that everything in the two offices went into his possession.

Mr. COHEN. I would say to the gentlemen of the Commission that when a paper of that kind is to be produced, and the witness is to be charged with a statement therein contained, we have a right to know where it came from.

Commissioner ANDERSON. I am not charging the witness with anything.

Mr. COHEN. We are entitled to see the paper.

Commissioner ANDERSON. I am not using it now. What is the answer?

The WITNESS. My answer was that I considered them in the possession of John Miller; all the books and papers in the two rooms.

Q. Why do you say that you considered them in his possession? Were they in his possession, to your knowledge?—A. He was appointed secretary of the company.

Q. Had you seen these books in his possession and control?—A. I had not seen them in his hands; I have not seen anything in his hands.

Q. Had you indicated to him in any way where the books were?—A. I indicated to him that he was appointed secretary of the company, and that he had charge of the two rooms and everything in them.

REASON FOR PREPARING NEW SET OF BOOKS.

Q. Why did you prepare this new set of books for him?—A. Because the old set was full and the contracts were complete.

Q. What contracts?—A. The contracts with the Central Pacific Railroad Company.

Q. Were there no other contracts in those old books?—A. Yes; there was an uncompleted contract with the Southern Pacific which was not referred; all the accounts which were not completed were transferred.

Q. How many did they number?—A. I should think they were one hundred and fifty, perhaps.

Q. Uncompleted accounts?—A. Uncompleted accounts; yes, sir.

Q. Why could not Mr. Miller have continued the old books as they stood?—A. They were full. As I told you, that was the second set that I had filled and transferred to new books and put away.

Q. Do you mean to say that all these one hundred and fifty accounts were all full?—A. Not entirely, but the pages were filled; what would be called by a book-keeper full. New books were necessary.

Q. When did you first hear that these books were missing?—A. I think it was at the time of the Stewart trial.

Q. You never heard it mentioned before?—A. No, sir.

Q. Have you heard Mr. Douty's testimony the other day, that on an occasion in Sacramento City, when he was there, Mr. Mark Hopkins was engaged in packing these books into boxes?—A. No, sir; I did not hear that testimony.

Q. Have you never been spoken to in any litigation—the Colton litigation or other litigations—in reference to the disappearance of these books?—A. Very frequently since the Stewart trial. All those litigations have been since the Stewart trial.

EXAMINED IN ROBINSON'S CASE AS TO BOOKS DISAPPEARING.

Q. You were examined in the Robinson case, were you not?—A. I think so.

Q. You were examined in the Robinson case as to these books?—A. I was examined in the Robinson case. I have been examined in pretty much all of these cases.

Q. Were you examined in the Robinson case as to the disappearance of these books?—A. Yes, sir.

Q. When was the Robinson case tried?—A. I do not remember the year.

Q. When were you examined?—A. I do not remember the year.

Q. Well, was it not eight or ten years ago?—A. Yes, sir. There have been several trials in connection with the Central Pacific Railroad affairs where I have been examined and on the subject of those books.

Q. You have just stated, apparently from an inadvertence, that you had never heard that these books had disappeared until the Stewart trial?—A. I think the Stewart trial was the first time—the first Stewart trial.

Q. Were you not examined in the Robinson case many years before the first Stewart trial?—A. That might be; I do not remember. I have not a distinct recollection of the sequence of those trials. I know I have been examined four or five times on different occasions with regard to the disappearance of those books.

Q. Who examined you in the Robinson case?—A. I do not remember that. I think Mr. Cohen.

Q. Before whom was it; before what court or notary?—A. I do not remember that.

Q. Have you no copy of what you swore to?—A. No, sir.

Q. Do you know where the deposition is?—A. No, sir.

Q. Do you know what you swore to then?—A. No, sir.

DISAPPEARANCE OF BOOKS.

Q. Well, was that occasion of your examination in the Robinson case the first time that your attention had been called to the disappearance of these books?—A. If that was the first case that came up when I was

examined that was the first time that I ever knew anything of the disappearance of the books. As I have stated, I do not remember the sequence of those trials—which was first and which was last.

Q. Now, you have stated that you have made some search for these books and papers. What search have you made?—A. I searched through the rooms that I speak of—the storeroom at Sacramento and through the warehouse of the railroad company, where a large amount of books and papers were stored in Sacramento, and through the storehouse down at Fourth and Townsend, where a large number of books and papers were stored.

Q. Describe the storehouse at Fourth and Townsend more particularly.—A. It is a storeroom in the third story of the building where books and papers are stored.

Q. Are there no other storerooms in that building which contain books and papers in which the Central Pacific is interested?—A. I do not know of any room where disused papers are stored except that room.

Q. Who told you where to look?—A. I think I asked Mr. Miller, the secretary, where he kept his disused papers.

Q. Mr. John Miller?—A. Mr. E. H. Miller, jr.

Q. Have you looked through any places where Mr. Miller keeps his papers?—A. No, sir.

Q. When did you make this search?—A. I made it about the time of the first trial I spoke of, where I was a witness.

HOW THE COMMISSION CAME INTO POSSESSION OF CERTAIN EVIDENCE.

Commissioner ANDERSON. Now, Mr. Cohen, if you want to look at that, here is the volume.

Mr. COHEN. I would like to know if this book came from the possession of Mr. Joseph H. Choate. I submit to the chairman and gentlemen of the Commission that we are entitled to know where this evidence came from, for the purposes, among other things, of determining its genuineness, and also for the purpose of determining (I say it with all due respect) how close this Commission is with gentlemen who have litigations against this company.

Commissioner ANDERSON. We have nothing to do with litigation. It was furnished to me out of courtesy entirely. I knew all about it from seeing the books and papers. Mr. Choate is a very old friend of mine and I asked him to lend it to me.

Q. I call your attention now to the fact that when asked in the Stewart case whether you had made any search for the books and papers you answered no. Which answer is correct, according to your present recollections?—A. Well, I think I made search—

Mr. COHEN (interposing). Wait one minute. We make this point, and desire to have it noted and ruled upon by the Commission, that under the laws of this State, when a witness is to be examined upon any deposition which he has previously given or his evidence is to be contradicted by statements contained in the deposition, that he is entitled to be shown the original paper in which his evidence is contained and which is signed or has been approved or sworn to by him. The act of Congress recognizes these State laws as preferable to testimony taken in tribunals within this jurisdiction or within this State.

COMMISSION NOT SEEKING TO IMPEACH WITNESS.

Commissioner LITTLE. We are not seeking to contradict this witness. He is our witness and we do not want to impeach him.

Mr. COHEN. The witness says he had made a search and now you seek to show to the contrary.

Mr. HAYMOND. He has stated according to that that he did not make search. He may never have sworn to that in the Stewart case. He is entitled to know before you cross-examine him that he has so sworn, and no court, either Federal or State, except sitting in equity, can admit testimony until the original document has been produced and shown to the witness.

Commissioner ANDERSON. We do not use it to contradict him.

Mr. HAYMOND. Well, it goes into the record and the original deposition should be produced. It is not fair to the witness. So many mistakes creep into printing these records. That occurs here so frequently that we are cautious. If you could yourself assert that it is correct it would be different.

Commissioner ANDERSON. I cannot do that.

ANY TESTIMONY ADMISSIBLE WHICH THROWS LIGHT ON THE SUBJECT.

The CHAIRMAN. The chair would say, without delivering an opinion as to the admissibility of this testimony, that any testimony throwing any light upon the subject under investigation is admissible and proper. If you disagree with that we will give you an exception, if you desire to take it.

Mr. HAYMOND. But that is not the point. You cannot admit hearsay evidence here. If you say this book is correct we will take your word for it; but until you do that we ask for the record itself to be produced, which the witness is entitled to see, because there might be something in the original record which explains his testimony. I think the law of New York is the same as that of California.

Commissioner ANDERSON. The law of New York would not allow the use of a book without the production of the original, but it does not require you to show it to the witness. I will proceed. I am not disposed to make any serious question on that.

INQUIRIES ABOUT MISSING BOOKS.

Q. Now, whenever it was that you discovered these books to be missing, what conversation did you have with any of the officers of the company about them?—A. I do not think I had any with any of the officers of the company.

Mr. COHEN. Which company are you inquiring about?

Commissioner ANDERSON. Either the Central Pacific Company or the Contract and Finance Company.

Q. You had no talk with any of them?—A. No, sir.

Q. Have you ever had any talk with any of them?—A. I think I told Governor Stanford at the time, or soon after, that I had made search for those books and could not find them.

Q. What did he say?—A. He said he thought it was very strange that they should disappear in that way.

Q. When was that conversation with Governor Stanford?—A. After I had made a search for them.

Q. Some years ago?—A. Yes, sir.

Q. Has he spoken to you about it within the last few weeks?—A. No, sir.

Q. Has he ever spoken to you again about it?—A. No, sir.

Q. Have any other officers of these companies spoken to you about it?—A. No, sir.

Q. Do you know whether any search has been made by the officers of the company to find these books?—A. No, sir.

A MILLION DOLLARS FOR A SET OF BOOKS.

Q. Have any clerks been to see you to find these books?—A. No, sir.

Q. Nobody has offered you \$1,000,000 for them until you heard the offer made in this room awhile ago?—A. No, sir.

Commissioner ANDERSON. Some gentleman made that offer.

Mr. HAYMOND. I say the company now will give \$1,000,000 for them.

Commissioner ANDERSON. The offer is repeated. Mr. Brown, now is your chance.

The WITNESS. I would like to be able to produce them. I should like for my own satisfaction to see them.

Q. Have you ever given any instructions about the removal of these books to anybody?—A. No, sir; never.

Q. Have you ever taken those books to Europe with you?—A. No, sir.

Q. Do you deny that you took those books to London with you?—A. I do.

Q. Or to Paris?—A. I do.

Q. Or that you took boxes away without knowing what their contents were?—A. I do. I took nothing to London or Paris or out of this State but wearing apparel.

Q. And your statement is that you have absolutely no knowledge whatsoever about the whereabouts of those books?—A. That is my positive statement.

CLASS OF ACCOUNTS KEPT IN THE BOOKS.

Q. What was the general class of accounts contained in those books?—A. There were accounts kept called the Tie account, the Rail account, the Fence account, the Grading account, the Masonry account, the Telegraph-wire account, the Telegraph-poles account, and the accounts for the construction of section houses, of round houses, and the construction of all those houses and structures that were necessary. There was an account of rails purchased and laid and of spikes. They were all kept separate, in order to get at the cost of each.

THE TRUCKEE LUMBER MILLS.

Q. Will you enumerate the names of persons with whom you or Mr. Strobridge or Mr. Arthur Brown had dealings in relation to this construction.—A. We had dealings with the Truckee Lumber Company.

Q. What is the full name?—A. The Truckee Lumber Company is one.

Q. Located at Truckee?—A. Yes, sir; on the Truckee River.

Q. Is that company still in existence?—A. I think it is.

Q. Who was its manager at the time?—A. E. J. Brickell.

Q. Is he living?—A. I think so; and we had dealings with all lumber mills on the Truckee. I cannot remember their names.

were obliged to build two or three saw-mills ourselves in order to get ties rapidly enough.

Q. That was for ties?—A. Ties and timber.

Q. State the names of some of the foremen of the gangs of men employed by Mr. Strobridge.—A. I could not remember those.

Q. You remember no names?—A. No, sir; no names of foremen.

Q. Do you remember the names of anybody in charge of the pay-rolls?—A. I cannot remember them. They were all certified to by the chief of the department, either by Arthur Brown or else by J. H. Strobridge. With their signatures, I was satisfied that they were correct.

PROMINENT PEOPLE DEALT WITH AS TO MATERIALS.

Q. Just state any other names of prominent people that you dealt with for materials. Did you deal with Huntington & Hopkins.—A. Huntington, Hopkins & Co. we bought of.

Q. What materials did you buy of them?—A. Hardware and shovels, and we bought groceries of Lindley & Co. and Booth & Co.

Q. Located where?—A. At Sacramento.

Q. From whom were the rails purchased by Mr. Huntington?—A. I do not know who they were purchased from.

Q. Did those purchases include all the other iron required—spikes and washers, &c.?—A. Yes, sir.

Q. And fish-plates?—A. Yes, sir.

PRICES OF RAILS, ETC.

Q. Do you remember the run of prices of these things at all?—A. No, sir; I do not. I think that our rails cost us laid down at the end of the track all the way from \$115 to \$150 a ton.

Q. Do you give those prices as extending all the way from Sacramento to Ogden?—A. No, sir; from the State line eastward.

Q. From the State line to Ogden?—A. No, sir; eastward. It did not go to Ogden.

Mr. COHEN. What price did you say?—A. I think from \$115 to \$150 a ton.

By Commissioner ANDERSON:

Q. Does that include the spikes, fish-plates, and washers, or merely the rails?—A. So much a ton for rails. The fish-plates, nuts, washers, and spikes would cost more.

Q. What was the average price paid for ties?—A. I think that the ties were from 40 to 55 cents delivered at Truckee, and then the transportation eastward to the end of the track, the cost of that added.

COST OF TRANSPORTATION ADDED.

Q. You say the cost of the transportation from the Truckee eastward was added?—A. Yes.

Q. Who fixed their rate?—A. It was transported by the trains of the Construction Company.

Q. Was the payment made to the Central Pacific or to the Finance Company itself?—A. No, sir; just the cost of running the train, which was very heavy, on account of the difficulty of getting fuel and water.

Q. In whose operation was the road as it progressed from 1863 to May, 1869?—A. When it was completed by the Government it was put into the hands of the Central Pacific Company.

Q. And then as you built beyond the Central Pacific you would charge transportation up to the point at which it had been delivered to the Central Pacific?—A. No, sir; they did not charge transportation.

Q. Who charged transportation?—A. There was no transportation charged. I spoke of the cost of the transportation as the actual cost of fuel and water that the Construction Company was obliged to go to in order to get this material forward.

NO TRANSPORTATION CHARGED AFTER ROAD WAS DELIVERED TO CENTRAL PACIFIC.

Q. Do you mean to say that the Construction Company took charge of transportation over that part of the road which had been delivered to the Central Pacific?—A. No, sir; beyond that part which had been delivered.

Q. After you had got east of the Humboldt and had delivered to the Humboldt, who charged for transportation between the Truckee and Humboldt?

The WITNESS. After the road was delivered to the Central Pacific? Commissioner ANDERSON. Yes.

The WITNESS. There was no charge.

Q. Are you positive about that?—A. I think the agreement in the contract was that the transportation should be free after the road was completed.

Q. Is it your statement that the cost of transportation from the point where the road had been delivered to the point where the material was to be used brought the price of rails up to beyond \$115?—A. No.

Q. You meant the cost from New York?—A. Yes, sir; I did not say the transportation brought it up to that price; but you asked the cost of rails, and I told you I thought it varied from about \$115 to about \$150 a ton.

Q. And you included the price of transportation in the same way?—A. Yes, sir.

Q. And what was the cost of the rails in New York?—A. That I do not remember.

CONTRACT AND FINANCE COMPANY DOING BUSINESS ON BORROWED CAPITAL.

Q. Had the stockholders put in any money?

The WITNESS. In what?

Commissioner ANDERSON. In the Contract and Finance Company?

A. No, sir; they did not at the commencement of it. Afterwards they put in money.

Q. In what form?—A. They borrowed it.

Q. In what form was it put in? Was it a subscription to the stock, or was it a loan to your company?—A. They put it in as a loan to the company.

Q. How many persons made these advances?—A. Five.

Q. Did they advance equal amounts?—A. No.

Q. Did the amounts vary?—A. Yes.

Q. They drew out and put in again?—A. Yes.

Q. Which made the largest advances?—A. I do not remember.

Q. Do you remember the aggregate amount of the advances of the five?—A. I do not.

Q. Can you give no estimate?—A. It varied at different times.

INDEBTEDNESS OF THE CONTRACT AND FINANCE COMPANY.

Q. Between what limits?—A. The Contract and Finance Company, within a month or two after its organization to the time of its disincorporation, was indebted to various parties from \$1,000,000 to \$5,000,000 at different times.

Q. When you say to different parties, do you mean these five gentlemen?—A. No; I mean to them and to the banks and to lenders of money.

Q. Name your creditors.—A. The Capital Savings Bank of Sacramento was one, and the French Bank at San Francisco was another. There was also Michael Reese, a prominent money lender here.

Q. In San Francisco?—A. In San Francisco. Those are a few that I remember. About everybody that had any money to lend we owed.

LOANS MADE ON NOTES INDORSED BY STOCKHOLDERS.

Q. How did you make those loans? In what form? On notes?—A. By giving notes of the company, indorsed by the stockholders.

Q. Indorsed by these five gentlemen, or some of them?—A. Yes, sir.

Q. On what collateral?—A. No collateral. We tried Central Pacific stock, but they did not want that at any price.

Q. Did you borrow money in New York?—A. No.

Q. What use was made of the Government bonds?—A. I do not know.

Q. You merely received cash from the Central Pacific?—A. Yes.

Q. And you say that the amounts would run from one to five millions?—A. During the time of its organization.

Q. What rate of interest did you allow on these loans to the stockholders or to the gentlemen who made the loans?—A. The customary rates that we had to pay the banks and money-lenders was about 12 per cent. per annum at that time.

Q. And that was the rate that you paid to Mr. Huntington and Mr. Stanford, and the others?—A. Yes.

FAILURE TO BORROW ON CENTRAL PACIFIC STOCK.

Q. You say you tried to borrow money on the Central Pacific bonds?—A. No, sir; on the stock. The Contract and Finance Company never had any of the Central Pacific bonds.

Q. Did you never borrow on the Central Pacific stock?—A. No, sir.

Q. At any time before the completion of the road?—A. Never.

Q. How much stock did you receive in all?—A. I do not remember the exact amount. We received \$43,000 a mile.

Q. And how many miles did you build?—A. We built about 550 miles, I think.

Q. Between the east boundary of the State and the termination of the road?—A. Yes, sir.

Q. That makes over \$23,000,000 of stock?—A. Whatever it would be at \$43,000 a mile.

Q. You received all the stock that you were entitled to under your contract?—A. Yes, sir.

Q. When was the last delivery, with reference to the completion of the road?—A. I think the last delivery was along in the fall of 1869 or the spring of 1870; somewhere during that winter.

Q. To whom were the certificates delivered?—A. They were delivered to me.

Q. They were issued by whom?—A. By the officers of the Central Pacific Railroad Company.

CASH PAYMENTS MADE BY CENTRAL PACIFIC.

Q. To whom were the cash payments made by Central Pacific Railroad Company?—A. To me.

Q. And by whom?—A. By the treasurer of the Central Pacific Company.

Q. Who was the treasurer then?—A. Mark Hopkins was the treasurer.

Q. On what bank were those checks drawn?—A. Generally on the bank of D. O. Mills & Co.

Q. Of San Francisco?—A. No; of Sacramento.

Q. Were substantially all the checks received by the Contract and Finance Company from the Central Pacific Railroad Company checks drawn on D. O. Mills & Co.?—A. Substantially; yes.

Q. Have you ever looked to see whether D. O. Mills & Co. have that account?—A. No, sir.

Q. Were the checks paid to you as the sections were so completed?—A. No.

Q. How were they paid?—A. They were paid to me as we required money.

Q. Without any reference to the completion of the section?—A. Yes, sir; it was always within the amount that would be due on a section.

Q. Were they not generally paid in figures which would approximate the amounts called for by completed sections?—A. Yes, sir.

Q. And the exact figure of the checks delivered to you by the Central Pacific can be traced through the account of D. O. Mills by the size of the checks?—A. No; I think not; we would get checks every day on D. O. Mills, and at the end of the month we would get very much larger checks, when large bills were becoming due.

Q. Do you remember the Crocker accounts; the fact that Crocker had a construction account for the road between Sacramento City and the east boundary of the State?—A. I knew that he had such books and such accounts, but I never saw them.

CROCKER & CO. TRANSFER CENTRAL PACIFIC STOCK.

Q. Did the firm of Crocker & Co. turn over to the Contract and Finance Company any stock of the Central Pacific Company?—A. Yes.

Q. Do you remember the amount?—A. I do not.

Q. Do you know what that stock had resulted from?—A. I understood it had resulted from their contracts for building the road across the mountains.

Q. Did they turn over anything else?—A. No, sir.

Q. No bonds?—A. No.

Q. No money?—A. No.

Q. No book entry?—A. No.

Q. What is your best recollection as to the amount of stock they delivered to you?—A. I do not remember; I have no recollection as to the amount.

Q. In what account of the Contract and Finance Company did you enter that transfer?—A. The Central Pacific stock account.

Q. What did that indicate—its being entered in that account?—A. It indicated the amount of the Central Pacific stock which the company owned.

Q. Then it was transferred to the Contract and Finance Company as its stock?—A. Yes.

Q. By Crocker & Co.?—A. Yes, sir.

Q. And that in effect vested it in the stockholders?—A. In the stockholders of the Contract and Finance Company.

EXPLANATION OF THE TRANSFER.

Q. What explanations were made to you of this transfer?—A. I think it was handed over to me as being stock belonging to the stockholders of the Contract and Finance Company.

Q. Who handed it over?—A. Mr. Crocker.

Q. Without any representation that it was his personal or individual stock?—A. Yes, sir.

Q. And substantially instructing you to treat it as the property of the Contract and Finance Company?—A. Yes, sir. It was substantially divided pro rata among the other stockholders.

Q. When was that division effected?—A. It was effected, I think, early in 1870.

Q. Had your company received other stock besides the \$23,650,000 resulting from your own construction and the amount (whatever it was) that you received from Crocker & Co.?

Mr. COHEN. The witness has not fixed that amount as having been received by him.

Commissioner ANDERSON. We have the mileage, and he says it is \$43,000 a mile.

Mr. COHEN. The Contract and Finance Company only constructed to Promontory and not to Ogden.

Commissioner ANDERSON. We asked him how many miles he constructed and he said 550, and Mr. Norris multiplied 43,000 by 550.

Mr. COHEN. Is that to Promontory?

The WITNESS. No; there was a subcontract; I think that was done by the Mormons.

Commissioner ANDERSON. Well, we will begin again.

Q. How many miles did the Contract and Finance Company construct and get paid for?—A. I do not remember the number of miles.

OTHER CENTRAL PACIFIC STOCK RECEIVED.

Q. Outside of the stock which you received from the Central Pacific for construction, and from the firm of Crocker & Co., did the Contract and Finance Company receive other Central Pacific stock?—A. Whatever miles are represented by the distance between Promontory and the State line, between Nevada and California. I do not remember the number of miles.

Q. I do not think you understood my question.

Question repeated.

The WITNESS. Do you mean, did it receive such stock from any other source?

Commissioner ANDERSON. Yes.

A. They bought some stock; a very small quantity.

Q. How much was it they bought in all?—A. I do not remember—a few thousand shares, perhaps.

Q. Under 5,000 shares, or under 10,000 shares?—A. I think it was under 5,000 shares.

DIVIDENDS OF CENTRAL PACIFIC STOCK.

Q. Do you remember the dividends of 1870?

The WITNESS. The dividends of the stock?

Commissioner ANDERSON. Yes. About how many shares were divided up?

The WITNESS. I think somewhere between 500,000 and 600,000 shares.

Q. What were the proportions of the divisions?—A. It was in five equal portions.

Q. Was there any other dividend made?—A. No.

Q. No other division of property by the Contract and Finance Company?—A. No, sir.

Q. What withdrawals of money were made by the gentlemen who had deposited money with you?—A. The withdrawals did not equal the amount deposited; they deposited more than they withdrew.

Q. But they withdrew to some extent?—A. Yes; they kept a running account.

Q. Who had withdrawn the most?—A. I do not remember who had withdrawn the most.

Q. How was the interest credited; every month or every six months?—A. Every year.

REDUCTION OF RATES OF INTEREST.

Q. How long did the 10 per cent. rate keep up?—A. Interest was figured between the five associates on the basis of the market value of money here. For a long time it was 12 per cent. per annum, then it was reduced to 10 per cent., and afterwards to 7 or 8.

Q. When was this reduction to 7 made?—A. I think about 1879.

Q. Had you these accounts in your possession in 1879?—A. Yes, sir; the accounts between the five individuals; I kept them, as I told you, for about ten years.

Q. Did these accounts that you had in 1879 contain the entries of the advances to the Contract and Finance Company by these five gentlemen?—A. Yes, sir.

Q. How were the payments made to them; by the checks of the Contract and Finance Company?—A. Up to the time of the dissolution of the company they were made in that way.

Q. And after that; what became of these accounts after that?—A. They were kept by a nephew of Mr. Hopkins, by the name of Samuel Hopkins.

THE "S. H. H. & C." ACCOUNTS.

Q. What was the title of the accounts after the dissolution of that company?—A. They were called "S. H. H. & C." accounts.

Q. Then I understand you to refer to individual accounts of these gentlemen with "S. H. H. & C." as a supposed association or partnership?—A. No, sir; they were associated together and these individuals assumed the indebtedness of the Contract and Finance Company. It could not be disincorporated while it had any indebtedness. These gentlemen assumed its indebtedness when it was disincorporated.

Q. When was it disincorporated?—A. In 1875.

Q. From whom did you ascertain the indebtedness at the time of the dissolution?—A. From Samuel Hopkins.

Q. What books did he get those figures from?—A. I do not know where he got them from. He kept them during my absence for three years.

Q. Were they the books which you had given to Mr. Miller to continue?—A. No, sir. The accounts that he kept were simply the accounts of Stanford, Huntington, Hopkins, and Crocker with the Contract and Finance Company, and the amounts that they assumed of indebtedness of the Contract and Finance Company in order to bring about its disincorporation.

WHO KEPT THE ACCOUNTS OF CONTRACT AND FINANCE COMPANY.

Q. I am speaking about a period anterior to the disincorporation. Who kept the accounts of the Contract and Finance Company showing the advances made by these five gentlemen to that company?—A. From 1873 to 1875 John Miller kept them.

Q. In these books which you had furnished him?—A. Yes.

Q. And you say that this interest continued until 1879?—A. Yes, sir.

Q. And that from 1875 to 1879, they having been assumed by this association or partnership, were kept in books between those individuals and S. H. H. & C.?—A. Yes, sir.

Q. Who kept those books?—A. I kept them.

Q. From 1875 to 1879?—A. Yes.

Q. And where are those books now?—A. I have them.

Q. What is the present balance due to those five gentlemen?—A. I do not know; I do not remember.

PRIVATE BOOKS OF "S. H. H. & C."

Q. Will you please examine and let us know on some other occasion?—A. They are the private books of these gentlemen.

Commissioner ANDERSON. I do not understand that the gentlemen themselves make any objection.

The WITNESS. If they do not object, I will do so with pleasure.

Mr. STANFORD. They are entirely private books, and I should like to think about that. I do not suppose it is any concern of yours, or of this investigation, so far as the Central Pacific Railroad is concerned.

Commissioner ANDERSON. It has been alleged by this witness that when this stock was delivered, which represented the profits, it was claimed that it was not all clear profit, because there was a balance of indebtedness due, which had been advanced by these gentlemen. It is therefore proper that the amount of that advance, so far as it is to be used in reduction of the profit alleged to have been made, should be placed before us.

HOW MUCH PROFITS, HOW MUCH INDEBTEDNESS.

Mr. COHEN. Now, you want to find out the balance twelve years afterwards, do you?

Commissioner ANDERSON. The point of my desire is to ascertain how far this \$52,000,000 of stock was clear stock at the time it was delivered, and what assumption of indebtedness there was that diminished the value of that dividend. The Commission has no idle curiosity as to the contents of your books.

Q. Now, have you stated all the dividends that have been declared by the Contract and Finance Company?—A. Yes, sir.

Q. And that included all that you received from Crocker & Co.?—A. Yes, sir.

NOT CONNECTED WITH CENTRAL PACIFIC AFTER 1873.

Q. What business were you concerned with connected with the Central Pacific after 1873?—A. I never was connected with the Central Pacific, except as director for a short time.

Q. Or with either of the construction companies?—A. There were three years nearly that I was out of the country.

Q. Have you any connection now with any of the construction companies?—A. No. I will say that I am a director of the Pacific Improvement Company.

Q. Do you take any prominent part in its work?—A. Only at meetings of the directors. I always attend them, and I always look over the accounts in the interest of the individuals that I represent.

Q. Did you keep any memoranda or make any extracts from these books of the Contract and Finance Company?—A. No.

Q. Did any one keep any on your behalf?—A. No.

NO INFORMATION AS TO ABSENCE OF BOOKS AND PAPERS.

Q. Can you give us any information as to the absence of any of the papers or books whatever, either pay-rolls, receipts, vouchers, books of account, or any other instruments, that would shed any light on the affairs of the Contract and Finance Company?—A. No, sir; I cannot.

Q. Did you know that Mr. Miller had taken abstracts from those books?—A. I did not until I heard him say so to-day.

By Commissioner LITTLE:

Q. Would the proceedings in court, by which this company was discontinued, show the amount of its indebtedness at that time?—A. No, I think not. I think that if it had any indebtedness it could not be discontinued. I think it had to be shown that there was no indebtedness.

INDEBTEDNESS OF CONTRACT AND FINANCE COMPANY UPON DISSOLUTION.

Q. Would those proceedings show the amount of the indebtedness which the stockholders assumed in order to balance the books?—A. I think not.

Q. Do I understand you to say that this Contract and Finance Company never declared any dividends, except the stock of the Central Pacific?—A. Never any other dividends.

Q. Was there never any money or property divided?—A. No.

Q. Can you approximate the amount of the indebtedness the time they ceased to do business and determined to wind up their affairs?

The WITNESS. At the time of the discontinuation?

Commissioner LITTLE. I refer to the time when they ceased to do business and determined to wind up their affairs.—A. I think it was somewhere about \$3,000,000 indebtedness.

Q. At that time?—A. That is the amount that was assumed by the five stockholders.

NET PROFIT OF CONSTRUCTION OF CENTRAL PACIFIC.

Q. In determining the amount of net profit which the company made in the construction of the Central Pacific, assuming that it consisted

solely of stock in the Central Pacific, would it not be necessary to deduct the three millions of indebtedness, if that was the figure which they had assumed?—A. Yes, sir; from the entire amount which they had received from the Central Pacific in cash.

Q. In other words, the stock of these gentlemen cost them \$3,000,000, in round numbers, in money?—A. The indebtedness was not all to these gentlemen.

Q. But they assumed it all?—A. Yes; they assumed it all.

Q. And in paying it to others this stock in that way cost them \$3,000,000?—A. Yes, sir.

VERIFICATION OF PETITION IN PROCEEDINGS FOR DISSOLUTION.

By Commissioner ANDERSON:

Q. Who verified the petition in these proceedings for dissolution?—A. I think Robert Robinson represented the Contract and Finance in the county court.

Q. Who verified the petition?—A. I do not know who did that.

Q. It was after you had left?—A. Yes.

Mr. COHEN. You will find a copy of it on record.

Commissioner ANDERSON. Have you seen it?

Mr. COHEN. I have seen it in the county court at Sacramento, but I do not remember exactly as to its contents.

Commissioner ANDERSON. Do you know what documents are attached to it?

Mr. COHEN. No.

Mr. BEEGIN. The papers would scarcely show that. They do not usually contain exhibits of that kind.

INDEBTEDNESS ASSUMED BY "S. H. H. & C."

Q. Do I understand you to say that all the outside indebtedness of the Contract and Finance Company was actually paid by S. H. H. & C. before the order of dissolution or the proceedings for dissolution?—A. No; it was not paid. It was assumed by them and afterwards paid. The notes of the Contract and Finance Company that were due these money lenders and bankers were assumed by S. H. H. & C. and the notes of the Contract and Finance Company canceled.

By Commissioner LITTLER:

Q. Was their assumption of the debt in the manner you have stated treated by the court as payment within the meaning of the law?—A. Yes.

By Commissioner ANDERSON:

Q. And did the creditors accept this assumption?—A. Yes.

Q. And they gave up their old claims against the company?—A. Yes.

AMOUNT OF ASSUMPTION, ETC.

Commissioner ANDERSON. We desire a correct statement as an extract from these books showing the amount of this assumption and the amount due to these gentlemen, each one of them, at the time of the declaration of this dividend or the division of the stock; and we also desire a statement showing the amount due by the Contract and Finance Company at the time of its dissolution. Have you any source from which you can give that?

The WITNESS. I do not think I could give the amount due at the time of the dividend, because the only evidence that I would have would be the books of the Contract and Finance Company, which I have not got.

DATE OF OPENING THE "S. H. H. & C." BOOKS.

Q. Perhaps the S. H. H. & C. books would have those entries carried back. When did they start?—A. They started in 1874, I think. When I returned from Europe I took the memoranda that had been kept by Samuel Hopkins and opened these books from his statements.

Q. What did you do with the memoranda furnished you by Mr. Hopkins?—A. They were small pass-books, and the entries were made in a very loose way. I considered that it would be proper to open a regular set of books, and I did so and destroyed the memoranda.

Q. They are all absolutely destroyed?—A. Yes. I made out an abstract, so far as I could make them out, from those memoranda, and submitted my report to the gentlemen interested in it, and I ascertained that they were correct. Then I opened a set of books.

By the CHAIRMAN:

Q. What light would the books of S. H. H. & C. throw upon the Contract and Finance Company's business?—A. I do not think they would throw a particle of light on it.

Q. Were any of the accounts of the Contract and Finance Company carried into these books of S. H. H. & C.?—A. No; not one.

OPENED FROM CONTRACT AND FINANCE COMPANY MEMORANDA.

Q. Were the memoranda from which you opened the books of S. H. H. & C. taken from the accounts of the Contract and Finance Company's books?—A. They were taken from memoranda that, I presume, were taken from the Contract and Finance Company's books by Samuel Hopkins.

Q. Would not, then, the entries that you made from those memoranda and entered in the S. H. H. & C.'s books throw light on the Contract and Finance Company's business?—A. There was nothing but the amount of the indebtedness assumed by these five gentlemen, and the amounts that had been paid on that indebtedness during the years that I was absent that had been kept by Samuel Hopkins.

Q. Will you please furnish the entries so far as they were taken from the pass-books that you refer to that were delivered to you, Mr. Hopkins, from which you made entries in the S. H. H. & C.'s books?—A. Yes; I can furnish those.

Mr. COHEN. I understand you to say that you have not the pass-books?

The WITNESS. He asked me if I would furnish the entries which I made in my books from the pass-books.

By Mr. COHEN:

Q. Do I understand you to say that the entries which you made would be the amounts remaining due to these five gentlemen at the time you returned to the State after three years' absence?—

Mr. COHEN. That would not show how much they owe the Contract and Finance Company.

Commissioner ANDERSON. The witness had said that these were the entries.

CALL FOR ENTRIES IN "S. H. H. & C." BOOKS.

The CHAIRMAN. The witness has said that these pass-books were made up by Mr. Samuel Hopkins from the Contract and Finance Company's books; and that from the pass-books he (the witness) opened the books of S. H. H. & C. Now, I simply call for the entries in the S. H. H. & C. books that have any bearing upon the business of the Contract and Finance Company's work; that is, the entries that were on the pass-books.

Mr. COHEN. That would not show anything.

Mr. HAYMOND. You want the amount that was due to these people, if it can be ascertained, at the time of the dissolution of the Contract and Finance Company.

Commissioner ANDERSON. Yes; it is evidenced by an entry in that book, and we want that entry. The matter is too clear for discussion.

Mr. COHEN. Those entries will not show the amounts assumed by those gentlemen at the time of the dissolution of the Contract and Finance Company, but will simply show the amount that remained due at the time that the witness opened the books.

The CHAIRMAN. Will you produce the books and let us look at them?

Mr. COHEN. We will not say as to that now.

The CHAIRMAN. Well, I call for them, and I desire the call entered on our record.

Commissioner LITTLER. I understand you that you have not refused to produce them?

Mr. COHEN. We do not refuse. We want to look at the entries first.

The CHAIRMAN. I desire my call noted.

Commissioner ANDERSON. I unite in the call.

Commissioner LITTLER. So do I.

The Commission then adjourned to Friday, August 5, 1887, at 10 a.m.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Friday, August 5, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

DANIEL W. STRONG, being further examined, testified as follows:

By the CHAIRMAN:

Question. Have you those letters which you brought here?—Answer. No, sir.

Q. I mean those which I handed back to you. Where are they?—A. I put them in that book.

Q. Where is your book?—A. In my room.

The CHAIRMAN. You had better go and get them. Mr. Cohen, have you any objection to these letters?

Mr. COHEN. I have no objection to them, but I do not see their relevancy.

IDENTIFICATION OF LETTERS.

The CHAIRMAN. Do you wish the witness to identify these letters?

Mr. COHEN. Yes; I think they had better be identified.

Commissioner ANDERSON. Have you looked through those letters?

Mr. COHEN. No, sir. We wanted to look at them last night, but you were using them.

(The witness here returned with the letters.)

By the CHAIRMAN:

Q. Mr. Strong, are these all the letters that you have with you?—A. Yes, sir; I may have some more at home.

Mr. COHEN. I would suggest that the examination of these papers be left until after adjournment, so as not to keep the witnesses waiting.

The CHAIRMAN. There is no objection to that. We will give you time.

PALACE HOTEL, SAN FRANCISCO, CAL.,

Friday, August 5, 1887.

LELAND STANFORD, being further examined, testified as follows:

By Commissioner ANDERSON:

Question. In your enumeration which you have furnished of companies in which you are personally interested, the enumeration, I presume, refers to the present time—to the present interest that you have in them?—Answer. I think not.

COMPANIES IN WHICH WITNESS IS INTERESTED.

Q. The enumeration, I presume, does not include the interest in other companies which have had relations with the Central Pacific, with the stock in which you have parted, so that you are no longer interested in them. Is that so?—A. Without looking at that list which was furnished to me I find myself unable to answer, because the question that you asked was, how much interest I now had and had formerly owned, and that list was made up and handed to me just before I came here. I presume that it is correct, but whether it is as to the stock owned now only or in the past, I do not know which way it reads. I presume it is correct.

Q. I will recall one or two corporations which are not mentioned here, and see whether you are interested in them or not. Did you have any interest in the Colorado Steam Navigation Company or in the steamers on the Colorado River?—A. Yes, sir.

NO INTEREST IN WATER-FRONT PROPERTY AND FERRIES.

Q. Have you had an interest in any of the water-front property, or ferries, through which connection is made with the city of San Francisco? Have you had an interest there in a company, or a personal interest independent of the railroad company?—A. I think not. I think I never have had any interest, except as derived from the railroad companies.

Q. Was that interest which you refer to as derived from the railroad companies derived directly from the Central Pacific Railroad Company, or was it derived from a subsidiary road?—A. We purchased the ferries and the connecting lines of railroads, and then afterwards they were consolidated into the Central Pacific.

Q. That was the San Francisco Bay Railroad, was it not?—A. I forget the name. I think one was the San Francisco and Alameda Railroad and the other the Oakland and San Francisco Railroad.

Mr. COHEN. One was the San Francisco and Alameda and the other was the San Francisco and Oakland. Both were consolidated, and the consolidated company went into the Central Pacific.

The WITNESS. I remember that they were consolidated first, and then the consolidated line was consolidated into the Central Pacific.

Q. The point of my question was to ascertain whether any portion of the line, either relating to ferry privileges or to ferry-boats or to property that is used by the Central Pacific, is held by a subsidiary company, which makes arrangements with the Central Pacific, either by lease or by prorating, in order to reach the city of San Francisco. Can you give us any information on this point?—A. That is all the property of the Central Pacific.

OAKLAND WATER FRONT COMPANY.

Q. What is the Oakland Water Front Company?—A. That is a company which was formed about the time that we agreed to bring a branch road from the Western Pacific—from Niles into Oakland. It was property mostly owned by two gentlemen, I think, at that time, and they formed the so-called Water Front Company. They gave to the Central Pacific 500 acres to be located by the Central Pacific. The rest of it was retained, and put into a company known as the Oakland Water Front Company. I think that the city of Oakland made some claim or other to this same property, and several questions about title arose, but they were all finally settled, and the various titles were consolidated. I think that the title to the 500 acres rests securely in the Central Pacific, and the rest of it belongs to the Oakland Water Front Company.

Q. Does that Oakland Water Front Company control the transit facilities, wharves, or boats which are used, or have been used, by the Central Pacific Railroad Company, or the leased lines which reach the water-front?—A. I think not.

Q. For what is the Oakland water front used?—A. It was thought that it would become very valuable in time to Oakland, and so far as business was concerned, a large share of the business of Oakland is done over it.

NO CONNECTION WITH CENTRAL PACIFIC.

Q. It is used, then, only for private business, and has no connection with the administration of the Central Pacific?—A. None whatever.

Q. Do any cars pass over it?—A. There is another railroad there which we thought trespassed on some of the ground of the Central Pacific, but that is pretty much settled. It did not pass over it with the consent of the Central Pacific or of any of its officers.

Q. In what other corporations have you any interest, which corporations have had dealings with the Central Pacific?—A. I believe that that list enumerates all with which the Central Pacific has had any thing to do.

Q. The list commences with the words, "I am now interested in the following-named companies," and therefore does not seem to include the past. Are there any other companies which you no longer have any interest in, but in which you have had an interest in the past, and which have had dealings with the Central Pacific, either in selling materials to that company or property, or in the receiving of rates for the transportation of freight?—A. I do not remember any.

COLORADO STEAM NAVIGATION COMPANY.

Q. In regard to this Colorado Steam Navigation Company, that company, as I understand it, owned a number of steamers, and navigated the Colorado River from Yuma, and communicated north of that point to various points on the river where they might find business; is this understanding correct?—A. Yes, sir; the business of the company was to deliver and receive freight at those points.

Q. What was the nature of your interest in that company; was it a quarter interest?—A. I do not know whether we owned it individually or whether it was owned or purchased by some one of the construction companies.

Commissioner ANDERSON. The proof is that the Western Development Company purchased it.

The WITNESS. Then whatever I had was through that company.

Q. Do you know who made the arrangements in regard to the pro-rating of freight moving, for instance, from San Francisco to points on the Colorado River?—A. No; I do not.

PROPORTIONS OF FREIGHT PAID TO NAVIGATION COMPANY AND TO SOUTHERN PACIFIC.

Q. Do you not know, then, what proportion of that freight would be paid to the Colorado Steam Navigation Company, and what proportion would be taken by the Southern Pacific Railroad Company?—A. No; I do not.

Q. Which of your officers would give us this information?—A. I think that Mr. Towne would be more likely to remember about that than anybody else. I remember being consulted and talking over matters about the purchase, and what we wanted. There was some business, not of any great magnitude to a railroad, but it was the one way of getting up above Fort Yuma when the railroad reached there. It was not always that satisfactory arrangements could be made with the steamboat company, and in order to have the matter in our own hands they sold out to us. The craft was of an inferior character and did not cost much.

Q. What is the distance by rail from San Francisco to Yuma?—A. A little over 700 miles.

Q. What is the average distance of the transit from Yuma to the point where the steamers would deliver freight or receive freight?

The WITNESS. Do you mean up the river?

Commissioner ANDERSON. Yes.

A. I think about 250 miles, or somewhere in that neighborhood.

WHAT WOULD BE AN EQUITABLE DIVISION?

Q. According to your usual rates prevailing, what would be an equitable division between the railroad company transporting freight 700 miles and the steamers carrying it, say, from 200 to 250 miles?—A. I do not know. It is a little business, and sometimes the water is very low, so that there is a good deal of difficulty about getting up the river. What would be fair at one time would not be fair at another; but I could not undertake to say what would be a fair rate at all times, because I never was up there, and I never thought much about it. I do not know much really about the difficulties they had to encounter.

Q. As a matter of fact, that company declared in a few years quite a considerable number of dividends, did it not?—A. I do not know; I

do not remember; that is something that the books, I suppose, will show.

BRIDGE ACROSS COLORADO RIVER.

Q. There was a bridge across the Colorado River, was there not?—

A. Yes, sir.

Q. What sort of a structure was it?—A. A good one; a wooden structure.

Q. Was the title to that bridge held by the railroad company, or was it held by one of the construction companies or by a private corporation?—A. I do not remember now how it was. There was some trouble because of the State line. The State line was in the center of the river.

Q. Have you any idea what it cost to build that bridge?—A. No, sir. There was great difficulty in getting the bridge properly located. There was some trouble about getting in piers there. The bridge was burned down, and since that time the new bridge has been constructed and is the one now in use.

Q. Do you not remember that the bridge was leased to the Southern Pacific Railroad Company separate from the railroad? That it was not delivered as the rest of the road was by the Construction Company, but that the Southern Pacific Railroad Company paid \$15,000 a year as the rent of the bridge?—A. I think that was so. About the rent I have forgotten.

Q. When the Southern Pacific Railroad was leased to the Central Pacific, the rental, of course, had to be paid by the Central Pacific, did it not?—A. Of course.

Q. That would necessarily follow, would it not?—A. Yes, sir.

COST OF THE BRIDGE.

Q. Do you recall the cost of the bridge?—A. No, sir.

Q. Was it over \$50,000?—A. I think so.

Mr. COHEN. The books will show.

The WITNESS. If you want to ask me about details, you will find me a very poor witness.

Commissioner ANDERSON. I do not want the accurate details; but the suggestion is made that the bridge cost \$50,000, and I asked you if you could tell us what the actual cost was.

The WITNESS. I cannot. We had some trouble there at the time the bridge was built. A one-armed soldier endeavored to stop the trains, and I believe that he did it until we could get the consent of Congress. It runs across a military reservation.

Q. The assertion is made that this bridge, instead of being put into the general construction of the Southern Pacific Railroad, was kept out—that its title was vested in a separate company, or retained by the Western Development Company. It is also asserted that it cost but \$50,000 to build this bridge; that you and the other three gentlemen were the owners of it, and that it was leased to the Southern Pacific at \$15,000 a year, which would be about 30 per cent. per annum upon the cost of construction. Can you tell us about this?—A. I do not know as to the cost of the bridge, or as to the rent that is paid for it. I believe that in consequence of the fire it was a losing operation. The Southern Pacific Company, of course, could not go beyond the center of the river, and that company was not in condition, therefore, to build the bridge,

and that is about the principal reason for its having been built by the Western Development Company.

BRIDGE LEASED THROUGH SOUTHERN PACIFIC TO CENTRAL PACIFIC.

Mr. COHEN. Do you say that it was leased to the Central Pacific?

Commissioner ANDERSON. No; it was leased to the Southern Pacific, and through the Southern Pacific it was leased to the Central Pacific.

The WITNESS. When the Central Pacific ran the Southern Pacific, of course it took everything with it. Without that bridge I do not suppose that they could have very well sent anything beyond that point.

Commissioner ANDERSON. The point of my inquiry is whether the bridge could not have been put in the general structure of the railroad as other bridges were, and if there was some advantage in keeping it out why the rent was fixed at \$15,000 a year, if that be true, when it cost only \$50,000.

The WITNESS. It seems that it was not enough to compensate the owners of the bridge as it afterwards turned out. Besides, the Southern Pacific had no right to cross the river—it could only go to the center of the stream.

Q. Do you remember a letter from Mr. Huntington in regard to the structure, in which he said that by reason of probable difficulties in prorating with the Texas and Pacific Railway Company, it would be desirable to keep this bridge title out from the general title of the railroad company and thereby be enabled to fix the rate and put a tax on transcontinental commerce?—A. I do not remember.

EXPRESS BUSINESS OF WELLS, FARGO & CO.

Q. Do you remember such a letter?—A. No, sir.

Q. In regard to your interest in the express business of Wells, Fargo & Co., how was the express business done?—A. In this State mostly by Wells, Fargo & Co.

Q. Were they not given the exclusive control of the express business over the Central Pacific Railroad?—A. I think not.

Q. What other express companies have done business over the Central Pacific Railroad to any amount?—A. I do not know that there are any. There is no other company here of any consequence.

Q. Who negotiates the rates and makes the arrangements between the express company and the railroad company?—A. I took a part in the discussion.

Q. When did you acquire your interest in the stock that you hold in Wells, Fargo & Co.? Was it at the time that these original negotiations were going on?—A. There was another company formed in which we had an interest, and that was taken in by Wells, Fargo & Co., and some stock was issued. I think that if you will go to the books, it will be a great deal better than my recollection.

WELLS, FARGO & CO.'S CAPITAL INCREASED.

Q. The assertion that is made is that Wells, Fargo & Co., being capitalized at a given sum during the time that these negotiations were pending in regard to the business of the Central Pacific Railroad, increased its capital stock from ten million to fifteen million dollars, and that a certain amount of stock was, at that same period, issued to you.

self, Mr. Huntington, Mr. Crocker, and to Mr. Hopkins; what is there of truth in that statement?—A. I cannot now recall the details of that. I know that there was another party, and in the arrangements the stock was issued, and a certain amount of stock in Wells, Fargo & Co., I think, went to the Central Pacific—a pretty large amount. The contract, I think, did not give Wells, Fargo & Co. a preference over other companies, but provided that no other company was to have a preference over them. I think that that was one of the conditions, but I never have seen the contract since it was made, and I am not able to give the details of it.

Q. Was your stock purchased from the Central Pacific, or was it issued to you by Wells, Fargo & Co.?—A. I think that we had it direct from Wells, Fargo & Co. The Central Pacific had a certain amount of its own.

ISSUED TO WITNESS AND OTHERS FOR A CONSIDERATION.

Q. Was the stock issued to you by Wells, Fargo & Co. issued to you for a consideration, or was it issued without consideration?—A. There was a consideration. We did not go on with the opposition express company, and it gave Wells, Fargo & Co. great conveniences over such roads as were controlled by us. The Central Pacific had kept its own interest represented, and received a certain amount of stock for the benefit that it would confer on Wells, Fargo & Co. by entering into this contract.

Q. How much stock was issued to you?—A. If you look at that contract it will be a great deal better than to depend upon my recollection.

Commissioner ANDERSON. We call for that contract, and would like to see it. Still, I would like to know how much stock was issued to you.

The WITNESS. I do not remember how much stock I had.

Q. Do you remember how much stock was issued to the five gentlemen who were associated with you?—A. I do not.

Q. Was it a million and half dollars?—A. I do not remember.

Q. Have you stated all of the consideration that was paid for this stock?—A. No; I do not say that. I do not remember.

INTEREST ACQUIRED THROUGH ANOTHER COMPANY.

Q. Do you remember whether you personally paid money for the stock, or whether it was covered by this general arrangement made with the Central Pacific?—A. No; it was not covered by the arrangement with the Central Pacific. D. O. Mills and some others had formed another company, and it was out of that that our personal interest came. If you will look at the books or contracts, you will know all about it. You cannot get it from me, for I do not remember.

Q. Will the contract disclose your personal connection with the ownership of your own stock?

The WITNESS. In the contract with Wells, Fargo & Co.

Commissioner ANDERSON. Yes.

The WITNESS. I cannot say as to that. I do not know why it should. Perhaps it does, however. It may be that the whole arrangement is in the contract. There was considerable negotiation leading up to it one way or the other.

Commissioner ANDERSON. Perhaps it will bring the matter more clearly to your recollection if I were to read to you an extract from the complaint—

The WITNESS. From what document are you reading?

COMPLAINT IN THE ROBINSON SUIT.

Commissioner ANDERSON. This is the complaint filed in the Robinson suit.

The WITNESS. If I am to be interrogated upon all the statements contained in the complaints filed in these various blackmail suits, and in newspaper charges, I shall never be able to give you any definite information, because I cannot remember; but if you will take our books and examine them, and question the men in charge of them, and the men in charge of the various portions of the work, you will get the truth quickly. I will try to give you all I can, and will give you all the time that you want; but I shall begrudge it if it lasts more than six months. I do not suppose that I can give you a minute history of all these little private affairs that have occurred in the last twenty-six years, even if I should take six months or a year.

Commissioner ANDERSON. I do not intend to interrogate you as to the private affairs which have no concern with this, but as to private affairs directly connected with the Central Pacific Railroad Company which require explanation. I had supposed that it was an advantage to you to call your attention to what is said about these things, and give you an opportunity to explain them.

CONTRACT BETWEEN CENTRAL PACIFIC AND WELLS, FARGO & CO.

This allegation is that the gentlemen connected with you—that is, yourself, Mr. Hopkins, Mr. Charles Crocker, E. B. Crocker, and C. P. Huntington, composing a majority of the board of directors of the Central Pacific Railroad Company, between the 1st day of May, 1869, and the 1st day of April, 1870, granted to and contracted with the defendants, Wells, Fargo & Co., in substance and to the effect that the said Wells, Fargo & Co. shall have the exclusive right of running express freight trains, and carrying and transporting express freight packages, bullion, and so forth, over the Central Pacific Railroad Company's line of railroad, and in consideration therefor said Wells, Fargo & Co. increased its capital stock from ten millions to fifteen millions of dollars, and delivered and made over to the said Stanford, Huntington, Hopkins, Charles Crocker, and E. B. Crocker, without any consideration, except the making of said contract in the name of said Central Pacific Railroad Company, one and one-half millions of said stock of Wells, Fargo & Co.

OBJECTS TO QUESTIONS BASED ON COMPLAINTS IN BLACKMAIL SUITS.

The WITNESS. I am willing to tell you what I know; but this thing ought to have a limit. You are interrogating me upon complaints in blackmail suits, such complaints as the one you are reading from, and asking me to make answer to them right here as a witness on the stand. Just think for a moment what you are asking me to do.

Commissioner ANDERSON. I am only asking if it is true that you got a million and a half dollars of this stock without paying anything at all for it.

The WITNESS. I do not think that it is true.

Q. Will you refer me to the source from which correct information as to this allegation can be had?—A. I think that if you go to Wells, Fargo & Co., or to D. O. Mills, and probably some of our secretaries of the different companies, then carrying on the business, you will get it.

better than you can from me, because they are more likely to remember details than I am.

Q. Then I will ask you to produce the contract between the Central Pacific Railroad Company and Wells, Fargo & Co. Did you state that the contract between yourself and Wells, Fargo & Co. was in writing?—A. I do not know that it was. I do not now remember the details. There were several persons interested with us, and we had only a portion of the stock of the opposition company. I think that came from taking out of competition with Wells, Fargo & Co. the other express companies.

ATLANTIC AND PACIFIC EXPRESS COMPANY.

By Commissioner LITTLER:

Q. What was the name of the express company in which you gentlemen were interested?—A. I have forgotten; but I believe it was the Atlantic and Pacific.

Q. Do I understand that by this arrangement your company was consolidated with or transferred to Wells, Fargo & Co., and you went out of business?—A. Yes, sir; we went out.

OCCIDENTAL AND ORIENTAL STEAMSHIP COMPANY.

By Commissioner ANDERSON:

Q. What is the Occidental and Oriental Steamship Company?—A. There was a time when it was supposed that the Pacific Mail Steamship Company was going to do a very large China and Japan business by way of the Isthmus of Panama. The Union Pacific and Central Pacific Railroad Companies were not satisfied with that, and we organized that steamship company. It not only furnished a great deal of business to the railroad companies, but it practically compelled the Pacific Mail Steamship Company to run its ships to San Francisco. It has forced that company to bring its freight to San Francisco and send it overland by rail, because with rail and steamer competition business would not go by way of the Isthmus. That was the object of the organization of the Occidental and Oriental Steamship Company.

Q. Was the company gotten up entirely for that purpose?—A. It was gotten up entirely for that purpose, and we expected to lose probably \$100,000 a year. We thought that if we did not lose more than that we could afford to do it. Business, however, has been very fair and has paid nicely for the time that the company has been organized.

Q. What is the total capital stock?—A. Ten million dollars.

THE CHIEF STOCKHOLDERS.

Q. Who are the chief stockholders?—A. The representatives of the Union Pacific and Central Pacific Companies—Mr. Huntington, the estate of Hopkins, Mr. Crocker, and myself.

Q. The Union Pacific ownership, 50,000 shares, is in the corporation itself, I believe, is it not?—A. I think that it is now, but I am not sure.

Q. And the ownership of the other half is represented by 10,000 shares to each of the five gentlemen referred to, is it not?—A. Yes, sir.

Q. What are the relations between this company and the Central Pacific in regard to business, delivered or interchanged, between the Occidental and Oriental Steamship Company and from the Central Pa-

cific?—A. They do a general business, whatever they can get, between China and Japan and San Francisco.

RATES FOR PRORATING STEAMSHIP AND RAILROAD COMPANIES.

Q. Who determines the rates for prorating as to through freight interchanged by the two companies?—A. The railroad company.

Q. Which officer of your road has charge of that business?—A. I will correct my former answer and say that the rates out this way are substantially made by the agents in China and Japan. Their general instruction is to meet the competition of the Suez route, and the railroad companies all the way through from here to New York, Boston, Philadelphia, and all the Eastern cities have allowed that arrangement for fixing the rates, whatever they may be, and the railroad takes a certain proportion and the steamship company the other.

Q. Which officer of your road has charge of that business?—A. The regular officers of the steamship company, of course, have charge of that. I am president of that steamship company; that is, the Occidental and Oriental Steamship Company, and Charles F. Crocker is the vice-president. Besides that we have a superintendent and freight agents.

Q. Do I, then, understand that the schedule of interchanged rates which fixes what percentage shall go to the steamship company and what percentage shall go to the Central Pacific Railroad Company is determined by yourself and Charles F. Crocker?—A. Oh, no; the agents, I think, of the Union Pacific have something to say. It has been more particularly arranged after consultation with the Union Pacific people and with the representatives of the railroads east of Omaha for the through business. I suppose that their traffic agents are all more or less consulted at different times in making rates. In the first place, when the company was organized, we undertook to make an arbitrary rate from Yokohama to New York, but after a time we found that it was necessary to leave the matter of fixing rates to the agents on the other side of the ocean to meet competition, whatever it was. Sometimes there are what we call "ocean tramps" that put in to these foreign ports seeking freight, and we must make our rates to compete with them as well as with the Suez route. In other words, we have to make our rates to meet the prevailing competition, and this must be left to the agents on the ground.

Q. I am not inquiring so much about the fixing of the through rate as I am about ascertainment of the relative percentages divided between the Occidental and Oriental Steamship Company and the Central Pacific and Union Pacific Railroad Companies. Who determines that?—A. The books of the company will show it.

PERCENTAGES DETERMINED BY THE OFFICERS OF THE TWO COMPANIES.

Q. Who determines what the factors will be?—A. The officers of the companies, both railroad and steamship. I am president of the Central Pacific and I am president of the Occidental and Oriental Steamship Company. I thought that I told you that.

Commissioner ANDERSON. You did; but I supposed that you had a traffic agent who had charge of that business.

The WITNESS. I do not know particularly how much I did, but knew about the rates at the time. We conferred about it and fixed the amount of the rate which we thought fair, but afterwards we changed

it some. We had to change it to meet competition, and that rate is satisfactory to our Eastern connections as well as to ourselves.

Q. Do you not see that the rate which is satisfactory to your Eastern connections has nothing to do with the relative percentages between the Central Pacific and the Occidental and Oriental Companies?—A. Yes; it has everything to do with it. Without their consent we could not do business. We must have a through rate, and a certain proportion goes to the railroad companies and the other goes to the steamship company.

Q. What percentage goes to the steamship company?—A. I refer you to the books. I do not remember.

Q. Can you not refer me to the traffic agents?—A. We have no traffic agents.

Q. Is it Mr. Stubbs, or who is it?—A. Mr. Stubbs knows all about it.

Q. That is what I have been trying to get at. Does Mr. Stubbs know these figures?—A. Yes, sir.

Q. Did not a large portion of the material used in the construction of the Southern Pacific Railroad pass over the Central Pacific?—A. Yes, sir.

Q. Do you know what rates of freight were charged by the Central Pacific on the material which it transported? I do not mean the detail. I mean whether it was the usual rate.—A. I would not undertake to say what were the rates. There was no other such kind of business done for anybody else. We moved these ties and this iron over the Central Pacific on to the line of the Southern Pacific at Goshen, but I do not recollect what were the arrangements. I do not remember, although I once knew.

VERY LARGE BUSINESS DONE.

Q. There was a very large business done and a very large quantity of material transported, was there not?—A. Yes, sir; the business was very large. It was a question sometimes whether it should come here or whether it should go down to the port at Los Angeles.

Q. Do you know whether very large quantities of freight of this character were transported over the Central Pacific without any charge to the Southern Pacific?—A. I do not know that there ever was any. The books will show you what was paid. If you wish to know how the rails came here, I will say that they came mostly around Cape Horn. I think that this was the rule in all cases up to the time that we finished our road to New Orleans, since which time we have shipped considerably by that route. A very large quantity of rails for the Southern Pacific came by sea, and before they came, as I have stated, it was a question whether we should bring them here or send them to Los Angeles. After the road got down to Los Angeles it was a question whether we should ship material there or in this way. After the line was completed to New Orleans we sometimes had the rails come that way, and sometimes the other way.

Commissioner ANDERSON. The object of my question was to ascertain whether the stockholders or the parties interested in the Southern Pacific obtained any advantage from the Central Pacific in the rates of transportation; and, if they did, what the amount of the advantage was.

FAIR DEALINGS OF CENTRAL PACIFIC WITH OTHER COMPANIES.

The WITNESS. I understand that. I want to say here in regard to it that I would like to direct your attention to this fact, that the rela-

tions between the Central Pacific and all these branch roads have been as one man, or one party, with another. No money of the Central Pacific has ever been diverted from its treasury into the treasury or the hands of the others, excepting in the way of accounts, and then every cent of it has been accounted for. The Central Pacific has never lost a dollar or contributed a dollar towards them, excepting as one creditor or one party dealing with another may do. I will say that as a general proposition and direct your attention to it, and you may see if there is anything that contradicts it. I do not think that there ever has been an instance where we have made less rates for branch roads than the Southern Pacific or the officers of the Southern Pacific has an interest in, or that the officers of the Central Pacific had an interest in, unless it might have been in the case of some of these small roads in the construction of which the Central Pacific was directly interested. It may have occurred also in a case or two where the Central Pacific has aided little wagon roads which brought more or less business to the Central Pacific. For instance, there are three little railroads constructed over in Nevada, and I think that we carried their material for a less rate than we were carrying freight for other people, and we have a prorating arrangement with them by which we give them a greater mileage rate, by a great deal, than the Central Pacific receives. This was because they were branch roads, and could not afford to do business as cheaply as the Southern Pacific could do it. I also know that we have helped stage lines in which no officer of this company had any interest. I mention these things to you to show that the dealings of the Central Pacific have been fair, and that that company has been as well protected in all its relations with all these companies as good business judgment would permit.

DUTCH FLAT WAGON ROAD.

Q. What was this Dutch Flat wagon road about which we have heard several times?—A. It was a wagon road built from a place called Dutch Flat, which is, I think, 60 miles from Sacramento, and was built over the Sierra Nevada Mountains for the purpose of accommodating teams carrying freight to and doing business in the State of Nevada.

Q. By whom was it built?—A. The greater portion of it was built when we took hold. The Dutch Flat wagon road, as it was called, did not go all the way to Virginia City. On the eastern end it connected with other wagon roads. Most of the work on the Dutch Flat end was done by Mr. Huntington, Mr. Crocker, Mr. Hopkins, and myself, and I think that Mr. Strong had some interest in it, and one or two others. A Mr. Bradley, I think, had some interest. I may be mistaken, however, about Mr. Strong having an interest in it. I do not think that there was anybody else.

Q. Is it or is it not true that any portion of the expenses for the construction of that road, so far as your memory goes, was charged to the Central Pacific Railroad Company?—A. No, sir; it was not. When we went into the enterprise we thought that it would be a good property, and at that time it was a necessity to the Central Pacific, because as the road went up the mountain there was no wagon road from the railroad to Virginia City to take freight from the end of the railroad. Without the wagon road the railroad could not have done this Nevada business, which at that time was very important, but practically there was not much more than two seasons of wagoning on that road, because the railroad was constructed so rapidly over the mountain.

COST NOT CHARGED TO CENTRAL PACIFIC.

Q. My question is, whether the cost of construction was charged to the Central Pacific Railroad Company?—A. I was going to tell you about that. The road was built by us as individuals. We never got back the money that it cost to build it, and when we got through with the construction of the railroad we gave the wagon road to the counties in which it was built.

Q. You presented it to the counties through which it passed?—A. Yes, sir.

Q. You still do not say whether the cost of construction was charged to the Central Pacific Railroad Company?—A. I say that it was not charged to the Central Pacific Railroad Company. I know that we lost money on it. The Central Pacific, however, got the benefit of the road, and the entire cost of it ought to have been charged to the Central Pacific.

Q. I ask because if it was built by the Central Pacific, or if the cost had been charged to the Central Pacific, then the Central Pacific would have been entitled to the tolls, whatever they were; is that not so?—A. Yes, sir. But it was not charged to the railroad company. The wagon road business was a losing one. The road was a good one. The stage horses used to take the grade on one end of it and trot all the way over the mountains.

CENTRAL PACIFIC DID NOT GET THE TOLLS.

Q. As matter of fact, the construction was not charged to the Central Pacific, the Central Pacific did not get the tolls and did not get the profits or suffer the loss that resulted?—A. No, sir. The wagon road made a profit, because it had the road to carry stuff from the end of the railroad over the mountains, and the railroad company got the profit, because this wagon road was there over which the stuff could be carried. We could not have carried the freight at all if it had not been for this wagon road. But for the speedy construction of the railroad the wagon road would have been a fine property; but, as it was, it was in use but so short a time that we did not get our money back out of it.

Q. Did not the railroad company pay tolls, as well as anybody else, when its freight passed over it?—A. It did not pay tolls for freight. The merchandise was not going to the railroad for its account, but to other parties.

Q. These tolls, you assert, amounted to no such sum as represented, either three million, two million, or one million dollars?—A. No, sir; they did not amount to enough to pay for the construction of the road. If I might make a suggestion here I would like to do it. You want to know whether we robbed the Central Pacific Railroad Company. I say that we did not. Now, if you will find people to show that we robbed it, or that we did anything that looks like it, or find people who will say that we robbed it, we will answer them; but to ask me these questions, when I deny the fact, and try to prove from me that we have been guilty of wrong-doing, does not seem to me to be the way that this thing should be done. As this Commission is composed of lawyers, I have an idea that the ordinary rules of evidence ought to have some application.

Commissioner ANDERSON. You call yourself a good deal worse name than I do; but when these names are called, do not you think it proper that we should give you an opportunity to deny the fact?

CALLED ALL SORTS OF NAMES BY DEMAGOGUES AND NEWSPAPERS.

The WITNESS. I do not care a cent for that. It does not affect my character among people who know me. I have been called all sorts of names by demagogues on the stump and by hostile newspapers, and by enemies of the road, and they have never injured me. At one time I was charged with having a connection with bunko sharps and three-card monte men and gamblers, who were robbing passengers on the railroad. I do not suppose that anybody believed that, but still the charge was made. While I wish to treat the Commission with all courtesy, I do not feel like answering questions suggested by that class of complaints and that class of individuals.

PACIFIC MAIL STEAMSHIP COMPANY.

Q. Have you also been personally interested in the Pacific Mail Steamship Company?—A. I think I was—I am not sure whether I was ever the owner of any of the stock in the Pacific Mail, or not.

Q. Did the relation of the Pacific Mail Steamship Company to the transcontinental business have a large influence in determining the transcontinental rates during the last ten or fifteen years?—A. Very much. It was one of the competitors for the business between the Atlantic and the Pacific.

Q. Will you please give this Commission your views as to the advantage or disadvantage that has resulted to the Central Pacific from the payment of the annual subsidy to the Pacific Mail Steamship Company?—A. Of late years I think that it has been a very great advantage to the Central Pacific. That competition between that line and the railroad company was very great at a time when that company was very weak. I do not think if an arrangement had not been made that it could have lasted a great while.

BUT FOR SUBSIDY PACIFIC MAIL COULD NOT HAVE LASTED LONG.

Q. Do you mean that the Pacific Mail could not have lasted a great while?—A. Yes, sir. At that time the coast business was very much less in consequence than it is now, and the main business was the through business between New York and San Francisco. The latter business was very greatly reduced upon the construction of the railroad, and if the Pacific Mail had been compelled to depend upon that business at that time it could not have lived. Since then its business, particularly its South American coast business and its business all along this coast, has largely increased, and its business across the Isthmus of Panama is very good.

Q. Do you mean to say that this business gives them a strength derived from another source which would enable them to stand the competition of your company for a longer period than otherwise would be the case?—A. I think that is possible. As to the exact amount of business done by that company, I have no positive knowledge.

Q. What is your information as to the chief articles of freight entering into this question? What would go around by the Pacific Mail route in case you had an open fight with that company for the transcontinental business? What kind of business would go around by those steamers?—A. That depends altogether how low the railroad rates may be. At the same rates, the railroad will always have the preference.

FREIGHTS WHICH GO BY RAIL IN PREFERENCE TO STEAMER.

Q. This would only be for certain articles, would it not, and not for everything?—A. It would be for everything.

Q. Would it include fresh fruits?—A. The steamers cannot carry fresh fruits.

Q. Are there not a great many articles that cannot go by steamer because the time is more essential?—A. Yes, sir; for instance, fresh fruits would never go by steamer.

Q. Would canned fruits go by steamer in preference to going by rail?—A. They might if they wanted to; they now go more or less in that way, and a large quantity goes by way of Cape Horn. A great deal of it goes to Europe by sailing vessel around the Horn, and the same is true with regard to canned salmon. Great quantities of salmon used to go from the Sacramento River, and a great deal goes from up North—Oregon and Washington Territory; it used to come down here and go over our road, but now of course it seeks transportation to foreign ports by way of the Northern Pacific and the Canadian Pacific, and I do not know but what some of it goes around Cape Horn.

NO ARRANGEMENT BETWEEN PACIFIC MAIL AND CENTRAL AND UNION
PACIFIC.

Q. What is the present arrangement between the Central Pacific and the Union Pacific, and the Pacific Mail since the passage of the interstate commerce law?—A. I think that there is no arrangement now; at least no binding arrangement.

Q. Is there not an understanding to furnish the Pacific Mail with a certain amount of freight or pay them its equivalent?—A. Not now; there used to be such an arrangement; we had an arrangement by which we had a certain amount of space in their ships, which we could fill or not as we pleased; we had to pay the freight whether we occupied the space or not, and we used to send a great deal of freight that way, up to the filling of that space. Of course if we paid them for it we wanted to use it, and this was better than to let it remain empty; the arrangement was a good one, as it prevented them from cutting our rates; in this way it was greatly to the advantage of the railroad companies.

Q. Do you say that there is no arrangement now?—A. There is none now.

PACIFIC MAIL CUT RATES SINCE CESSATION OF SUBSIDY.

Q. Has any cutting been done by the Pacific Mail since the cessation of the subsidy?—A. They cut the rates; but I cannot say how much. They are an active competitor for the business.

Q. Has it produced a serious decrease in the transcontinental business?—A. I think not. The competition by the railroads has been so great that the competition by the steamers has become of little consequence. The worst competition is that inaugurated by the railroad companies.

Q. How long has that state of affairs existed as you have described it?—A. I think that the competition by the railroads has been so great that the competition of the steamship company is of little consequence. It did not commence immediately upon the connection at the coast, but the greatest competition is by way of the Northern Pacific, and has existed since that road was completed.

Q. Has it been since 1883?—A. I cannot say: I do not remember.

Q. Or 1884 or 1885?—A. I have forgotten the dates of the completion of those roads, but as those roads were completed, of course competition became fiercer between the railroad companies.

DURING EXISTENCE OF RAILROAD POOL COMPETITION OF STEAMSHIP COMPANY UNDESIRABLE.

Q. Is it your judgment that from the date that competition was established, the continued payment of the subsidy to the Pacific Mail Steamship Company was a mistake and a loss?—A. I am not prepared to say. The competing lines of road did pool for a time, and lived up to this pooling contract perhaps moderately well. While that pool was in existence, it was very desirable that the competition with the Pacific Mail Steamship Company should not be allowed. The railroads at the East agreed with us in this view, and contributed their part of the subsidy. When I say railroads at the East, I mean those east of Omaha. They contributed their part towards subsidizing the Pacific Mail. It was not really subsidizing that company. We paid it so much for so much space, and they permitted us to control the rates. Had it not been subsidized in this manner, it might have controlled the rates by setting them at figures which the railroads would have had to adopt. There was a time when it is possible that if fierce competition had existed that company might have been broken up. After that time had passed there is no doubt that this arrangement with the Pacific Mail was good for railroads. If it had not been, it would not have been observed, and the railroads east of Omaha would not have contributed their proportions.

DURING FIERCE RAILROAD COMPETITION STEAMSHIP COMPETITION OF LITTLE IMPORTANCE.

Q. You have stated in answer to a previous question that since the competition of the railroads had got to be as fierce as it was, the competition of the steamship company was of very little importance. When did this begin?—A. That is about a year and a half or two years ago. At that time that pooling arrangement became substantially broken, and then this arrangement with the steamship company became less important. As a consequence, some of the railroads at the East did not think it worth while to continue the payment of the subsidy, and so it was broken off. Some of our people can give you the exact facts of these occurrences, but that is the general condition of affairs.

Q. The payments by the different railroad companies to the Pacific Mail continued after the disruption of the pool up to the interstate commerce law, or nearly to that time, did it?—A. Cohen suggests to me that the pooling arrangement continued nearly a year before the passage of the interstate commerce law.

Q. Did the arrangement with the Pacific Mail terminate at that time?—A. The contract was not renewed. I do not know if it was temporarily continued while negotiations were going on, but it terminated to its continuance.

NO ARRANGEMENT NOW BETWEEN PACIFIC MAIL AND RAILROADS.

Q. Do you say that there is no arrangement now between the Pacific Mail and the railroads?—A. None that I know of. If any arrangement is done on the other side.

Q. Do you mean at the New York end?—A. Yes, sir; our agents would know exactly whether it was done or not.

Q. Do you mean Mr. Stubbs?—A. Mr. Stubbs would know.

Q. In your judgment, would it advantage the railroads or not to restore, if the law permitted it, any such arrangement with the Pacific Mail at present?—A. That would depend entirely upon the competition that might exist among the railroads themselves. If they had a pooling arrangement by which they would not cut rates as against one another, it would be better to continue the arrangement with the Pacific Mail, in my judgment.

THE FUTURE OF TRANSCONTINENTAL BUSINESS.

Q. What is your view as to the future of the transcontinental business itself; I mean as to whether it is a growing or decreasing quantity in its relation to the local business?—A. Our business, of course, fell off very much, owing to the competing lines of road; but I think that the general business, owing to the general development of the country, is growing all the time.

Q. When you say "our business fell off," do you mean business of the Central Pacific and Union Pacific?—A. Yes, sir. On that subject I desire to say, and I think it is very interesting, that I have filed with the Commission a statement compiled for me directly from the books, showing the falling off upon the completion of each competing line of road, and I think it is very important. As Congress has asked that very question, it is something to which I beg to call the attention of the Commission. You will find it well set forth in my answer. It is in one of the exhibits prepared by Mr. Stubbs.

Commissioner ANDERSON. We have been so busy that we have not been able to make a critical examination of the exhibits.

THE WITNESS. The exhibits are the foundation of my statement that I have submitted.

LOCAL BUSINESS INCREASES FASTER THAN THROUGH BUSINESS.

Q. I asked you the question as to whether the through business, as compared with the local business, was increasing on your road. What is your answer?—A. The local business increases much faster than the through business. I do not mean to say this as regards the entire through business by all routes, but as compared to our business the local business is increasing much more rapidly than the through business. Of course, our through business having been diverted to those other lines of road that shows a very large falling off, but the general population is constantly increasing, and there is such a general improvement in the development of the industries of the State that our local business is constantly increasing. In this exhibit to which I referred, I do not at this moment find the illustration that I wish, but the whole article itself gives a complete history of our freight business. It shows that the very low rates fixed by the competition of the railroads themselves by which one company strives to take business away from the other has affected us more than the competition with the steamships; while at the same time this competition among the railroads has had a very serious effect upon the steamship line itself. The amount of fixed expenses constantly going on with the steamers requires that they earn a certain amount of money, and every pound of freight that goes that way has to bear its fair share, or else there is a loss. On the railroads

it is different. The railroads have a certain plant and they obtain the best prices that they can for their ordinary business. Then it becomes a question of getting additional business, which they can get only by giving a low rate. The question that the railroad has then to ask itself is, Will the additional cost consequent on the movement of this freight be met by the low rate. If it will be, they take it rather than not, as the additional rate is so much as is represented by the additional cost of fuel and the wear and tear of the equipment going over the road. That is all, and if the low rate will meet this cost the railroads will always take the goods.

CENTRAL PACIFIC'S EARNING POWER DEPENDENT ON LOCAL BUSINESS.

Q. Your judgment of the Central Pacific is that its earning power in the future is dependent on *quasi* local business more than on its transcontinental business?—A. Yes; I think so. This transcontinental business is a very uncertain thing. Take, for instance, the competition in the carrying of teas from China and Japan. We have had to compete with the Suez route, but we have gradually been diverting it this way until the larger portion of it has been coming overland. Now, however, the Canadian Pacific Railroad enters as a factor. It puts on a line of steamers to compete for this business. The result will, of course, be that the business will be divided and the rates decreased. Even now they are carrying it at a less rate than we are.

PERMISSION TO CANADIAN PACIFIC TO CARRY TEAS THROUGH IN BOND.

Q. What is there as to the permission accorded to the Canadian Pacific to carry teas through in bond without the payment of duties?—A. I cannot say as to that, exactly; but I know that our Government has allowed them to take freight in violation of the interstate commerce law, carrying it by water from here around to points East, and to Chicago particularly, a distance of 5,000 miles as against our 2,500, and at a less rate for the longer distance than for the shorter distance through our own country. Why the Government has done this is not very plain, but I suppose that it is a sort of comity between Canada and this country that the Canadian Pacific Railroad shall have this privilege, even if it is disastrous to the Central Pacific.

MOST IMPORTANT FEEDERS OF CENTRAL PACIFIC.

Q. Which portion of the road do you regard as the most important factors in regard to its local business—which branches?

The WITNESS. Of the Central Pacific?

Commissioner ANDERSON. Yes.

The WITNESS. The two trunk lines, the one up the San Joaquin and the one up the Sacramento Valley, are the most important.

Q. Are they the most important feeders?—A. Yes; and in addition to that this portion of the system in and around the Bay of San Francisco is important, as this bay business is growing very rapidly.

LOCAL BUSINESS BETWEEN SACRAMENTO AND EASTERN STATE LINE.

Q. How is the local business between Sacramento and the eastern boundary of the State?—A. That holds itself good. It never was very

heavy. The population is small. I do not think that we are growing as much in Placer and Nevada Counties as we did formerly; but there is more or less development, especially of the timber interest, all through the mountain section. The stoppage of hydraulic mining has temporarily decreased the business somewhat, because it has decreased the population. This will remedy itself, however, in time.

MOST VALUABLE PORTION OF LAND GRANT.

Q. Which portion of the land grant do you consider the most valuable?—A. That in California.

Q. Do you refer to the land which has been obtained along the main line and also on the California and Oregon line?—A. Yes, sir.

Q. And on the Western Pacific?—A. The Western Pacific lands are all down near here. All the lands that were supposed to be good for anything were taken up prior to the location of the Western Pacific Railroad. They were largely covered by Mexican grants. The Western Pacific did not get much land which was considered valuable, but it is turning out now so that it sells for something. We have nothing to do with that, however.

Q. Was that the land to which you referred yesterday as having been in some way or other retained by Mr. McLaughlin?—A. Yes, sir; I think McLaughlin would have been glad to sell his interest in that land at the time that we bought the railroad, for \$100,000.

POLICY OF COMPANY IN DISPOSING OF ITS LANDS.

Q. What has been the policy and method pursued by the company in disposing of its lands?—A. It has sold its lands at very cheap rates. It has been our policy to allow people to go onto these lands before we obtained title, and when we did obtain title from the Government we always gave such parties the preference at the graded price, not taking into consideration their improvements. We have not sold our lands in advance of obtaining the patents from the Government, as we did not think it wise. We have not been able to obtain patents for the land as we applied for them, and that has been a very serious disadvantage to us, because if we had had the patents we might have sold the lands and obtained the money for them. The lands also would very likely be settled up and furnish business to the road.

Q. What I want to know particularly is as to whether on the land which you had sold, or which you had for sale, the opportunities you have afforded the public have been open, fair, and equal to all applicants?—A. I think that they have been fair, and that the business has been managed with a great deal of good judgment by our land agents, for the reason that we have scarcely ever had any complaints, and the people buy lands from us in preference to buying from the Government because they can get them more easily. The evidence of this is that we have sold a great deal more land than the Government, even where the Government land has been alongside.

NO SALES OF LANDS FOR ACCOUNT OF STOCKHOLDERS.

Q. Have there been no cases in which the title to certain tracts of land have been placed in the names of certain parties in order to have the subsequent sales made for account of stockholders or directors in the company?—A. Never in a single instance that I know of.

Q. Was there not a large tract of land placed in the name of Mr. Redding?—A. I never heard of it.

Q. Who was Mr. Redding?—A. Mr. Redding was our land agent for a number of years. I have no knowledge of the circumstance to which you allude.

Q. Have you any knowledge of any tract of land being placed in his name and subsequently sold for account of some of the stockholders of the Central Pacific?—A. I never heard of it.

Q. Is Mr. Redding in San Francisco?—A. He did live here. He is dead now.

Q. During what years was he land agent?—A. I think he became land agent as soon as we had any land to sell, or about that time.

Q. Were there any large tracts of land acquired from Mr. Redding by some of the directors and officers of the company?—A. I do not think so. I cannot call to mind any such transaction.

WITNESS BOUGHT SOME RAILROAD LAND.

Q. Has none of that land been conveyed to you?—A. I have bought some railroad land myself.

Q. Through Mr. Redding, the land agent?—A. I presume so; either through him or Mr. Mills. I bought a large tract of land, the title of which was founded in a Spanish grant, and then commenced buying up land of an inferior quality—what we call sheep land. There was not much railroad land left, but I bought some from the railroad company and I bought titles that had passed from the Government altogether. I gathered in that way large tracts of land, worth perhaps from 50 cents to \$2 or \$3 an acre. How many acres of that came from the railroad company I do not know.

Q. Will Mr. Redding's accounts show just how much came to you?—A. It may be since Mr. Redding's death. It may have been since Mr. Mills took charge.

Q. Then it was either Mr. Redding or Mr. Mills?—A. Our books will show the whole transaction.

Q. In what counties were these lands?—A. In Butte and Tehama. I gave all of those lands to an institution which I am endeavoring to build up. These lands were principally bought to finish up the tract.

Q. How many years ago?—A. Some were bought before that, and I think that I had this conveyance two years ago.

LAND SOLD TO CHARLES CROCKER OR HIS SON.

Q. Do you know whether any other of the directors of this company have also bought lands through the land office from one motive or another?—A. We sold a large tract of land—I do not know whether it was sold to Charles Crocker or to his son. His son is managing it, however. It was a large tract of land out on the Promontory. I do not know how many acres are embraced in that tract, but it is quite extensive, and is used for cattle purposes.

Q. That is a ranch, is it not?—A. Yes, sir; that is a ranch. A party of three or four have bought it, and Charles Crocker advanced money to his son for his proportion. Colonel Haymond tells me that C. Crocker advanced all the money to buy the place, and took the security for the advances made to those parties.

Q. Was the title taken by Charles Crocker?

Colonel HAYMOND. Mr. Crocker advanced the money to 1 for his son, for Mr. Buford, and for Mr. Taylor.

Q. How large a tract is it?

Colonel HAYMOND. It is a very large tract, and at the time it was bought was in litigation. It has cost a great deal of money since that time to perfect the title. The purchasers had a great deal of litigation over it, but they anticipated that.

The WITNESS. This land that I bought and gave to the university did not amount to very much, the whole of it. I do not know how much was bought from the railroad company, but that class of land was worth about a dollar or a dollar and a half an acre. We sold land in the same neighborhood, about the sale of which I was consulted, for about 50 cents an acre for a whole township. It lies along the hills, and is chiefly lava formation. The lava has come down from the mountains in former times and overrun all that country, so that it is not worth much for any purpose. Its only value to me was that it enabled me to straighten out my tract. Still, however, it counts up, and it is very likely that some places may be found of 10, 15, or more acres that may be cultivated, not now, but in the future when land becomes more valuable.

IONE COAL AND IRON COMPANY.

Q. There are one or two companies about which I have not asked questions which you have included in your report, and in which you represent yourself as being interested. One is the Ione Coal and Iron Company, in which you state that you own 8,000 shares. What are its relations to the Central Pacific?—A. It sells that company coal, or rather it did sell it.

Q. What does the Central Pacific do for the Ione Coal Company?—A. It does not do anything for it now.

Q. Does it transport its coal?—A. Yes, sir; on its branch. There is no market at present for that coal. I do not think that there is any purchaser at all outside of the Central Pacific, and the Central Pacific does not use much of it, if any, at present.

By Commissioner LITTLE:

Q. Where are the mines located?—A. In Amador County.

By Commissioner ANDERSON:

Q. Are they located at the end of the Amador Branch Railroad?—A. Yes, sir; on occasions coal becomes very scarce in the market here, and at such times if the local dealers can advance prices they do so. At such times we have used the Ione coal as far as we well could. It is a very poor quality of coal. It is not a lignite, but it seems more like clay saturated with oil. It burns pretty well in the grate, however, and makes a pretty fair fire, but the engineers do not like to use it in their locomotives, as they say that there is not power enough in it.

NOT MUCH BUSINESS BETWEEN IONE AND CENTRAL PACIFIC.

Q. At the time that you constructed that branch railroad and for some years afterwards, was there much business between the Ione Coal Company and the Central Pacific Railroad Company?—A. Not much. We used it as far as we very well could, because to that extent the coal men here and these foreign coals found a competitor. When we had no controlling interest in that mine, we oftentimes had to submit to very high rates for our coal, but since that time we have been able to regulate prices. The coal companies in British Columbia also now

send us a very good article of coal, and the Rocky Mountain Coal Company, as it is called, in Utah, provides us with an additional supply. It is now used upon the mountains, and is a very good coal.

Q. When you say that you had to submit to very high rates, do you mean that the coal company charged exorbitant rates for its coal?—A. Not the coal company, but the coal dealers. The Black Diamond Coal Company used to charge us \$8 a ton for what they now charge us \$1.

Q. What price did the Lone Coal Company get for its coal?—A. I do not know; probably not much. I guess it was \$3 or \$4 a ton.

ROCKY MOUNTAIN COAL AND IRON COMPANY.

Q. There is another company called the Rocky Mountain Coal and Iron Company; where are its mines located?—A. They are located over in the Walsatch range of mountains, about one hundred miles from Ogden.

By Commissioner LITTLE :

Q. Are they near Evanston?—A. Yes, sir.

By Commissioner ANDERSON :

Q. Did that company sell coal to the Central Pacific?—A. Yes, sir.

Q. To what extent?—A. Until it met the wood of the Sierra Nevada Mountains; that is, when the wood would be as cheap as the coal, it stopped.

Q. Were the transactions extensive?—A. All of the eastern end of the line of the road was operated on that coal. Now we bring it to the Sierra Nevada to such point as it can be economically used when taken in comparison with the cost of wood. Chinamen used to get out a good deal of wood on the mountain at moderate rates, but the price has now gone up considerably, and we have found it cheaper to use coal in most instances than to use wood.

ITS CAPITAL STOCK.

Q. How much was the capital stock of the Rocky Mountain Coal and Iron Company?—A. I do not remember.

Q. Who were the chief stockholders?—A. That stock has changed somewhat.

Commissioner ANDERSON. I mean at the time that General Colton was alive.

The WITNESS. I do not think that it has changed much, if any, since that time. It belonged to other parties, and we gradually bought it up and got the control of it. Since that time it has been very largely controlled by our people.

RATES PAID FOR COAL.

Q. How were the rates that the Central Pacific paid for coal determined; through whose intervention?—A. I have had a great deal to say about it. In the fixing of this rate I was more particularly representing the Central Pacific, and I have insisted at one time and another upon a little lower rate as I thought the coal company could afford it. I have never given any especial attention myself to the coal company.

Q. As matter of fact, were not the rates paid to the Rocky Mountain Coal Company for coal very high for several years?—A. I think not.

Q. Has the Central Pacific not paid as high as \$7 and \$8 a ton?—A. It might have paid as high as that for coal delivered on the line.

the road, but I do not recollect. I know that the Union Pacific used to charge very high for bringing it over its road.

By Mr. COHEN:

Q. That company charged \$2 per ton, did it not, for freight?—A. Yes, sir; and I think that that is the charge now.

Commissioner ANDERSON. The Union Pacific charges \$6.50 a ton from Rock Springs east and west.

The WITNESS. We have always thought that they charged us a very high rate for bringing coal over that line of road to Ogden. I think that they once used to charge us \$2.50 a ton.

By Commissioner ANDERSON:

Q. Did the Rocky Mountain Coal Company do any other business than this coal business with the Central Pacific?—A. Yes, sir; we have sold coal at Ogden when we could, but not very much, I think.

Q. The main feature of the business was the business with the Central Pacific, was it not?—A. Yes, sir.

ROCKY MOUNTAIN COAL COMPANY PAID FAIR DIVIDENDS.

Q. Has not the Rocky Mountain Coal Company paid very large and frequent dividends?—A. Very fair dividends have been paid; but I would not undertake to say how many or how large. All I can say is that I know that the business has been very satisfactory. We bring considerable coal for the mines in Nevada, principally at Virginia City. It is not a very heavy trade, however. We also furnish coal to anybody along the line of the road in Nevada and Utah.

CARBON HILL COAL COMPANY.

Q. I find another company here called the Carbon Hill Coal Company; what company is that?—A. A company up north.

By Mr. COHEN:

Q. It is in Oregon, is it not?—A. Yes, sir.

By Commissioner ANDERSON:

Q. What dealings has that company with the Central Pacific? Does it sell coal to the Central Pacific?—A. Yes, sir.

Q. How extensive is that business; what does it amount to?—A. It has never paid anything. I do not know how much of it comes here by water, but it is mined to meet this market, and furnishes always a sufficient supply to make the railroad company more or less independent of foreign coals. When foreign coal, sells at low rates, there comes less of the Carbon Hill coal; and when the prospect is that the coal is going to be dear, there is a greater force put on at the mine, and a larger quantity of coal brought down here.

Q. That mine, then, is used as a regulator of prices, is it?—A. Yes, sir; it is used as a regulator. There is plenty of carbon in the coal, but it is very fine and disagreeable to run engines with.

Q. Is it dusty?—A. Yes, sir; it is dusty.

BERKELEY BRANCH RAILROAD.

Q. What is this Berkeley Branch Railroad that is mentioned in your list in the stock of which you are interested?—A. That is a little road

which runs out to the university near Oakland, and which is operated in connection with these ferries.

Q. Is it leased separately from any other branch to the Central Pacific?—A. The Central Pacific runs it.

Q. Under what arrangement does the Central Pacific run it?—A. I do not know. It is a little piece of road 3 or 4 miles long, and I guess the Central Pacific pays for it.

Q. Does the Central Pacific pay certain rates for the use of it?—A. It pays a rental for the use of it.

Q. Then it is among the leases, is it not?—A. Yes, sir; it is among the leases. It is now leased to the Southern Pacific Company.

Q. It is leased at \$200 per mile per month. What was the arrangement before that lease was made; how was the use of that road compensated for?—A. I do not remember. What date is that lease?

Commissioner ANDERSON. November, 1880. I suppose that that was about the time the road was constructed.

Q. How was the use of that branch compensated for?—A. I do not remember.

Commissioner ANDERSON. That is all that I have to ask this witness.

Commissioner LITTLER. As I understand it, Mr. Chairman, you wish to ask some questions in chief, and you do not wish Mr. Cohen's cross-examination to begin until you have finished.

The CHAIRMAN. I have some questions that I wish to ask the witness.

LOCAL TRANSFER BUSINESS AT SAN FRANCISCO.

By the CHAIRMAN:

Q. How was the local transfer business of the Central Pacific in San Francisco organized?

The WITNESS. Do you mean the baggage transfer?

The CHAIRMAN. Yes.

A. I think that it was organized by a man by the name of Kennedy. I think that he was the organizer of that transfer company.

Q. Who was associated with Mr. Kennedy?—A. I do not know.

KENNEDY, LONG & CO.

Q. Do you recall the firm of Kennedy, Long & Co.?—A. I think so. I do not remember now who the company was.

Q. Did the firm take charge of the business for some time?—A. Yes, sir.

Q. Were they organized into a corporation?—A. They did have a sort of a corporation.

Q. What was the name of the company?—A. I do not remember.

THE SAN FRANCISCO COMPANY.

Q. Was it the San Francisco Company?—A. It may have been. I do not think that they ever issued much, if any, stock. Mr. Kennedy got into some trouble, and it became necessary for him to give up the business. Then it was purchased by other parties. I took a good deal of interest in the company, for I saw that it could be made a very great convenience to the public. We never gave that company any contract as to the length of time that it could have the privileges which it wished. I would not give it to Kennedy, because I did not know how well he would do it, and it was very important that the baggage should be

handled to the satisfaction of travelers. Mr. Kennedy got into debt, or his company did, and he had to sell out. His successors bought him out and paid him a certain amount of money—enough to cover that indebtedness. Since that time that company has been doing business without any permanent lease from the Central Pacific, but only during our will. So long as it does the business satisfactorily it shall have it.

Q. Who were the successors of Mr. Kennedy?—A. Mr. Coleman and Mr. Smith.

TRouble BETWEEN CENTRAL PACIFIC AND KENNEDY.

Q. Had the Central Pacific any trouble with Mr. Kennedy?—A. I do not know that we really had trouble, but he wanted to hold on to the business, I believe. He was not doing it to our satisfaction, however, and he became financially embarrassed. That is all the trouble that we had, so far as I know.

Q. Did you make any complaint to Kennedy that he was not doing the business properly?—A. I do not remember of any formal complaint, but I know that I was not satisfied with the manner in which he was doing the business.

SENATOR GWIN'S SON-IN-LAW.

Q. Who was Mr. Coleman?—A. The only office that I remember his having held here was that of bank commissioner.

Q. Is he not the son-in-law of Senator Gwin?—A. Yes, sir.

Q. Is it not true that Kennedy and his company were dispossessed, to give the transfer business in San Francisco to Mr. Coleman, at the solicitation of Senator Gwin?—A. I do not remember that. There would have been no transfer if Kennedy had kept out of debt and attended to the business in a satisfactory manner. I do not remember all the particulars, but I know that he did not do the business to our satisfaction. He got into debt, and constant complaints were made about it at the time.

Q. Did you have any conversation with Senator Gwin, concerning the transfer business?—A. Yes, sir.

Q. What was the conversation?—A. I do not remember definitely; but I know that he wanted to get the transfer business. I do not know whether he had an interest in it or not, but he wanted to get the business for his son-in-law, Mr. Coleman, and for Mr. Smith.

By Mr. COHEN :

Q. Can you mention the date of this conversation with Senator Gwin?—A. No, sir; we had several conversations. They wanted to get in without paying Kennedy anything, or buying him out; but I would not listen to any such proposition.

Q. That was after he had ceased to be Senator, was it not?—A. Yes, sir.

Q. Was it not some years after?—A. Yes, sir.

STIPULATION OF SENATOR GWIN AS TO TRANSFER BUSINESS.

By the CHAIRMAN :

Q. What was the stipulation on the part of Mr. Gwin as to what he was to do for the company in consideration of having the transfer business?—A. He was to do the business to the satisfaction of the company. I know this, that I demanded that in any arrangements that he made

with Kennedy, it should be upon the basis that Kennedy's creditors should be paid, and I believe that they were paid. They wanted a contract allowing them to do this business as a transfer company for a specified time, but I declined to do that, and stated to them that I would not bind the company at all. I told them that if they did the business to the satisfaction of the company, there was no doubt that they could retain it as long as they pleased, but otherwise they could not keep it at all. That is all the contract that they have ever had with the company.

Q. Was there any stipulation with Senator Gwin as to using his influence in Congress?—A. None at all.

Q. Or that he should use his influence in the matter of Congressional legislation?—A. None at all.

SENATOR GWIN IN WASHINGTON.

Q. Did Senator Gwin subsequently represent the company at Washington?—A. He was over there subsequently, I think, and he staid in Washington for some considerable time. I do not think that I had anything to do with that. I think that he went there at the request of Mr. Huntington.

Q. Was his business there for the Central Pacific Railroad Company?—A. I cannot say that he went there because of the company alone, but he received compensation while he was there, or for a portion of the time at any rate, from the company.

NATURE OF HIS BUSINESS.

Q. What was the nature of his business there?—A. I do not remember now what particular interest we had there that we thought his influence would be valuable. It may have been on account of the Central Pacific, and still I may be mistaken in that. When I come to think of it, I think that what he was doing there was in connection with the Southern Pacific. I think so, but I am not certain.

Q. How long did he remain in the service of either the Central Pacific or the Southern Pacific at that time in Washington?—A. I cannot say; but it certainly was not over a year. It may have been a year.

Q. Was that service of Senator Gwin rendered to the Central Pacific or to the Southern Pacific subsequent to the transfer of the local transfer business in San Francisco to his son-in-law, Mr. Coleman?—A. I do not remember that.

NO STIPULATION AS TO SERVICES IN WASHINGTON.

Q. In the conversation with reference to the conveyance of the transfer business to Mr. Coleman, was there any stipulation as to the services that Mr. Gwin should render in Washington?—A. None at all. It was purely a business transaction, and no favors were shown or expected because of it. I was very careful to make them understand that there must be an arrangement made with Kennedy & that then, if it was satisfactory to us, they could have the bus at our will. Whether they could retain it or not depends whether they could give us satisfaction.

Q. Did he intimate to you in any conversation anything of influence with Southern Congressional delegations?—A. Anything of the kind talked about. It was not necessary

ator Gwin and myself. Our personal relations had always been friendly for years, ever since the time when we traveled on the ocean together. I know that he was always a very earnest friend of the Pacific Railroad. He was our friend when it was supposed that the Southern line was the best line for a road; as a member of Congress he was a very efficient friend of the railroad, but he had nothing to do, of course, with the matter. I do not know where he was, but he had nothing to do with the passage of the present Pacific Railroad bills.

Q. How long after his retirement did he enter the service of the Central Pacific Railroad Company?—A. I am not sure as to his being in the service of the Central Pacific. I cannot recall to mind the particular service that he was expected to render at Washington, except that whatever it was he was to use his influence and knowledge of matters with the members and before the committees. It seems to me that he went before some committee for us.

CONTROL OF PRESIDENT OF ROAD OVER VOUCHERS.

Q. What control have you had as president of the company over the vouchers to be charged to the general legal expense account?—A. Of course as president of the company I have the right to go and look at everything, but I scarcely ever have looked into a book or turned over a leaf in one of the books in the secretary's office. The vouchers, of course, were kept by the secretary.

Q. Did you approve the vouchers as president?—A. I have allowed accounts.

Q. Did you approve any of the vouchers charged to the legal-expense account that you now recall?—A. I cannot recall any one, but I have no doubt that I have approved them.

Q. Are you familiar with the expenses that have been charged to the legal expense account?—A. I used to be, but I have not been very familiar with them the last two, three, or four years.

Q. Would the vouchers recall to you the purposes for which the expenses were made?—A. I do not think that they would, unless there were items in the vouchers themselves.

Q. Who else has approved vouchers to be charged to the legal-expense account?—A. Generally they have been approved by whomsoever was cognizant of the services performed. Probably some of that expense that was incurred by order of anybody in the law department would be approved by some one of the counsel who may have found it necessary to employ additional service, or procure service of any kind. I do not know whether these vouchers will specify what they were for or not. I do not remember looking at that kind of a voucher, unless some one brought it to me to be approved or allowed.

MR. HAYMOND'S CONTROL OF LEGAL EXPENSE ACCOUNT.

Q. Who is the present head of the legal department?—A. Creed Haymond.

Q. What control has Mr. Haymond over expenditures charged to the legal-expense account?—A. I think that anything that he would do in the way of his business which he might consider necessary would be approved. In our business we find it necessary to have an attorney in every county through which our line of road runs. Then we have several other attorneys and counselors in our office; and in addition to that, we employ several of the more important firms in this city, as occasion

may require. Colonel Haymond distributes our business to the different attorneys in such manner as his judgment deems the best.

Q. Do all the counsel and other attorneys report from time to time to Colonel Haymond as head of the legal department?—A. Yes, sir.

Q. How long has Colonel Haymond been at the head of that department?—A. Since the death of Judge Sanderson. There was a gentleman by the name of Sanderson at the head of the department for a number of years; but he died a little over a year ago, and Colonel Haymond succeeded him.

FORMER HEAD OF LEGAL DEPARTMENT, JUDGE SANDERSON.

Q. How long did Judge Sanderson remain at the head of the legal department?

Mr. COHEN. Seventeen years. From 1869 to 1886.

The WITNESS. I presume that is correct; I do not remember the exact time.

Q. Had Judge Sanderson the same powers of control that Colonel Haymond has over the legal department expenses?—A. Yes, sir.

Q. Would Judge Sanderson approve vouchers?—A. In that department; yes, sir. I think that they were usually approved by him, and in some cases, perhaps, some would be approved by others. They would be approved by who ever rendered the service or procured it to be rendered. Judge Sanderson was at the head of the department, and the vouchers would generally have his approval. We had another attorney who was with us a good many years. He had charge of what you might call the executive part of the business, and during the time that he was there he would frequently approve vouchers. He attended to a great many things, and Judge Sanderson did only that which it was necessary for him to do. All the minor work was done by some one else.

Q. What was the name of the gentleman who aided Judge Sanderson?—A. Robert Robinson.

JUDGE ROBINSON THE PREDECESSOR OF JUDGE SANDERSON.

Q. Who had charge of the department prior to Judge Sanderson?—A. Judge Robinson. I think that Judge Robinson was the early attorney of the company. Judge Crocker was an early attorney, but I think that Judge Robinson was the active one, doing most of the business prior to Judge Sanderson's time.

Q. So that all the vouchers as to their being correct, I understand from you, were passed upon during these years by either Colonel Haymond, Judge Sanderson, or Judge Robinson?—A. No, sir; I do not say that.

Q. Who else would do it?—A. I am not sure. Others might do so. If any of these gentlemen in our employ, perhaps forty or fifty of them, should sign a voucher and state that they had had occasion to make certain expenditure, it would be allowed. I am not sure what ones have ever done this, but we have in our employ here in San Francisco some of the most eminent attorneys of the State. I do not know that there has ever been any special discretion conferred upon them, but any bill that they would certify to as having been incurred on behalf of the company, I have no doubt would be allowed.

LEGAL EXPENSE VOUCHERS PAID ON APPROVAL OF PRESIDENT.

Q. During these years, were legal expense vouchers paid upon the approval as president?—A. I do not think that a great many were.

upon my approval. I am away a great deal, but when I am here I have no doubt that I do approve such vouchers.

Mr. HAYMOND. I have been accustomed when I have had any large vouchers to take them to you for your approval. Many times these vouchers would not show the items going to make up the total, and I wanted some one to approve them. Those vouchers I am prepared to explain.

The CHAIRMAN. I understand from Colonel Haymond's statement to you that all the vouchers in the legal expense account are so stated or itemized that the expenditures can be explained.

CHARGES MADE REGARDING LEGAL EXPENSE VOUCHERS.

Mr. HAYMOND. No, sir; that is not so. The vouchers do not always show all these items. Shortly after I went into the law department there was a complete change in the method of doing business. We used to litigate with everybody, and had a suit with everybody who had any claim against the company. We used to take the representations of our own men in all cases, until the Central Pacific Railroad Company had over three hundred suits pending against it when I went into its employ. I frequently found that when we came to trial the reports furnished us by our own men were not correct. I frequently tried cases myself, and often spent four or five thousand dollars in a case in order to ascertain what the truth was. When I had gained all the facts in that class of cases, I would go to Governor Stanford and tell him that these reports were not correct, and that I believed that this person or the other person was entitled to so much money. Frequently when I knew that I was right, I would pay these claims from my own funds, and let the amount run on until it amounted to probably ten or fifteen thousand dollars. I seldom asked for reimbursement until the amount was quite considerable, and then I would take the vouchers to Governor Stanford or to Mr. Hopkins and explain them, and a voucher would be drawn in my favor for the total. In that way the vouchers would be really payable to me. Previous to the inauguration of this system we had a great deal of litigation, because Judge Sanderson looked at everything from the standpoint of the lawyer. The new method of doing things saved a great many expenditures which had become necessary under the old system, and it reduced the legal expenses of the Central Pacific nearly \$200,000 in three years. At the present time we have not more than fifteen or twenty cases pending against the Central Pacific. We have made peace for the Central Pacific, and this has had a great deal to do with the change in public sentiment toward that company. We now practically try all of these cases in our own office. If we find that there is the least liability on the part of the company, we make a settlement.

POOR HEALTH OF JUDGE SANDERSON.

The CHAIRMAN. I understand that your explanation applies, however, only to the years 1886 and 1887.

Mr. HAYMOND. No, sir; for a long time before I became chief counsel I did the principal part of the business, because Judge Sanderson was not very well. In fact, at the time that I was employed, Governor Stanford explained to me that I should go into the legal department for the purpose of relieving Judge Sanderson, who was regarded as the most valuable man in this State, and they wanted to do everything that

they could to preserve his health. They wanted all the work possible to be kept away from him. Although all the improvements that I made were made in his lifetime, and were made by me in his name, they were practically made without much consultation with him, for he did not want to be bothered with it. He had never done that kind of business in his life. He was a thorough lawyer, and would accept the reports of our engineers and conductors as final. If these reports showed no liability on the part of the company, the claims would be contested. He would take the word of who ever did the injury that was complained of, and would care to go no further. After I went there I managed to have all of this changed, so that now we have comparatively little litigation and no ill-feeling against us.

WHO CAN EXPLAIN THE VOUCHERS?

The CHAIRMAN. I want to know who is the real party who can explain these vouchers. Can you tell me that?

Mr. HAYMOND. I can explain many of them, although some of them may have occurred before my time.

The CHAIRMAN. What period did you cover?

Mr. HAYMOND. That is difficult for me to say. The other day I thought that I had been with the company but five years, but when I came to look at the books I found that I had been there six years.

The CHAIRMAN. Would that cover your entire knowledge of the vouchers?

Mr. HAYMOND. Yes, sir. There might be many vouchers that did come to me for my approval, and while they would be perfectly proper they would not show the items of the expenditures. There might be many of them on which it would not be proper to state the items or to give any statement showing just where the money went.

The CHAIRMAN. Prior to this six years, who can explain to the Commission these expense vouchers?

Mr. HAYMOND. I do not think anybody living.

The WITNESS. Judge Robinson is not in condition to explain anything. I think that he overtaxed himself, and he has not been able to be around or to do any business for some years.

Q. Where is Robert Robinson now?—A. He is living in this city.

GENERAL EXPENSE AS DISTINGUISHED FROM LEGAL EXPENSE VOUCHERS.

Q. Who approved the general expense account vouchers as distinguished from the legal expense vouchers?—A. I do not know.

Q. Did you at any time approve any vouchers charged to the general expense account, as president?—A. Yes. I cannot remember any particular ones, but I know that I frequently approve accounts. There are regular officers who approve accounts, but sometimes they come to me and ask me to approve them.

Q. Were all the items of expense in a voucher, approved by you and charged to the general expense account, explained before your approval?—A. They were explained to my satisfaction.

Q. Can you explain to the Commission, in detail, the items of expenditures in the several vouchers approved by you and charged to the general expense account?—A. I do not suppose that I could explain one, or tell the year, except by the date of the vouchers themselves.

THEOPHILUS FRENCH.

Q. Do you know Mr. Theophilus French?—A. Slightly.

Q. When did you first become acquainted with Mr. Theophilus French?—A. He was out here as a Government commissioner to examine our business, books, accounts, and so forth. He was appointed United States Auditor of Railroad Accounts.

By the CHAIRMAN. He was the first auditor in 1878 of railroad accounts.

Q. What was the date of his visit to San Francisco?—A. I do not remember.

Q. Do you know whether it was in 1880 or 1882, or in 1879?—A. I cannot tell you the year. It was somewhere about that time. It was some years ago.

Q. Did you have any conversation with him while he was here?—A. Very little.

Q. Did he examine the accounts of the company?—A. I think that he was around the office with his accountants for several weeks.

Q. Have you had any knowledge at any time of the report that he made on the condition of the legal expense and the general expense accounts?—A. I presume that I have seen the report, but I cannot now remember anything about it.

Q. Were you asked for any explanations?

The WITNESS. By whom?

The CHAIRMAN. By Mr. French.

The WITNESS. I do not think that I had any conversation with him about the accounts. I have not the least recollection that he ever asked me to explain anything.

EMPLOYED FOR ONE OF THE COMPANIES.

Q. Was he ever employed by the company?—A. It seems to me that after he ceased to be railroad auditor he was employed by Mr. Huntington for some one of the companies. I think that I heard Mr. Huntington say that he had employed Mr. French to do something or other, but I do not remember.

Q. Do you remember the compensation that was paid Mr. French for his services?—A. No, I do not.

Q. Do you know whether it was five thousand or six thousand dollars a year?—A. I do not know anything about it. I have no idea that I ever heard it mentioned, or that I ever asked any question with regard to it.

Q. Was his employment considered by the board of directors?—A. I do not think so. I call to mind the fact that for some reason—and I presume that Mr. Huntington told me why he employed him—Mr. French was employed by the company. Mr. Huntington wanted him for something or other. I am sure that he told me that he had either employed French or was going to employ him. That is probably the only conversation that I ever had with anybody about it.

Q. How long after he was railroad commissioner was he employed by your company?—A. That I cannot say.

CHARACTER OF HIS EMPLOYMENT.

Q. I call attention to the exhibit submitted to the Commission in answer to interrogatory No. 32, wherein Agent Theophilus French appears with an annual salary of \$6,000 from April 1, 1882, to March 31, 1885,

I will ask you to examine it, and see whether it recalls anything to your mind of the character of the employment of French by the company?—A. April, 1882, to March, 1885, would be three years. I have handed him this statement as it was furnished to me by Mr. Miller, and that is really all that I know about it. In regard to this French matter, my recollection is, as I have already told you, that Mr. Huntington told me that he either had employed him or was going to employ him in and about our business.

Q. What kind of business was French to do for you?—A. We have always had more or less business before the Departments in Washington, and I presume that he was to be employed to attend to that. I cannot say as to that, however.

Q. If he was employed by the company in 1882 it must have been soon after he severed his connection with the Government at Washington as Railroad Auditor, must it not?—A. I do not know what time he severed his connection with the Government. Was it by expiration of his term, or did he resign?

The CHAIRMAN. I do not remember.

The WITNESS. I do not know anything about that.

The CHAIRMAN. Has he been employed by the Southern Pacific Company since 1885?

A. Not to my knowledge.

Q. Did Mr. Huntington give him a recommendation to you at the time of your conversation with Mr. Huntington regarding the employment of Mr. French?—A. I did not employ French.

HUNTINGTON REGARDED FRENCH AS A VALUABLE MAN.

Q. At the time of the employment of French or before that time when you had a conversation with Mr. Huntington, did Mr. Huntington explain to you the character of the ability that Mr. French would bring to the road?—A. I remember that he thought that French, with his knowledge of our matters and of the Departments, would be a valuable man. That is about the general idea. As to his peculiar qualifications for the place I do not remember that they were discussed.

Q. Did French write any letters to you?—A. Not to my recollection.

Q. Have you read any of the letters that French has written to Mr. Huntington?—A. I do not think that I ever did. Still, I might have done so. Such a thing as that may have occurred without my recollecting it.

Q. How long has Mr. French been out of the employ of the Central Pacific?—A. I do not know.

Q. Has he been employed by the Southern Pacific Company?—A. I do not know anything about his employment of any kind, except what I have told you, two or three times over.

Q. Did Mr. French make any suggestion to you or to Mr. Huntington as to his knowledge of the affairs of the Central Pacific road, and what he was going to do with that knowledge?—A. I do not remember it.

PUBLICATION BY FRENCH CONCERNING CENTRAL PACIFIC.

Q. Are you aware of a publication made by Mr. French concerning the affairs of the Central Pacific which appeared in the New York World?—A. I saw it at the time.

Q. Do you know of any conversation or any meeting between Mr. Huntington and Mr. French as to the publication of that article?

to its being published?—A. I am not sure whether Huntington told me that French had been to him or not regarding that publication. I have an impression, and yet I do not recollect it, or where it came from, that he had been to Huntington before that publication.

Q. Did Mr. French complain to Mr. Huntington that you had a knowledge of his dismissal?—A. I do not know anything about French's complaint. I say that I have an impression, which I received either from Mr. Huntington or some one else, that French had been after Mr. Huntington about railroad matters before that article appeared in the World.

PURPOSE OF FRENCH'S VISIT TO HUNTINGTON.

Q. What impression have you now or had you then, that you can recall, of the purpose of the visit of Mr. French to Mr. Huntington?—A. I shall have to refer you to Mr. Huntington about that. I was in Washington at the time, and I do not think that I saw Mr. Huntington for some time afterwards.

By Mr. BERGIN:

Q. You do not know anything of your own knowledge about this matter, do you?—A. I do not remember whether I got it from Mr. Huntington or whether I had it from some one else that French was a black-mailer.

By the CHAIRMAN:

Q. Did Mr. French make any threat against the company and as to the account of his dismissal from his employment?—A. I never heard of it. I do not know when he was dismissed and could not state, prior to this conversation, that I had ever heard that he was in the employ of the company for any considerable length of time. I suppose that it was about the time that I went to Europe to be gone some considerable time that Huntington told me about French. I think that occurred just prior to my leaving for Europe, and I do not believe that I ever heard any mention again of the name of French until since this publication in the World.

Q. What did you hear then?—A. I do not think that I have heard Mr. Huntington speak of French except contemptuously.

Q. What did you say to Mr. Huntington concerning French's course?—A. I do not remember what I said. I remember what I thought, if you want that.

THOUGHT FRENCH TRIED TO BLACKMAIL HUNTINGTON.

Q. What impression had you of the conduct of Mr. French?—A. I thought that he had tried to blackmail Huntington for some purpose or other. That is what I thought.

Q. Did you talk to Mr. Huntington about French?—A. I do not remember.

Q. Did you drop the subject there?—A. I do not know whether I dropped the subject or not. I only had the impression. That is all.

Q. Are you unable to recall the fact. It has only occurred within the last few months, has it not?—A. I do not recall the fact.

Q. You remember the publication, do you not?—A. I remember the publication in the World. That was some time last winter.

Q. Then your thought in relation to his conduct was subsequent to the publication, as I understand you?—A. Yes, sir; I do not know that

I ever had any occasion to think ill of Mr. French until I saw this. The first notice that I had of it was what I saw in the World.

Q. With whom did you talk about the publication after that?—A. I do not know that I talked much with anybody about it.

R. FRANCHOT.

Q. Were you acquainted with Mr. R. Franchot?—A. Yes, sir.

Q. When did your acquaintance begin?—A. A long time ago. I do not remember.

Q. Was it subsequent to the organization of the railroad company?—A. Yes, sir; it was subsequent to that.

Q. Was he employed by the company?—A. Yes, sir.

Q. How was he employed?—A. He was employed as an agent, representing our affairs at Washington more particularly.

Q. How was he employed?—A. Sometimes I guess he would do almost anything that he was called upon to do in the general interest of the company, but more particularly as an agent at Washington.

CHARACTER OF FRANCHOT'S DUTIES AT WASHINGTON.

Q. What was the character of his duties at Washington?—A. Representing generally the interests of the company with the Departments and with such people as might become of consequence—members of Congress, very likely. He had standing there, and had many friends among them.

Q. Had he any power as to the expenditure of money?—A. I cannot say. He never had any such power from me. I do not remember that I ever gave him any positive directions with regard to the business.

Q. With whom did he deal as to his expenses account in Washington, with which officer of your company?—A. He was immediately under Mr. Huntington, and anything of that kind would go through that source.

Q. Was he a member of Congress prior or subsequent to his employment by the company?—A. I do not know when he was a member of Congress. I was not acquainted with him at that time. I think that it must have been prior to any employment by the company.

VOUCHER IN FAVOR OF FRANCHOT.

The CHAIRMAN. I call for the production from the general expense account of 1869, December 10, of voucher in favor of R. Franchot, expenses, \$500.

Mr. COHEN. Have you not got it already? You have most of our vouchers.

The CHAIRMAN. If we have got it, you need not produce it.

The WITNESS. Is Franchot on that list you have?

Mr. COHEN. It is on the list. It is on the list attached to your answer to question 32.

By Commissioner ANDERSON:

Q. Who made that list?—A. It was furnished to me by Mr. Miller.

Q. I notice one or two omissions which I do not understand. You have several distinguished gentlemen to whom money has been paid whose names do not appear. April 24, 1869, Roscoe Conkling appears to have received \$10,000. I do not know why that was omitted.

Mr. HAYMOND. He was not in the regular employment of the company, but he has been paid fees from time to time for arguing cases in the Supreme Court of the United States. I suppose that the railroad company has as much right to employ him as it has to employ anybody else.

MOST PROMINENT LAWYERS OF THE COUNTRY EMPLOYED.

Mr. COHEN. You will also find that the company has employed at various times Mr. Edmunds and Mr. Evarts, and a number of the most prominent lawyers of the country.

The CHAIRMAN. Nobody questions the right of the company to employ these men, or the right of these men to accept that employment. We simply ask these questions for our information.

The WITNESS. Everything that we have done might probably be considered as objectionable by a certain class of people. I will say that Mr. Conkling was employed on a number of occasions to argue cases in the Supreme Court of the United States, and I believe, although I am not certain, that I once engaged his services myself. At any rate, I talked with him about it, but whatever has been paid I think has always been settled by Mr. Huntington.

OFFICERS RECEIVING \$5,000.

Mr. COHEN. Is not your inquiry confined to those on the pay-roll who receive an annual salary?

Commissioner LITTLE. An annual salary of \$5,000.

Commissioner ANDERSON. Or compensation. It is in the act.

Mr. HAYMOND. Will you please look and see?

Mr. COHEN. Congress empowers this Commission to inquire into the amount of the annual salaries or compensation that are now, or at any prior time have been, paid to any officer or employé of said company, when such salary or compensation amounts to \$5,000 or more per annum, and the names of the persons now receiving or who have heretofore received such salaries or compensation. This certainly does not apply to special employment.

The WITNESS. Mr. Conkling has never had any salary from us. He has had several fees for his services. If that is the construction it is all right, but at any rate it is immaterial.

Mr. HAYMOND. It is necessary to protect the name of Mr. Conkling. He never received a cent that he was not entitled to, and I do not see why anybody in any manner should impugn his official conduct as a Congressman.

NO ONE'S CONDUCT IMPUGNED.

Commissioner ANDERSON. His conduct is not impugned by showing that he received a fee of \$10,000.

The CHAIRMAN. We are not impugning the conduct of anybody.

Mr. HAYMOND. I do not care, so far as I am concerned, what facts are brought out on this investigation; but only the proper construction should be placed upon them. I see no objection to stating all the facts, because I do not believe that any of you gentlemen regard that there is anything wrong in it. Mr. Conkling was publicly employed, and appeared in the Supreme Court of the United States in some of the greatest cases ever argued there, and in one of the greatest questions ever decided by that court.

Commissioner ANDERSON. Not in 1869. Did he argue the Thurman act case?

Mr. HAYMOND. That was one; and the question argued in that case was whether Congress had power to impair the obligations of a contract, which the Supreme Court of the United States decided that it could do. Since then, I believe, it has decided to the contrary.

AN ILLOGICAL DECISION OF THE SUPREME COURT.

The WITNESS. One of the most illogical of the decisions of the Supreme Court was this one which decided that the clause in the Constitution prohibiting a State from passing any act impairing the obligations of contracts did not apply to the United States, because it did not say in the Federal Constitution that Congress should not pass any act impairing the obligation of a contract. Some of them satisfied their judgments with that kind of reasoning.

By the CHAIRMAN:

Q. Do you recall any expense made by yourself in 1875 and charged to the general-expense account in the month of December? I refer to the voucher, December 31, 1875, Leland Stanford, \$171,781.89, charged to the general-expense account.

Mr. COHEN. We would like time to consider whether we should make objection as to that.

The WITNESS. What objection is there to it?

Mr. HAYMOND. It may possibly never have been charged to the expense account.

Mr. COHEN. The question is, whether he recollects it.

The WITNESS. Are there vouchers for it?

Q. Would the voucher aid you in recalling the expenditure?—A. If there is anything on it it might do so.

The CHAIRMAN. I call for the production of the voucher of December 31, 1875.

The WITNESS. Of the fact itself I do not remember anything.

CALL FOR VOUCHERS.

The CHAIRMAN. I also call for the voucher of December 1, 1875, L. Stanford, \$8,777.15, charged to the same account; also, same year, 1875, the voucher of February 7, L. Stanford, \$20,000; September 3, 1878, L. Stanford, \$12,000; legal-expense account, December, 1875, L. Stanford, \$15,117.33; November 12, 1878, L. Stanford, \$46,816.94; also, September 27, 1879, L. Stanford, \$38,156.03. Recurring to the general-expense account, September 7, 1875, L. Stanford, \$50,000, we would also like that voucher. Without calling for any more at present, I ask for the production of those vouchers this afternoon.

Mr. COHEN. I think that you have all the vouchers here.

Commissioner ANDERSON. We have all prior to 1872, and these are subsequent to that time.

Mr. COHEN. I do not think that we can get them here by 2 o'clock, but we will try.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Friday, August 5, 1887

Afternoon session.

The CHAIRMAN. Are you ready to produce the voucher with reference to the payment to Mr. Theophilus French for the sum of \$6,000, named in the exhibit produced by Mr. Stanford?

Mr. COHEN. We will produce every voucher that you call for that is pertinent to this inquiry; but you called for them just before the adjournment, and we had no time except to get our lunch and no time for consultation, and I have not been to the railroad office; but every voucher that you called for, that ought to be produced, we certainly will produce, but we cannot produce them now, at this moment.

NO QUESTION AS TO PRODUCTION OF VOUCHERS.

The CHAIRMAN. Is there any question about the production of the vouchers?

Mr. COHEN. I know of none now; but I thought that we would take Saturday afternoon if you were not sitting at that time, or Sunday, if necessary, to hunt up all these papers, and whatever we can produce we will have here Monday morning. We cannot have them this afternoon very well, unless you adjourn so that we can go for them. There is a very large hole now in the place where vouchers are kept, for many vouchers have been delivered to your secretary.

The CHAIRMAN. In order to examine Senator Stanford it is necessary to have the five vouchers that I called for, and I understood at the adjournment that there would be no trouble as to the production of those vouchers.

Mr. COHEN. No, sir; but there is a misunderstanding. I did not so understand it.

The CHAIRMAN. I desire the following vouchers:

December 31, 1875, Leland Stanford.....	\$171,781.89
On December 31, 1875.....	8,877.15
February 17.....	20,000.00
September 7, Leland Stanford.....	50,000.00
November 1, 1877.....	83,418.00
On February 14, 1878.....	10,000.00
1875, charge for legal expenses, L. Stanford.....	15,137.00
November, 12, 1878, L. Stanford.....	18,168.71
September 27.....	38,156.03

Mr. COHEN. There has been a misunderstanding. I did not know that you wanted them this afternoon or I would have gone to the railroad office and hunted them up.

Commissioner ANDERSON. I think the best way would be to make a list now of all the vouchers you want, and give them plenty of time to get them together and have them here Saturday.

CALL FOR VOUCHERS.

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CALL FOR SPECIFIC VOUCHERS.

The CHAIRMAN. Very well ; I will make a call for the following :

Date.	Name.	Amount.	Date.	Name.	Amount.
1869.			1873.		
Nov. 19	C. P. Huntington, expenses	\$500.00	Mar. 6	R. Franchot	\$5,148.46
Dec. 10	R. Franchot, expenses	500.00	Mar. 12	I. E. Gates	1,700.00
	Total	1,000.00	Mar. 27	C. P. Huntington	500.00
				Total	7,348.46
1870.			1874.		
Jan. 26	Chas. Crocker, contingent expenses	7,000.00	Jan. 13	R. Franchot	500.00
Jan. 12	C. P. Huntington	500.00	Jan. 16	I. E. Gates	200.00
Jan. 24	C. P. Huntington	2,000.00	Mar. 10	Fisk & Hatch	12,139.94
Feb. 8	C. P. Huntington	1,000.00	May 14	C. P. Huntington	500.00
Mar. 2	R. Franchot, expenses	2,298.55	June 22	C. P. Huntington	20,000.00
Apr. 4	C. P. Huntington	500.00	June 15	Fisk & Hatch	1,910.32
May 13	Geo. C. Gorham	300.00	June 27	R. Franchot	3,700.00
June 1	R. Franchot	1,000.00	July 9	R. Franchot	150.00
June 3	C. P. Huntington	100.00	July 19	I. E. Gates	200.00
June 11	R. Franchot	548.11	July 11	I. E. Gates	200.00
June 15	I. E. Gates	1,250.00	Sept. 11	C. P. Huntington	5,000.00
	E. B. Ryan	5,918.82	Oct. 16	I. E. Gates	281.00
July 8	C. P. Huntington	10,025.00	Oct. 23	I. E. Gates	200.00
July 18	C. P. Huntington	200.00	Nov. —	General Dwyer, United States commissioner	1,000.00
July 18	C. P. Huntington	1,450.00	Dec. 2	"W. A. W." Paid by C. P. Huntington	4,863.48
July 27	R. Franchot	4,012.13	Dec. 29	C. P. Huntington	2,000.00
Aug. 2	J. P. Wilson	2,000.00		Total	52,844.94
Aug. 2	W. H. Stewart	3,000.00			
Nov. 9	Leland Stanford	4,000.00	1875.		
Nov. 3	Hiram Walbridge	1,000.00	Jan. 6	C. P. Huntington	2,500.00
Nov. 3	C. P. Huntington	500.00	Jan. 11	I. E. Gates	5,000.00
Nov. 14	C. P. Huntington	500.00	Mar. 3	C. P. Huntington	1,592.50
Nov. 15	C. P. Huntington	2,000.00	Mar. 5	R. Franchot	1,500.00
Dec. 6	R. Franchot	1,000.00	Mar. 25	R. Franchot	1,530.00
	James H. Storrs, expenses	10,498.42	Mar. 25	C. P. Huntington	3,000.00
	Dent & Paige	2,700.00	Apr. 27	I. E. Gates	1,000.00
	Total	63,581.03	Apr. 30	R. Franchot	500.00
1871.			Dec. 31	Leland Stanford	171,781.89
Jan. 7	R. Franchot	1,000.00	Dec. 31	Leland Stanford	8,877.15
Jan. 16	R. Franchot	1,731.75		Total	197,311.54
Feb. 28	R. Franchot	500.00			
Mar. 7	R. Franchot	2,242.47	1876.		
Mar. 10	L. E. Chittenden	324.50	Jan. 4	N. T. Smith, for amount paid H. S. Brown	5,000.00
Mar. 15	C. P. Huntington	2,500.00	Feb. 7	L. Stanford, 1875	20,000.00
Mar. 24	C. P. Huntington	2,500.00	Jan. 24	C. P. Huntington	2,500.00
Mar. 31	C. P. Huntington	1,000.00	Mar. 31	I. E. Gates	5,000.00
Nov. 23	C. P. Huntington	500.00	Apr. 1	C. P. Huntington	5,000.00
	R. Franchot	1,200.00	Apr. 6	C. P. Huntington	5,000.00
	Total	13,498.72	Apr. 17	Jas. H. Storrs	1,621.00
1872.			Apr. 19	"Attorneys' fees	5,000.00
Jan. 13	R. Franchot	33.00	May 12	I. E. Gates	5,000.00
Jan. 18	R. Franchot	13,200.50	May 15	I. E. Gates	5,000.00
Mar. 11	C. P. Huntington	1,000.00	May 19	I. E. Gates	1,000.00
Mar. 15	R. Franchot	1,000.00	Apr. 20	Edward Larned	1,000.00
Mar. 23	C. P. Huntington	500.00	May 4	Anna Franchot	25,000.00
Apr. 26	C. P. Huntington	500.00	June 2	S. C. Pomeroy	1,000.00
May 11	C. P. Huntington	500.00	June 3	I. E. Gates	5,000.00
May 17	C. P. Huntington	1,000.00	June 19	I. E. Gates	10,000.00
May 17	R. Franchot	5,000.00		New York papers (Tribune, Times, World, and Bulletin)	3,281.45
June 5	R. Franchot	5,000.00	July 19	C. H. Sherrill	2,000.00
July 31	C. P. Huntington	500.00	July 26	I. E. Gates	10,000.00
Aug. 1	J. C. Kennedy	900.00	July 12	S. L. H. Barlow	2,500.00
Aug. 24	C. P. Huntington	500.00	Aug. 30	D. D. Colton	1,000.00
Sept. 14	Richard Franchot	19,295.50	Sept. 7	Leland Stanford	50,000.00
Oct. 21	I. E. Gates	5,000.00	Sept. 18	R. B. Mitchell	1,500.00
Nov. 1	I. E. Gates	500.00	Aug. 21	S. W. Kellogg	1,600.00
Nov. 15	C. P. Huntington	1,000.00	Sept. 12	Lyman Trumbull	10,000.00
Nov. 21	I. E. Gates	500.00		R. Franchot (no date)	15,698.92
Nov. 29	I. E. Gates	4,000.00	Sept. 22	Disbursements, Western Development Company	50,000.00
Dec. 28	I. E. Gates	300.00	Oct. 4	C. P. Huntington	500.00
Dec. 31	Services in 1872	13,233.33			
	Total	73,961.83			

Specific vouchers—Continued.

Date.	Name.	Amount.	Date.	Name.	Amount.
1876.			1878.		
Oct. 5	C. P. Huntington	\$2,500.00	Aug. 3	Jas. A. George	\$300.00
Oct. 14	C. P. Huntington	6,300.00	Aug. 19	T. M. Norwood	287.35
Nov. 3	D. D. Colton	5,000.00	Aug. 29	John Boyd	280.00
Nov. 8	D. D. Colton	8,000.00	Sept. 23	D. D. Colton	1,350.00
Oct. 17	I. E. Gates	5,000.00	Oct. 1	D. D. Colton	2,400.00
Oct. 21	I. E. Gates	5,000.00	Oct. 4	D. D. Colton	2,290.00
Oct. 23	I. E. Gates	1,000.00	Sept. 3	A. J. Howell	290.00
Oct. 26	I. E. Gates	700.00	Sept. 3	J. A. George	150.00
Oct. 30	I. E. Gates	1,000.00	Sept. 4	T. M. Norwood	1,000.00
Nov. 10	"Legal expenses"	2,500.00	Sept. 14	I. E. Gates	1,500.00
Nov. 13	I. E. Gates	1,000.00	Sept. 19	O. M. Bradford	75.00
Nov. 14	I. E. Gates	1,000.00	Sept. 23	J. A. George	150.00
Nov. 15	I. E. Gates	1,000.00	Sept. 27	I. E. Gates	5,000.00
Nov. 16	C. P. Huntington	5,000.00	Sept. 27	J. G. Printm	60.00
Dec. 1	I. E. Gates	3,000.00	Sept. 28	I. E. Gates	2,000.00
Dec. 7	I. E. Gates	1,000.00	Oct. 1	John Boyd	290.00
	Total	290,301.37	Oct. 1	John Boyd	290.00
1877.			Oct. 1	J. A. Howell	250.00
Feb. 6	Western Development Co.	26,000.00	Oct. 1	J. A. George	250.00
Jan. 3	"Legal expenses"	10,000.00	Oct. 3	I. E. Gates	5,000.00
Jan. 15	"Legal expenses"	3,000.00	Oct. 5	I. E. Gates	2,000.00
Jan. 8	I. E. Gates	5,000.00	Oct. 7	I. E. Gates	1,000.00
Feb. 19	I. E. Gates	10,000.00	Oct. 7	J. E. Forney	300.00
Feb. 26	C. P. Huntington	5,000.00	Oct. 10	I. E. Gates	2,000.00
Mar. 9	I. E. Gates	2,000.00	Oct. 19	I. E. Gates	6,000.00
Mar. 12	Jas. H. Storrs	1,125.35	Oct. 22	I. E. Gates	3,500.00
Mar. 24	I. E. Gates	500.00	Oct. 24	C. P. Huntington	3,000.00
Mar. 29	I. E. Gates	5,000.00	Oct. 26	I. E. Gates	10,000.00
Apr. 23	C. H. Sherrill	15,000.00	Oct. 28	I. E. Gates	10,000.00
May 9	C. H. Sherrill	300.00	Oct. 29	I. E. Gates	5,000.00
May 24	I. E. Gates	5,000.00	Nov. 2	John Boyd	224.44
June 2	C. H. Sherrill	2,000.00	Nov. 2	T. M. Norwood	1,052.38
June 4	C. H. Sherrill	1,000.00	Nov. 11	I. E. Gates	500.00
June 30	C. P. Huntington	5,000.00	Nov. 13	I. E. Gates	1,500.00
July 2	I. E. Gates	200.00	Nov. 21	C. H. Sherrill	1,000.00
Sept. 5	C. P. Huntington	1,000.00	Nov. 21	O. M. Bradford	75.00
Sept. 7	"Legal expenses"	10,440.00	Nov. 22	J. A. George	100.00
Sept. 15	C. P. Huntington	1,000.00	Nov. 27	I. E. Gates	500.00
Sept. 20	C. P. Huntington	2,000.00	Nov. 27	T. M. Norwood	500.00
Oct. 20	H. Hopkins order	5,000.00	Dec. 2	John Boyd	200.00
Nov. 1	Leland Stanford	83,418.98	Dec. 5	I. E. Gates	10,000.00
Oct. 5	C. P. Huntington	1,500.00	Dec. 9	I. E. Gates	2,000.00
Oct. 15	C. P. Huntington	2,000.00	Dec. 17	I. E. Gates	10,500.00
Oct. 24	C. P. Huntington	1,000.00	Dec. 23	John H. Flagg	100.00
Nov. 9	I. E. Gates	5,000.00	Dec. 26	I. E. Gates	500.00
Nov. 10	I. E. Gates	5,000.00		Total	471,081.06
Dec. 28	Leland Stanford	52,500.00	1879.		
Dec. 8	I. E. Gates	2,500.00	Jan. 2	I. E. Gates	1,000.00
Dec. 18	I. E. Gates	5,000.00	Jan. 7	I. E. Gates	10,000.00
Dec. 19	I. E. Gates	1,000.00	Jan. 7	J. H. Bell	500.00
Dec. 26	C. P. Huntington	2,000.00	Jan. 13	I. E. Gates	5,000.00
	Total	278,573.44	Jan. 17	T. M. Norwood	1,500.00
1878.			Jan. 22	I. E. Gates	10,000.00
Feb. 14	L. Stanford	10,000.00	Jan. 25	I. E. Gates	2,500.00
Jan. 11	C. P. Huntington	1,150.00	Feb. 1	I. E. Gates	10,000.00
Jan. 24	I. E. Gates	1,000.00	Feb. 14	I. E. Gates	10,000.00
Feb. 20	C. P. Huntington	2,500.00	Feb. 16	T. M. Norwood	300.00
Mar. 18	C. P. Huntington	5,500.00	Feb. 24	I. E. Gates	10,000.00
Mar. 19	C. P. Huntington	4,500.00	Feb. 25	T. M. Norwood	250.00
Apr. 12	I. E. Gates	1,750.00	Mar. 11	John H. Flagg, "legal"	10,000.00
Apr. 18	I. E. Gates	200.00	Mar. 6	Charles Crocker	5,000.00
June 7	L. Stanford	13,000.00	Mar. 11	C. Crocker	200.00
May 4	Jas. H. Storrs	1,000.00	Mar. 23	C. Crocker	20,452.00
May 20	I. E. Gates	5,000.00	Mar. 28	C. Crocker	3,100.00
May 25	I. E. Gates	2,500.00	Mar. 28	S. T. Gage	800.00
May 27	I. E. Gates	5,000.00	Apr. 1	S. T. Gage	800.00
June 28	L. Stanford	111,431.25	Apr. 2	S. T. Gage	700.00
June 29	Jas. H. Bell	38,500.00	Apr. 14	T. M. Norwood	2,127.00
June 22	I. E. Gates	2,000.00	Apr. 14	C. H. Sherrill	1,000.00
June 25	I. E. Gates	500.00	May 1	Chas. Crocker	40,000.00
June 29	C. P. Huntington	90,167.20	May 6	Chas. Crocker	40,000.00
Aug. 15	C. P. Huntington	42,855.00	May 8	C. H. Sherrill	1,000.00
Aug. 15	New York Items	1,160.00	May 10	T. M. Norwood	800.00
Sept. 3	Leland Stanford	12,000.00	June 3	C. H. Sherrill	100.00
Sept. 4	S. T. Gage	3,000.00	June 6	C. H. Sherrill	1,000.00
Aug. 2	A. J. Howell	200.00	June 20	I. E. Gates	1,000.00
			July 23	L. Stanford	300.00

CALL FOR VOUCHERS.

2955

Specific vouchers—Continued.

Date.	Name.	Amount.	Date.	Name.	Amount.
1879.			1880.		
July 3	C. H. Sherrill.....	\$2,000.00	Apr. 23	C. H. Sherrill.....	\$2,500.00
July 8	I. E. Gates.....	1,000.00	May 1	I. E. Gates.....	6,000.00
July 16	T. M. Norwood.....	1,283.30	May 13	" Legal expenses.....	1,500.00
Aug. 2	L. Stanford.....	789.50	May 14	W. H. Marcy.....	1,000.00
Aug. 6	I. E. Gates.....	1,000.00	May 18	Legal expenses.....	5,000.00
Aug. 15	I. E. Gates.....	2,500.00	May 21	Legal expenses.....	2,500.00
Sept. 27	T. M. Norwood.....	800.00	June 4	H. V. Poor.....	1,000.00
Oct. 6	Leland Stanford.....	4,145.20	June 10	C. H. Sherrill.....	1,500.00
Oct. 2	I. E. Gates.....	250.00	June 29	I. E. Gates.....	2,000.00
Oct. 28	T. M. Norwood.....	449.58	June 30	I. E. Gates.....	2,000.00
Oct. 28	I. E. Gates.....	5,000.00	July 1	C. H. Sherrill.....	2,922.67
Oct. 30	I. E. Gates.....	2,500.00	July 2	" Legal expenses.....	7,500.00
Nov. 13	C. H. Sherrill.....	1,000.00	Aug. —	C. P. Huntington.....	1,000.00
Dec. 9	I. E. Gates, "legal".....	1,000.00	Aug. 11	I. E. Gates.....	600.00
Dec. 12	I. E. Gates, "legal".....	5,000.00	Sept. 24	I. E. Gates.....	500.00
Dec. 17	I. E. Gates, "legal".....	5,000.00	Sept. 27	I. E. Gates.....	500.00
Dec. 24	I. E. Gates, "legal".....	5,000.00	Oct. 6	C. H. Sherrill.....	1,500.00
Dec. 25	I. E. Gates, "legal".....	5,000.00	Oct. 15	H. V. Poor.....	1,000.00
Dec. 22	C. H. Sherrill.....	5,000.00	Oct. 29	I. E. Gates.....	3,400.00
	Total.....	244,298.08	Dec. 4	I. E. Gates.....	7,150.00
1880.			Dec. 12	I. E. Gates.....	4,500.00
Jan. 5	B. Tucker, "counsel".....	500.00	Dec. 15	C. H. Sherrill.....	1,500.00
Feb. 4	B. Tucker, "counsel".....	500.00	Dec. 17	Shellabarger & Wilson.....	1,250.00
Feb. 9	I. E. Gates.....	1,000.00	Dec. 22	I. E. Gates.....	5,000.00
Feb. 12	I. E. Gates.....	200.00	Dec. 21	C. E. McLean.....	1,500.00
Feb. 18	C. P. Huntington.....	5,000.00	Dec. 23	I. E. Gates.....	1,000.00
Feb. 25	C. H. Sherrill.....	1,000.00		Total.....	197,809.36
Mar. 3	I. E. Gates.....	5,000.00	1875.		
Mar. 10	I. E. Gates.....	4,000.00	Dec. —	Leland Stanford.....	15,117.33
Mar. 15	C. P. Huntington.....	6,000.00	1876.		
Mar. 23	I. E. Gates.....	500.00	Sept. 22	D. D. Colton.....	29,974.13
Mar. 25	C. H. Sherrill.....	1,500.00	Nov. 2	D. D. Colton.....	7,500.00
May 4	Leland Stanford.....	91,276.68	1878.		
Apr. 3	I. E. Gates.....	1,500.00	Nov. 12	Leland Stanford.....	46,816.94
Apr. 9	C. P. Huntington.....	3,000.00	1879.		
Apr. 19	I. E. Gates.....	6,000.00	Sept. 27	Leland Stanford.....	38,156.03

ADDITIONAL CALL FOR VOUCHERS.

The following vouchers are called for, in addition to those charged to legal expense account and general expense account :

Date.	Name.	Amount.	Date.	Name.	Amount.
1880.			1871.		
Nov. 11	Placer County expenses.....	\$1,000.00	July 11	L. Stanford.....	\$2,900.00
Dec. 11	R. Robinson.....	7,000.00	Sept. 19	R. Robinson.....	500.00
1879.			Oct. 7	State of Nevada.....	600.00
Feb. 7	Placer County, "assessments".....	1,000.00	Oct. 11	Levi Rosener.....	500.00
May 7	Placer County, "legal".....	1,000.00	Oct. 28	T. B. Howard.....	140.00
June 30	L. Stanford.....	6,250.00	1873.		
Aug. 9	Placer County, "legal".....	1,000.00	Dec. 31	Contract and Finance Company.....	15,548.40
Nov. 8	Placer County.....	1,000.00	1874.		
1871.			Nov. 12	R. Robinson.....	500.00
Feb. 9	Placer County, "legal".....	1,000.00	1876.		
May 9	R. Robinson, "disbursed".....	1,000.00	Mar. 13	C. P. Huntington.....	10,000.00
May 27	R. Robinson, "disbursed".....	500.00	Oct. 19	D. D. Colton.....	1,000.00

Mr. COHEN. What is this from ?

STATEMENT FROM THE NEW YORK WORLD.

The CHAIRMAN. This is a statement of the date January 15, 1887, published in the New York World, with reference to these vouchers of the expense account. Now, Mr. Cohen, we ask for the production of the vouchers that have been read.

Mr. COHEN. Very well. Will you tell me for the vouchers of which company you are asking?

The CHAIRMAN. For those of the Central Pacific.

Mr. COHEN. Will you oblige me with your copy of the New York World from which you have been reading, so that I will not have to have the stenographer write it out again.

The CHAIRMAN. I can't let you have my copy as it is the only one I have.

Mr. COHEN. Can we copy it? I suppose a copy of an indictment is all a prisoner can ask for. He is not entitled to the original.

Mr. HAYMOND. Does that purport to be a copy of Mr. French's reports?

AFFIDAVIT OF THEOPHILUS FRENCH.

The CHAIRMAN. This is an affidavit made by Theophilus French. For the purposes of your examination, and the other officers of the Central Pacific Company with reference to these vouchers, it is absolutely necessary that we have all the vouchers before us, and therefore they are called for.

Mr. COHEN. When do you wish the vouchers?

The CHAIRMAN. Just as soon as they can be produced. We wanted to go on to-day so we could close up this legal expense account and general expense account.

Mr. COHEN. You are asking a little more than can be accomplished in an hour, but I would suggest for the convenience of all parties that we will hunt up all the papers that you have called for so as to produce all that we have on Monday morning—all that we have—that will give us plenty of time.

Mr. HAYMOND. Mr. Miller says that it will take three days to get these out.

Mr. COHEN. Well, we will produce them.

The CHAIRMAN. Well, we will fix three days; say Wednesday morning at 10 o'clock. The paper from which I read the list is a published copy, and of course public to the world, but it is the only copy that I have. So far as Senator Stanford is concerned, I will not need him any further until Wednesday morning.

MR. STRONG PRODUCES LETTERS TO SUPPORT HIS STATEMENT.

Mr. BERGIN. Is it worth while encumbering the record with those letters produced by Mr. Strong?

The CHAIRMAN. We do not encumber the record. Mr. Strong produces these letters in support of his statement.

Mr. BERGIN. Yes; still you would not offer them unless they were designed to have some effect, or some pertinency to the case, and these letters are most of them the merest statements of parties, and do not constitute any element of evidence whatever.

The CHAIRMAN. Without reference to what Mr. Strong desires, they constitute a very important matter of information, so far as his general statement is concerned. The facts were brought out on cross-examination by Mr. Cohen concerning his relations with the company, and it was apparently developed by the examination that Mr. Strong was without interest. It was shown afterwards by the production of the balance sheet that he had an interest in the company in its early organization. In confirmation of the statement made by him to that effect he has produced these letters.

ENDEAVORING TO ASCERTAIN ACTUAL EXPENSE OF CONSTRUCTION.

Mr. BERGIN. Grant that it is so, still is it not as well to keep to the substantial point of the investigation, which, as I understand, is that you are endeavoring to ascertain what is the actual expense of construction. These personal matters, it seems to me, are entirely outside of that investigation.

The CHAIRMAN. Well, I call your attention to the fact that Mr. Judah, the first engineer, made an estimate with reference to the construction of a road across the Sierras, and that estimate is here, and we offer that as a matter of history, and that estimate is produced by Mr. Strong.

Mr. BERGIN. That, of course, is a mere unsworn estimate and a matter purely conjectural.

Commissioner LITTLER. I think they can go in for what they are worth.

Commissioner ANDERSON. The report is not going to hurt you; you do not have to pay for printing it.

Mr. BERGIN. That is undoubtedly true, but at the same time where it can subserve no useful purpose, and is simply airing old resentments and old feeling in regard to matters that are past and gone and can reflect no light upon the object of the investigation of the Commission, it hardly seems proper.

ARE THE LETTERS GENUINE?

Commissioner ANDERSON. Well, suppose you gentlemen agree as to whether the letters are genuine or not.

Mr. HAYMOND. Suppose Mr. Strong were to look at the books of the Central Pacific, and also at the record of the Lombard case and refreshed his mind as to when his stock in law passed from him; of course how far it passed in equity is another question, and we could give that to you in a nutshell.

The CHAIRMAN. Mr. Strong was a director of this company for four years, and was associated with Messrs. Hopkins, Crocker, Huntington, and Bailey when they were directors. All the records he produced are connected with the early organization of the Central Pacific, and that is all that he has produced with reference to the future construction of a road across the mountains.

GENTLEMEN TO BE EXAMINED ON THE SUBJECT.

Mr. COHEN. If these letters should go in we would like an opportunity of examining Mr. Huntington and Mr. Crocker in reference to their connection with Mr. Strong; he has said that these were the members of the direction with whom he had more conversations and had more direct communication than with Governor Stanford. Before the Commission close their labors we would like to examine the gentlemen on the subject of these letters.

Commissioner ANDERSON. We expect to examine Mr. Huntington in New York, and Mr. Crocker we shall only be too glad to examine if we have an opportunity, but I understand that his health is very poor.

The CHAIRMAN. Do you desire these papers read?

Mr. LITTLER. No, I do not desire to read them, but I am in favor of printing them for what they are worth.

Mr. BERGIN. As tax-payers we protest against this wasteful extravagance with our money.

Commissioner LITTLE. If you will figure out your share of the taxes the Commission will pay it.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Friday, August 5, 1887.

LELAND STANFORD, being further examined, testified as follows:

WHERE WAS THE BASE OF THE MOUNTAINS.

By the CHAIRMAN:

Question. Will you look at that paper and state what it is?—Answer. Mr. Judah, in some of his early reports, fixes the base of the mountains at somewhere about Roseville, and we assume that that was about it until we came to examine to find out where to fix the base, and when we did that we discovered that there was nothing definite in regard to the base unless we took the geological base, and the geologists we found, and particularly Dana, had described what was the base of the mountains. Then when we came to take the line of the road, there was no one point where you could put your finger and say, "There the base commences, taking the gradients of the road." I explained that to you yesterday. Finally we took the opinion of the State geologist, a very eminent man by the way, Mr. Whitney, and the surveyor-general of this State, and the United States surveyor-general in this State. They gave this their opinions. I don't remember how those came to be procured, whether they were appointed to be a commission or not; but they gave their opinion. Some gave it to one and some to the other; but I think that Whitney fixed the base at what he called the geological base; that is, where the mountain soil and rock came close down to the valley of the American River. Then there was a constant ascent of the mountains. That was Whitney's idea, according to my recollection. Another important point was that, having found the base, it was to be for 150 miles most mountainous and difficult of construction, and the first 150 miles, commencing at the point that was established, took us out over the mountains onto the Truckee meadows, where there was a corresponding grade. These were what substantially determine the final location, and I do not think that there was any substantial difficulty, only there was a variety of opinion at first about the base. Finally they determined that.

AGREEMENT ON WHAT SHOULD BE THE BASE.

I think that we all agreed on what ought to be the base, and I have never had any doubt but that it was the only base that could be found, unless it could be determined without reference to the grade it came down. The base came down nearer to the river, really four miles nearer to the American River. If Dana had been called upon to fix the base he would have fixed it four miles nearer, because the mountain soil and rock came down four miles closer to the American River. I speak of that because Mr. Strong alludes to some difference, and I thought I would explain what the difference was. I do not think there was any ill-feeling connected with it, and I do not remember in what year the President fixed the base. It was finally established by the President.

PALACE HOTEL, SAN FRANCISCO, CAL.,

Friday, August 5, 1887.

DANIEL W. STRONG, being further examined, testifies as follows:

PRELIMINARY SURVEY ACROSS THE SIERRA NEVADA MOUNTAINS.

By the CHAIRMAN:

Question. Will you please examine this paper and state what it is?—
 Answer. This was a document that was drawn up for the purpose of getting subscriptions towards the preliminary survey across the Sierra Nevada Mountains and to ascertain the feasibility and practicability of building a wagon road across them.

Q. When was it drawn up?—A. I think it was in 1859.

Q. What is the date of it?—A. I do not see any date on it.

Q. By whom was it drawn?—A. There is a date on it; it is 1860.

Q. In whose handwriting is it?—A. The body of the instrument was drawn up by a man by the name of Frank Moore, who was Wells, Fargo & Co.'s agent at the time in Sacramento.

Q. Did you secure the names attached to it?—A. I did, sir.

SUBSCRIPTIONS TO CARRY ON SURVEY.

The paper was marked "Exhibit No. 1, August 5, 1887," and is as follows:

Whereas from information derived from reliable sources it is believed that there is a pass through the mountains a little north of the present emigrant road from Dutch Flat to the Truckee River which offers greater facilities for the construction of Pacific railroads than any route hitherto discovered or brought to the notice of the public, for the purpose of establishing the fact and at the same time examine the route for a wagon road over the mountains, it is proposed to make a preliminary survey of the route, and for that purpose to secure the services of a competent engineer, with instruments necessary to ascertain altitudes and determine the practicability of the route for a railroad. To do so will require some money to defray expenses, estimated at \$500.

We, the undersigned, therefore agree severally to pay the sums set opposite our names, to be expended for the objects above stated.

Dutch Flat, June 26, 1860.

B. F. Moore (paid)	\$10.00	John Zerr & Co (paid)	15.00
S. L. Bradley (paid)	10.00	James Scuff (paid)	5.00
D. W. Strong (paid)	10.00	John S. Colgood (paid)	5.00
H. C. O'Neill (paid)	10.00	J. H. Stone	2.50
V. W. Blanchard (paid)	5.00	C. Z. Thon (paid)	3.00
Thomas G. Sloan (paid)	2.50	R. Spenk (paid)	1.00
C. E. Nannon (paid)	2.50	W. Parsons	2.50
H. W. Nelson (paid)	2.50	C. W. Miller (paid)	10.00
Miss Cohen (paid)	2.50	A. J. Jackson	2.50
H. Sieman (paid)	1.50	E. Mattoon (paid)	1.00
John V. Thomas (paid)	5.00	John McNally (paid)	1.00
J. H. Willite & Co. (paid)	10.00	E. L. Bradley (paid)	10.00
Samuel B. Miller (paid)	5.00	S. T. Mathewson (paid)	5.00
B. H. Barton (paid)	5.00	Cash (paid)	2.50
Moore Heath (paid)	5.00	A. Friedman (paid)	5.00
G. P. Beal (paid)	5.00	J. J. Johnson (paid)	2.50
W. C. Richmond (paid)	10.00	L. Arnstein (paid)	5.00
John Bohe (paid)	5.00	I. H. Elmekel (paid)	2.50
L. C. Blairs (paid)	5.00	J. H. Laphams (paid)	2.50
S. Herman (paid)	5.00	L. Silow (paid)	2.00
G. Sedgers (paid)	7.50	Burkhalter, Sevon & Co.	2.50
G. Freeman (paid)	5.00	H. Davis (paid)	2.00
J. T. Mathewson (paid)	5.00	T. Doore (paid)	2.50
C. M. Koop (paid)	5.00		

Q. When did you receive the paper which you have in your hand?—
 A. About the 20th of November; it came to me by mail.

Q. Just read the date. Do you know the year that you received it?—
A. I think it was in the year 1861. I would not be certain whether it was 1861 or 1862. I do not recollect about date.

Q. From whom did you receive it?—A. I received it from Mr. Judah. The CHAIRMAN. I offer that paper in evidence. It is merely an engineer's report that was circulated at the time.

Commissioner ANDERSON. It seems to be dated November, 1860.

LETTER FROM T. D. JUDAH.

The paper was marked "Exhibit No. 2, August 5, 1887," and is as follows:

SACRAMENTO, November 10, 1860.

DEAR SIR: The object of this communication is to direct attention to some newly discovered facts with reference to the route of the Pacific railroad through the State of California.

Confident of the existence of a practicable line across the Sierra Nevada Mountains nearer and more direct than the proposed line via Madelin Pass and headwaters of the Sacramento, I have devoted the past few months to an exploration of several routes and passes through Central California, resulting in the discovery of a practicable route from the city of Sacramento upon the divide between Bear River and North Fork of the American, via Illinois Town and Dutch Flat, through Lake Pass on the Truckee River, which gives nearly a direct line to Washoe, with maximum grades of 100 feet per mile.

The distance from Sacramento to Summit is 102 miles; to State line about 115 miles; to Virginia City about 162 miles. The elevation of pass is 6,690 feet.

The importance of this information is apparent, when we consider this line effects a saving in distance over the northern line of 150 miles, and avoids the passage of two cañons on the Sacramento River 21 miles long, estimated by Lieutenant Beckwith to cost \$4,200,000, while it affords a direct line to Washoe across the narrowest portion of the State and a local road for the business of Sacramento, Placer, and Nevada Counties.

The Pacific railroad bill, as matured by last Congress, and which is made the special order for the third Tuesday in December next, provides the following appropriation for the construction of the road through California, viz: \$13,000 per mile from navigable waters of the Sacramento River to the base of the Sierra Nevada; thence \$24,000 per mile to the summit; thence an additional \$3,000 per mile for each degree of longitude crossed until 100th degree is reached.

Inasmuch as the road through the State of California must be constructed by an organization effected under the laws of the State, it is proposed to immediately organize a company for the purpose of constructing the road through the State upon this route in anticipation of the passage of this bill; to procure the recognition of this as the line of the Pacific railroad through California; to procure the appropriation appertaining to this end of the route, and to construct the road under this organization.

This will be effected either by inserting the name of this company directly in the bill as the company to whom these appropriations shall come, or by an arrangement with the corporations or trustees named in the bill.

In organizing a railroad company in this State, the law requires that \$1,000 per mile shall be subscribed and 10 per cent. paid in. The estimated length of the road to the State line is 115 miles, requiring a subscription of \$115,000, on which 10 per cent., or \$11,500, is required to be paid in. It is proposed to make with this 10 per cent. a thorough, practical railroad survey, establishing the grades, cuttings, fillings, and to make the necessary maps, profiles, estimates, reports, &c.

To the accomplishment of this end, the instrument required by law has been drawn up, and has, in the towns of Dutch Flat, Illinois town, Grass Valley, and Nevada, received a bona-fide subscription (requiring a payment of \$7,000), to be made up in the cities of San Francisco and Sacramento. It is not considered necessary to make an urgent appeal for subscriptions, but to simply present a plain statement of the facts to a few persons of responsibility and influence in those cities who feel an interest in the matter, who will subscribe in good faith, and who are able to pay in the 10 per cent. without embarrassment. To this end your co-operation is respectfully solicited and a subscription from yourself asked.

The plan will receive the support of our delegation in Congress, and Col. Baker carries on with him a profile of the route. It has also received the approval of Gov. Downey and many other influential and prominent gentlemen. Messrs. Barsh and

Scott, and Mr. Curtis, chairman of the Pacific Railroad Committee in Congress, have been fully posted up in regard to this movement.

It is intended that no further call than the 10 per cent. required by law shall be made; and no further assurance of this statement seems necessary when it is known that the law compels the subscription of the whole capital stock, with 10 per cent. paid in, before any additional assessment can be called.

I estimate that the entire road can be graded for the amount of appropriation supposed to be given by Government, leaving only the iron, rolling stock, &c., to be provided for by other means. An issue of first-mortgage bonds of \$12,000 per mile will furnish this material.

A bill is also before Congress providing for an appropriation of 4,480 acres per mile of Government lands. Mr. Burch will press this bill in the next Congress.

The road may connect either with the Sacramento Valley road at Folsom, or with the California Central road at Lincoln.

The counties of Placer and Nevada will probably vote to subscribe \$500,000 toward the construction of the lower portion of the road.

It is important that this organization be effected before the sitting of the next Congress that they may deal with a company already in existence.

Very respectfully,

THEODORE D. JUDAH.

The following appears upon the back of the letter:

SAN FRANCISCO, November 14, 1860.

DEAR DOCTOR: I drop a hasty line to say that I have struck a lucky streak, and shall fill up the list without further trouble. I have got one of the richest concerns in California into it, and will post you fully in a day or two.

Yours, truly,

JUDAH.

NOTICE OF A MEETING OF SUBSCRIBERS.

Q. Please state what that paper which I now hand you is?—A. It is a notice from Mr. Hopkins to the subscribers to be present at a meeting at which also I was requested to appear.

Q. Was the circular sent to you?—A. Yes, sir; this was a notice sent to me by Mr. Hopkins.

Q. What is the date of it?—A. The 8th of April, 1861.

Q. Is that Mr. Hopkins's signature?—A. That is Mr. Hopkins's signature.

Q. And it was received by you at that time?—A. Yes, sir.

The paper was marked "Exhibit No. 3, August 5, 1837," and is as follows:

OFFICE OF CENTRAL PACIFIC RAILROAD COMPANY,
Sacramento, April 8, 1861.

DEAR SIR: You are hereby notified that a meeting of the subscribers to the stock of the Central Pacific Railroad Company will be held at the office of the Company, in the City of Sacramento, on Tuesday the 30th day of April, A. D. 1861, for the organization of the company.

MARK HOPKINS,
Treasurer Southern Pacific Railroad Company.

To D. W. STRONG,
Dutch Flat.

Please attend or send proxy.

NOTICE TO APPEAR IN SACRAMENTO.

Q. Please examine that paper and state to the Commission what it is?—A. That is another notice from the same party—Mr. Hopkins—to appear in Sacramento.

Q. Is that in Mr. Hopkins's handwriting?—A. That is Mr. Hopkins's handwriting.

Q. What is the date of it?—A. September 4, 1862.

Q. Was it received by you?—A. Yes, sir; it was, sir.

The paper was marked "Exhibit No. 4, August 5, 1887," and is as follows:

SACRAMENTO, September 4, 1862.

Dr. D. W. STRONG, Dutch Flat:

DEAR SIR: After consultation with Mr. Judah it is thought advisable to avail ourselves of the provision of the general railroad law, which was passed after the formation of our company. In order to do this the law requires from us a formal acceptance to be filed in the office of the secretary of state.

We have drawn up an instrument for that purpose, which has been signed by all the directors except yourself. And we forward it to you herewith for your signature, which please return to us as early as convenient, and oblige.

Yours, truly,

MARK HOPKINS,
Secretary C. P. R. Co.

NOTICE TO COMMENCE THE SURVEY.

Q. What is the paper that you now hold in your hand?—A. That is a notice from Mr. Huntington with reference to starting the survey of the road.

Q. What is the date of it?—A. It is dated May 19, 1862.

Q. In whose handwriting is it?—A. Mr. C. P. Huntington's.

Q. Is it signed by him?—A. Yes, sir; it is signed by him—I know his signature.

Q. And was it received by you at that time?—A. Yes, sir; it was received by me on that date or the next day.

Mr. COHEN. With reference to this letter, I think it had better be submitted to Mr. Huntington. Governor Stanford thinks that it is not his handwriting.

By Mr. COHEN:

Q. Did you see Mr. Huntington sign that letter, or did you receive it by mail?—A. I received it by mail.

The paper was marked "Exhibit No. 5, August 5, 1887," and is as follows:

SACRAMENTO, May 19, 1862.

Mr. D. W. STRONG:

DEAR SIR: Yours of the 16th is before me. I was glad to learn that the snow was off as far up as the Upper Crossing of the Yuba, and I think it will be well to organize as soon as we can get the balance of the stock taken, which I have no doubt can be done this week, as there are responsible parties that say that they will take the balance; and if so, I see no reason why we cannot be ready to commence the survey next week. I think that we shall all agree in this, viz, That the surveys should be made on the entire line before we commence grading. We have not seen Mr. Wilcoxson yet. You did not mention in your letter whether you had got any more stock subscribed or not, but I suppose not, or you would have mentioned it. I think that some of us will be up next week.

Yours, &c.,

C. P. HUNTINGTON.

LETTER OF C. CROCKER.

By the CHAIRMAN:

Q. Just state to the Commission what that paper is.—A. This is an answer to a communication that I sent to Mr. Crocker in regard to the survey.

Q. What is the date of it?—A. The date of it is the 18th of April, 1862. This is a letter from Mr. Crocker.

Q. And whose handwriting is it in?—A. Mr. Crocker's handwriting as I understood. I received a communication from him every day or

There is no question but what it is Mr. Crocker's handwriting.

The paper was marked "Exhibit No. 6, August 5, 1887," and is as follows:

SACRAMENTO, April 18, 1862.

D. W. STRONG:

DEAR SIR: Yours of 16th is at hand. I have talked with Mr. Huntington about the matter and he has written to Stanford in relation to it, and we are awaiting an answer. In the mean time, we think it will be impossible, owing to the lateness of the spring, to finish the road for any travel this fall, and all we shall aim to do is to get the road done in time so it will get settled this winter and be ready for travel early in the spring. In the mean time, what do you think of measuring the distance between Folsom and Virginia City, via Placerville, and back via Dutch Flat with a roadometer and thus get the exact difference in favor of our route, if there is any? Please give me your views on that point.

Yours, truly,

C. CROCKER.

CELEBRATION OF THE "FIRST THROWING OF DIRT."

Q. What is the paper I now hand you?—A. This is a notice from Mr. James Bailey, who was then the secretary of the company, for me to be present in Sacramento at the celebration of the opening of the Central Pacific Railroad Company, the first throwing of dirt.

Q. Was the paper received by you?—A. Yes, sir; it was received by me.

By Mr. COHEN:

Q. What is the date of it?—A. It is January 5, 1863.

By Mr. HAYMOND:

Q. What was the date of the opening?—A. On the 8th of January, 1863.

Mr. HAYMOND. That is the date of the battle of New Orleans.

The WITNESS. Yes, sir; the date of the battle of New Orleans; that was the occasion; and this was written on the 5th.

By the CHAIRMAN:

Q. In whose handwriting is it?—A. That is Mr. Bailey's. He was the first secretary of the company.

The paper was marked "Exhibit No. 7, August 5, 1887," and is as follows:

OFFICE OF THE CENTRAL PACIFIC RAILROAD COMPANY OF CALIFORNIA,

Sacramento, January 5, 1863.

D. W. STRONG, Esq.,

Director C. P. R. Co.:

At a meeting of the board of directors held January 3, 1863, it was

"Resolved, That the commencement of the work on the railroad of this company be inaugurated with proper ceremonies on the 8th day of January, at 11 o'clock a. m., at the foot of K street, and the public societies and citizens generally are hereby invited to participate therein.

JAMES BAILEY,
Secretary.

CIRCULARS FOR DISTRIBUTION ON THE RAILROAD QUESTION.

Q. Please examine that paper and state to the Commission what it is.—A. This is a letter from Mr. Crocker, with reference to a bundle or packages of circulars, before the election of Placer County for the taking of bonds or subscribing to the bonds of the company.

Q. What date was that?—A. May 2, 1863.

Q. In whose handwriting is that?—A. Mr. Crocker's.

Q. Was it received by you?—A. That was received by me.

The paper was marked "Exhibit No. 8, August 5, 1887," and is as follows:

SACRAMENTO, May 2, 1863.

D. W. STRONG, Dutch Flat:

DEAR SIR: We send you a bundle of circulars on the railroad question; also a bundle to Harriman, both of which are tied up in a bundle to E. L. Bradley. We hope you will interest yourself in having them circulated to all parts of the county about Dutch Flat. The Company will pay all expenses of their circulation. Please act in concert with Harriman and Bradley. We send to all for fear some might be away.

The company earnestly hope that every vote about Dutch Flat will be cast in favor of the railroad. We need every vote, as the Auburn clique are moving all they know to beat us.

Yours, truly,

C. CROCKER.

CONCERNING ELECTION OF STANFORD AS GOVERNOR, ETC.

Q. What is the paper that you now hold in your hand?—A. This is a letter received from Mr. Judah, dated September 2, 1861.

Q. In whose handwriting is it?—A. It is in Mr. Judah's.

Q. Was it received by you?—A. That was received by me.

Mr. COHEN. I would like to have a copy of this letter, Exhibit 9.

The paper is marked "Exhibit No. 9, August 5, 1887," and is as follows:

SAC., September 2, 1861.

MY DEAR DR.: Your letter duly received, and I had the Union notice the discoveries. If I only had time should like very much to take a trip out there with you, but cannot now.

Our office work is getting along rather slowly. I hope to get everything finished so as to be able to go on by 1st October, if they still desire me to go.

Election and politics so monopolize everything here now that our people have very little time to talk railroad matters, but promise as soon as election is over to get together.

While I think of it, there was a pair of bullet-molds, belonging to that Sharp's rifle, which were brought down as far as Dutch Flat, but I think were left there. They brought in a bill of \$8 this morning for them, and if they are up there please send them down to Huntington and Hopkins by express.

I think the next Congress will be a favorable one to procure lands from the Government, and perhaps it may be money; but of the latter I do not feel by any means so certain; but the lands do not create any debt, and the feeling towards California ought to be a good one.

A good deal depends upon the election of Stanford, for the prestige of electing a Republican ticket will go a great way toward getting us what we want. I am satisfied that the Conness votes will be thrown away, and that he does not stand the ghost of a show.

Col. Wilson is getting along very well with his road, and will be running to Lincoln by the 1st of October.

I am trying to put my little road upon its legs, and it looks rather favorable, but like everything else can do nothing with it until after election.

With regards to inquiring friends, I remain, yours, truly,

T. D. JUDAH.

A "HARD ROAD TO HOE"—DISAGREEMENTS.

Q. What is that paper?—A. This is a letter from Mr. Judah in reference to matters in general, pertaining to the interests of parties in Sacramento. I was there at Dutch Flat at the time.

Q. Is that in Mr. Judah's handwriting?—A. Yes, sir; that is in Mr. Judah's handwriting, and is signed by him.

Q. Was it received by you?—A. Yes, sir.

Q. What is the date?—A. May 13, 1887.

The paper was marked "Exhibit No. 10, August 5, 1887," and is as follows:

ENGINEER'S OFFICE, CENTRAL PACIFIC RAILROAD OF CALIFORNIA,
Sacramento, May 13, 1883.

MY DEAR DOCTOR: I trust to your amiable disposition and an appreciation of the many business cares which environ me for an excuse in neglecting to answer you before.

Your letter was received and its suggestions heeded. I fully understand how necessary it was to have the right sort of canvassers for Placer County, but have as little to do with those matters as though I was not a member. I can not tell you in the brief space of a letter of all that is going on, or of all that has taken place; suffice it to say that I have had a pretty hard row to hoe.

I hope to see you before long and to have a good long talk with you, when I will tell you of much that is amusing, to say the least.

I had a blow-out about two weeks ago and freed my mind, so much so that I looked for instant decapitation. I called things by their right name and invited war; but counsels of peace prevailed and my head is still on; my hands are tied, however. We have no meetings of the board nowadays, except the regular monthly meeting, which, however, was not had this month; but there have been any quantity of private conferences to which I have not been invited.

I try to think it is all for the best, and devote myself with additional energy to my legitimate portion of the enterprise.

On the 1st of April I presented my accounts to the board and insisted upon a settlement, but after backing and filling the board adjourned, and to this day I do not know if they are considered as allowed, and there has been no regular meeting of the board since. I read to Mr. Hopkins and Mr. Crocker that portion of your letter with regard to your subscription. They said that there had been no action taken such as you apprehended, and no notice or advertisement other than the regular monthly call for installments, which the law requires to be made in the terms set forth, so do not give yourself any uneasiness.

I will do my best to have your stock, or a portion of it, allowed you, or notify you of any contemplated action.

Much to my surprise Mr. Hopkins has got me charged with 10 per cent. on my 150 original shares as cash advanced by him, and he says he knows of no agreement or understanding that it was to be allowed me as compensation for services rendered previous to the final organization.

All are elated at the vote in Placer County. Governor Stanford is in San Francisco, and if the vote carries in our favor there, the office of treasurer will be an important one.

I hope to put parties on the location of the second 50 miles this summer, so look out to see me up there before long.

Yours, truly,

JUDAH.

\$2,500 FOR WITNESS'S SERVICES—THE WAGON ROAD.

Q. What is the paper that you now hold in your hand?—A. This is also another letter from Mr. Judah with reference to the doings of the members of the board in Sacramento while I was not present.

Q. Is that in Mr. Judah's handwriting?—A. Yes, sir; it is in Mr. Judah's handwriting.

Q. Have you stated the date of it?—A. The date is July 10, 1863.

Q. Is it signed by Mr. Judah?—A. No, sir; it is not signed by Mr. Judah; but that is his handwriting.

Q. And it was received by you?—A. Yes, sir; it was received by me as coming from Mr. Judah, with information that could come from no other source.

Q. He was then in the engineer's office of the Central Pacific?—A. Yes, sir.

By Mr. COHEN:

Q. Who is it addressed to?—A. He addresses me as "My dear doctor." That is the way he always addressed me.

The paper was marked "Exhibit No. 11, August 5, 1887," and is as follows:

ENGINEER'S OFFICE, CENTRAL PACIFIC RAILROAD OF CALIFORNIA,
Sacramento, July 10, 1883.

MY DEAR DOCTOR: You will excuse the long delay in answering your letter, but I have been waiting from day to day to have something definite to write about. Huntington has returned, and seems to possess more than usual influence.

Stanford, who I told you was all right, is as much under their influence as ever. The wagon road seems to be a tie which unites them, and its influence seems to be paramount to everything else. I have had a big row and fight on the contract question, and although I had to fight alone, carried my point and prevented a certain gentleman from becoming a further contractor on the Central Pacific Railroad at present.

You are to be retained as director. There will be no opposition influence in the meeting; all will go one way, and both you and I will go with the stream.

I got through the board yesterday a resolution allowing you \$2,500 for previous services, to be credited you as five assessments on your [interest.]

I offered the resolution at \$5,000, and tried hard to get it, but from the indications of old sores in a debate, was afraid of upsetting the whole thing, and compromised on the half.

I believe I told you that the governor told me he would sell to Rohn his wagon-road interest. There is a good deal of negotiation going on, and from all the indications all their differences are reconciled, all is smooth. They are a band of brothers again, and are going to let Rohn and Parish in with them. Rohn is with them a good deal, and told me to-day that he and Parish were going up Thursday next over the road, and that they offered him 30,000 interest, but he wants a controlling interest. Crocker and Huntington are going up Thursday, and going over the new route across to Nashoo City. They have been consulting and looking over the way every day, and do not hesitate to talk boldly, openly before me, but not to me, about it. They talk as though there was nobody in the world but themselves who could build a wagon road. They are going to take up this route. Crocker wrote up to a Mr. Brown to meet them. He is going to take Rohn and Parish over it. He wants Huntington's judgment on it, and before they return they intend to take it up.

If this election was over I would feel like going up there and taking this route, but I cannot stir from here now. I think that Rohn and Parish will draw out of any wagon road arrangement with this present set of managers after going over the road and seeing how it is managed unless they can get the control.

About coming down, do as you think best; it is not absolutely necessary; everything will go one way, and you are on the list; Marsh also. I would be very glad to see you and have you come down; but if you should not, write me, and send me yours and such other proxies as you have got. What do you think of going up immediately and taking up that route? Cannot a new company be organized for that purpose of persons whom you can control? But of course if they should know of it before the election they would decapitate you. Perhaps it is best to rest easy and come down at any rate, when we will consult together.

[No signature.]

LAST LETTER RECEIVED FROM T. D. JUDAH.

By the CHAIRMAN:

Q. What is that paper you now hold in your hand?—A. This is a letter that I received upon the return of the steamer St. Louis, which was the steamer that Mr. Judah went East on, or went to Panama on. He wrote on board the steamer; the letter came back on the return of the steamer. It is the last letter I ever received from him and probably one of the last he wrote to anybody. It is in relation to the general business that he was going East on, and pertaining to this company.

Q. What is the date of it?—A. September 9, 1883.

Q. Is it in his handwriting?—A. It is in his handwriting.

Q. Is it signed by him?—A. Yes, sir; Theodore A. Judah.

Q. And it was received by you?—A. Yes, sir; it was received by me. I think you have got the envelope that it came in there.

The envelope was marked "Exhibit No. 12, August 5, 1887," and the letter was marked "Exhibit No. 13, August 5, 1887," and is as follows:

STEAMER ST. LOUIS, September 9, 1883.

MY DEAR DOCTOR: I was so much hurried and distracted with events and the hurry of getting off that I did not write you before leaving. There is not much that

I can say now that is very interesting. I have a feeling of relief in being away from the scenes of contention and strife which it has been my lot to experience for the past year, and to know that the responsibilities of events, so far as regards Pacific Railroad, do not rest on my shoulders. If the parties who now manage to hold to the same opinion three months hence that they do now, there will be a radical change in the management of the Pacific Railroad, and it will pass into the hands of men of experience and capital. If they do not, they may hold the reins for awhile, but they will rue the day they ever embarked in the Pacific Railroad.

In your last letter you say that you hear I have sold my interest in the ranch to Baker. Until after Baker came down I never had the slightest conversation with either him or Hubbard with regard to the ranch, and any statements made by any one to the contrary were unfounded.

After he came down, and before I received your letter, he and Hubbard spoke of the ranch to me, and said they wanted an interest in it. I said to them that I had no objections to it if you were willing, and am of the same opinion now; but I wish it distinctly understood that unless you are willing I am not. I desire to do nothing with regard to it that does not meet your approbation, and leave its management entirely with you.

If after the wagon-road and bridge and mill, &c., are built, the town site and wood land secured, you choose to admit them to an interest in the ranch, well and good; there are some reasons why it might be well, and help to improve it, and render it valuable sooner than otherwise.

About the wagon-road I hardly know what to advise; as near as I could ascertain they gave out that they intended to build over to the Henness road, whether on account of your having recorded your route or because you were not ready to go to the expense of the new road at present I do not know; it may be that they are willing that you should go on and build it, they intending to get it of you in some shape hereafter. I think Hubbard and Baker are afraid of the other wagon-road parties. I may be mistaken, but such I think is the case. My opinion is that before next summer that party will have all they want to attend to on their hands. If they treat me well they may expect similar treatment at my hands. If not, I am able to play my hand.

If I succeed in inducing the parties I expect to see to return with me to California, I shall likely return the latter part of December; if not, I shall stay later.

Trusting that everything in which you are interested will prosper, and that I shall soon see you again,

I remain, as ever, truly yours,

THO. D. JUDAH.

LETTER CONCERNING WITNESS'S RESIGNATION AS DIRECTOR.

Q. What is the last letter which I handed to you?—A. This is a letter from Governor Stanford, in answer to a letter written after receiving information from Mr. Judah in New York City. I tendered my resignation as a member of the board of directors, and this is an answer to that letter from Governor Stanford.

By Mr. COHEN:

Q. Will you give the date?—A. October 3, 1864.

By the CHAIRMAN:

Q. Is it in Governor Stanford's handwriting?—A. I think it is.

Q. And was it received by you?—A. It was received by me in answer to a letter that I wrote to him.

The letter was marked "Exhibit No. 14, August 5, 1837," and is as follows:

OFFICE OF THE CENTRAL PACIFIC RAILROAD OF CALIFORNIA,
Sacramento, October 3, 1864.

Dr. D. W. STRONG, Dutch Flat:

Your letter of the 30th ultimo came to hand this morning. That will be due as soon as the board act upon the subscription to the stockholders. Whenever it is determined to appoint an agent will urge your appointment. Indeed, doctor, I shall at whenever it may be in my power.

to the stock
of stock
- 7

I hope you will be down to the election; if not, I shall be glad to have your proxy I inclose herewith a blank power of attorney.

Yours, truly,

LELAND STANFORD.

P. S.—I do not think there will be any desire to change the board of directors. Am I to understand that you will not accept of re-election?

L. S.

TELEGRAM FROM DURANT AS TO CHINESE LABOR.

Q. What is the paper which you now hold in your hand?—A. That document was a telegraph dispatch from Salt Lake, from C. P. Durant, who was at the time the vice-president, I believe, of the Union Pacific Railroad.

Q. Was the telegram received by you in the shape that you now have it?—A. Yes, sir; it came to me from the telegraph office that way.

Q. Have you given the date of it?—A. October 10, 1868.

The telegram was marked "Exhibit No. 15, August 5, 1887," and is as follows:

UNION PACIFIC RAILROAD COMPANY,
Salt Lake, October 10, 1868.

I authorize D. W. Strong, of Dutch Flat, to contract with Ah Hin or Ah Coon, or any responsible party, on the part of the Union Pacific Railroad Company, for any number of Chinamen, not exceeding two thousand, to be delivered to our agent at the terminus of the Central Pacific Railroad Company's track on the following terms of agreement, viz:

The Union Pacific Railroad Company to furnish, free of expense, necessary transportation for tents, cooking utensils, and camp fixings; to furnish them with work on this road east of Humboldt Wells, and to pay them in United States gold coin \$40 per month for twenty-six working days, and allow their pay to commence from the time they report themselves to our agent.

The railroad company to protect them from Indians with soldiers if necessary.

To be used on receipt of telegram from me.

THOS. C. DURANT,
Vice-President.

LETTER FROM "O. D. L." ON SAME SUBJECT.

Q. What is the paper which you now hold in your hand?—A. This is pertaining to the same subject, but is from a different party, also at Salt Lake, September 26.

Q. Whose handwriting is it in?—A. In Mr. Lambard's.

Q. How is it signed?—A. It is signed "O. D. L."

Q. How do you spell his name?—A. L-a-m-b-a-r-d.

Q. What is the date of that?—A. September 26, the same year. The first is dated in 1868. This was received about the same time, and the other a few days afterwards.

The paper is marked "Exhibit No. 16, August 5, 1887," and is as follows:

Poor pen.]

SALT LAKE, Sat., Sept. 26.

D. W. STRONG, Esq.:

DEAR SIR: I telegraphed you yesterday that my friends were detained east and would not be here till next week. This is h—l for me, for I shall nearly die in this stupid town. Durant, the big Indian of the U. P., telegraphed me yesterday from Chicago that he would leave there to-day.

Hostility is springing up, and I think we will have some fun before long. I think immediately after the next pay-day, October 15, will be the time we will fix on, as that will give time to provide supplies.

Will telegraph as soon as I see our friends.

O. D. L.

ANOTHER LETTER FROM "O. D. L." ON SAME SUBJECT.

Q. What is the paper which you now hold in your hand?—A. This is dated October 25, 1868. It is also signed "O. D. L." by Lambard, and it has reference to the same matter, and alludes to Mr. Stanford being in Salt Lake to consult with Durant.

Q. This is in Mr. Lambard's handwriting and was received by you?—A. Yes, sir.

The paper was marked "Exhibit No. 17, August 5, 1887," and is as follows:

SACRAMENTO, October 25, 1868.

D. W. STRONG, Esq.:

Stanford has gone to Salt Lake. I conclude Durant can't decide till he sees him. I telegraphed Durant to telegraph me his decision as soon as possible. I hate to be kept this way in suspense. It is disgusting to everybody.

I will telegraph again in a day or two, telling him we want to know mighty quick. In the mean time don't let it damage your private business.

Hastily,

O. D. L.

ANOTHER ON THE SAME SUBJECT.

Q. What is the paper which you now hold in your hand?—A. This is also a letter from Mr. Lambard with regard to the same matter.

Q. Is it in Mr. Lambard's handwriting?—A. Yes, sir.

Q. Is it signed by him?—A. Yes, sir.

Q. And was it received by you at the time?—A. Yes, sir.

Q. What is the date?—A. Thursday evening. There is no date.

The paper was marked "Exhibit No. 18, August 5, 1887," and is as follows:

THURSDAY EVE.

D. W. STRONG, Esq.:

DEAR SIR: I returned from S. F. this a. m. I duly received your letter, with check for \$300. I telegraphed D. to tell me immediately what he intended to do, and on Tuesday I telegraphed the operator to hunt D. up and get an answer; he replied that D. would telegraph to-day from Echo. There are a good many things pending. Stanford is there by this time and they may come to some agreement. This is very unpleasant for us both. I am out and injured one way and another several thousand dollars, and from my experience with railroad companies I am afraid I will lose it.

I think to-morrow I will send a dispatch to Burham inquiring how matters are.

Don't be at any expense, for it looks very dubious whether or not they hire any Chinamen of anybody.

Judging from the way D. acts I am as much surprised and indignant as you are. We won't fool with them any more than a few days longer.

O. D. LAMBARD.

COMPLAINT THAT COMMUNICATIONS ARE NOT ANSWERED.

Q. What is the paper which you now hold in your hand?—A. This is an answer to a letter. This is a communication from Mr. Lambard in regard to a dispatch that we sent to Durant to find out why he did not answer our communications. There seemed to be some dilatoriness on his part.

Q. Is that Mr. Lambard's handwriting?—A. Yes, sir.

Q. And was it received by you?—A. Yes, sir; it was received by me.

The paper was marked "Exhibit No. 19, August 5, 1887," and is as follows:

SAC'TO, TUESDAY.

D. W. S.:

Yours received. I don't know what to make of Durant's silence. There must something have occurred to change his plans. I will telegraph him to-morrow again. I am afraid he is going to wait till Stanford gets there before he decides anything. I am out and injured my time and expenses to Salt Lake, which I don't like.

I will telegraph him again.

O. D. L.

LETTERS ON EXTRANEIOUS SUBJECTS.

Mr. COHEN. Mr. Strong produces further letters in his possession, which I will now show to him. I will ask him to explain what they are. What is the letter which I now show to you, Mr. Strong?

The CHAIRMAN. Those letters only which bore upon the railroad question have been taken out. These other letters have reference to gold mines and silver mines. They were excluded on that account. To offer those in evidence will be simply to fill our record.

Mr. COHEN. I want to show, so far as this correspondence will explain it, the general relation of Mr. Strong to the officers of the company. The letter I show to him is addressed from Mr. Strong to the chief engineer of the company, Mr. Montague.

The WITNESS. Well, allow me to explain it. Was Mr. Montague always chief engineer?

Mr. COHEN. He was, after the death of Mr. Judah.

The WITNESS. Mr. Judah authorized him to act in his place after he left here. You will notice that this was a long time previous to that date, and Mr. Montague was not at that time connected in any way with the railroad. Mr. Montague was employed by myself, as an engineer to survey the wagon road over the mountains, before Mr. Huntington or Mr. Stanford, or Mr. Crocker, or any of these people had anything to do with it; and this is in answer to one of my letters, because Mr. Montague did not come up as he agreed.

OBJECTION TO THEIR RECEPTION.

The CHAIRMAN. I want to say to you that if you want to offer these letters, Mr. Cohen, you can write out a statement, or you can write a history of Mr. Strong's relations to the road, and put any letters that you see fit into that statement, and submit it to this Commission, but as to their going in our record I shall certainly object.

Mr. COHEN. I will make the offer and take the ruling of the Commission upon it. I now offer a letter written by Mr. S. S. Montague, who was for a number of years the chief engineer of the Central Pacific Railroad Company, dated December 10, 1864, written to the witness, D. W. Strong.

Commissioner LITTLER. For what purpose does the gentleman offer the letter?

Mr. COHEN. Because it comes from the possession of the witness, and shows his relations to the employes of the company.

Commissioner LITTLER. In what respect does it bear upon the inquiry within the scope of this Commission?

Mr. COHEN. Not any more than the letters which have been introduced by the chairman, but I think it is just about as relevant.

Commissioner ANDERSON. The chairman has not introduced any letters.

Mr. COHEN. I think he has; I offer it, as Mr. Littler says, for what it is worth.

The CHAIRMAN. I protest against our stenographer taking all this stuff down.

Commissioner ANDERSON. I told the stenographer that the arguments were not to be reported.

A REQUEST THAT THE STENOGRAPHER SHALL MAKE A FULL REPORT.

Mr. COHEN. In that connection I would ask that this be taken down. I appear here as counsel for the Central Pacific Railroad Company,

whose interests and the interests of whose stockholders are very much affected by this examination; and I claim the right to have the arguments which I, as counsel for the company, address to this Commission, taken down so that those arguments may be considered by the President, to whom your report is to be made, and by such committees of both houses of Congress as may be appointed when your report comes up for investigation. I claim that it is the right of the Central Pacific to present its side of the case to this Commission, and that the arguments of its counsel on every matter of evidence here introduced should be carefully reported, and should accompany the evidence and report which may be made by this Commission.

The CHAIRMAN. In answer I want to say that the Commission will hear any statement, will accept any paper, and will attach it to the report we shall make to the President of the United States. Those letters which you now hold of Mr. Strong's, if you will furnish them in the shape of an exhibit, we will accept; but we do not wish to entail the expense of multiplying the record through the stenographer.

Commissioner ANDERSON. I would ask you whether this is the practice in your courts in the preparation of a case on appeal? Does a case on appeal generally contain arguments of counsel?

CLAIMED AS A RIGHT.

Mr. COHEN. It frequently does. This company has applied to Congress for some relief. Whether it is entitled to that relief is a matter of doubt. The Congress of the United States, in its wisdom, has directed the President to appoint this Commission: and this Commission is here to receive the statement of the Central Pacific Railroad Company; and such statement as it makes through its counsel is a proper subject to be considered and reported upon to the President and to Congress. I claim it as the right of the Central Pacific Railroad Company, that the remarks of its counsel upon the admissibility of evidence, and also the arguments that it introduces here to influence the action of this Commission, should appear as they are made, and in connection with the subject-matter on which they are made.

Commissioner ANDERSON. I am totally opposed to reporting arguments.

Mr. COHEN. The next letter I propose to offer is the following.

Commissioner ANDERSON. Had you not better have a ruling on the offer of the other one?

Mr. COHEN. To show the relevancy of it, the next letter I propose to offer is a letter from Mr. Lambard to Mr. Strong about the stock concerning which he has made a complaint to this Commission, saying that the Central Pacific deprived him of it. I certainly have a right to put that in.

The WITNESS. Is your interpretation of that correct?

Mr. COHEN. That is the interpretation I give to it. After I offer it you can be heard to explain it.

The WITNESS. I would like to explain it.

The CHAIRMAN. I think the quickest way out of this difficulty is to let you spread your letters right on the record.

Mr. COHEN. Had you better not rule on the admissibility of the evidence?

Commissioner ANDERSON. We will rule on the admissibility of the letters as soon as Mr. Cohen gets through offering them, and he can offer them all in a bunch.

Mr. COHEN. Just as the Commission pleases. I will offer them all now, or one at a time.

Commissioner ANDERSON. Let them all go in.

SURVEY OVER SIERRA NEVADAS FOR A WAGON ROAD.

By Mr. COHEN:

Q. Mr. Strong, will you now look at the letter which I now show you and state what it is?—A. Mr. Montague was a stranger to me, and was engaged in business—

Q. I will put the question in another form; by whom was that letter signed?—A. By Mr. Montague.

Q. To whom was it addressed?—A. D. W. Strong.

Q. What is the date?—A. December 10, 1861. Mr. Montague had no connection with the railroad. There was no railroad to be connected with at that time. This letter was in reference to a survey that I asked him to assist in making over the Sierra Nevadas with reference to a wagon road, but it had no connection with the road or any railroad company.

Q. Is not that letter dated after the incorporation of the Central Pacific Railroad Company?—A. Mr. Montague had nothing at all to do with it at that time.

Q. I ask you the question whether that letter is not dated after the incorporation of the Central Pacific Railroad Company and after you were a director of that company?—A. Yes; but this letter was in reference to a wagon road and not to a railroad.

LETTERS OFFERED IN EVIDENCE BY CENTRAL PACIFIC.

Mr. COHEN. Well, I offer it for what it is worth.

The WITNESS. Mr. Montague was not an engineer of the company at that time, but he was employed by me.

Mr. COHEN. I ask to have the letter marked Exhibit 20.

The CHAIRMAN. Do not number it among our exhibits.

Mr. HAYMOND. It is offered on the cross-examination.

The paper is marked "Exhibit No. 20, August 5, 1887," and is as follows:

LETTER FROM S. S. MONTAGUE.

FOLSOM, December 10, 1861.

Dr. D. W. STRONG:

DEAR SIR: I expected, as I wrote you last week, to have been able to have started for your place to-day, but in consequence of the flood I have been unable to arrange my business here so that I can leave.

As soon as communication with Sacramento is open, I hope to close my matters there, and will then be at liberty to attend to your work.

I will start for your place at the earliest possible moment, unless I hear further from you.

We were out off from both city and country yesterday, but hope to get the mails and express out to-day.

Respectfully yours,

SAM. S. MONTAGUE.

PURCHASE OF SHARES FOR LAMBARD.

Q. Will you look at the paper now shown you and state what it is?—A. This is a letter from Mr. Lambard with regard to some shares that he requested me to buy.

Q. To whom is it addressed?—A. D. W. Strong.

Q. What is the date?—A. August 7, 1868.

Q. Is there any explanation that you want to make concerning it?—

A. Mr. Lambard wanted me to buy some shares from certain parties that were subscribers to the original stock of the road.

Q. What road?—A. The Central Pacific road; and he wanted me to see what I could get those shares for, and to get them if I could. This was in reference to that matter. There were two or three parties who wanted to sell their stock, or offered to sell it to me.

The paper was marked "Exhibit No. 21, August 5, 1887," and is as follows:

SACTO, Aug. 7, 1868.

"D. W. STRONG, Esq.:

DR. SIR: Yr. fav. of th recd. yesterday. Will advise you at once of any word from our friends East.

What is the cost of the 25 shares? I will make out the papers here and send them up to you.

Yrs. very truly,

O. D. L.

"WISE IN NOT TAKING THE STOCK."

Q. Will you look at the paper now shown to you and state by whom it was written?—A. It is dated August 24, 1868, and was written by Mr. Lambard.

Q. To you?—A. To D. W. Strong.

Q. Is this about the stock of the Central Pacific Railroad Company?—

A. That is about the stock that was in the hands of a man by the name of Brickett, with whom I was negotiating to get the stock from him, as agent for Mr. Lambard.

By Mr. BERGIN:

Q. On the same terms that you have just stated?—A. On whatever terms I could make with parties. That was unsettled. We were in correspondence all the time.

The paper was marked "Exhibit No. 22, August 5, 1887," and is as follows:

SACTO, Aug. 24, 1868.

DR. STRONG:

DR. SIR: Yrs. recd. You were wise in not taking that stock of Brickell without the acct. receipts. That is, I think so at present. I don't know but I have already enough for our purposes. So you need not absolutely buy any more till I tell you. I expect to-morrow to sell them our institution, and I wish to be very quiet for a week or so.

No answer yet from the East. Expecting word that they were coming to Salt Lake first of Sept. and wish me to meet them. This was written before they recd. that letter.

Saw Mr. Judah yesterday.

Hasty. Yrs. truly,

O. D. LAMBARD.

LETTER FROM LAMBARD'S PARTNER.

By Mr. COHEN:

Q. Will you look at the paper now shown you and state what it is?—A. It is a letter I wrote to Mr. Lambard.

Q. Will you state who it is signed by, the date, and to whom it is addressed?—A. Dated November 10, 1868, signed by Mr. L. Goss.

Q. Of what firm was Mr. Goss?—A. Of the firm of Goss & Lambard, mill-men in Sacramento.

Q. And it is addressed to you?—A. Yes, sir; this was a letter written to me explaining where Mr. Lambard was. I could not communicate with him.

The letter was marked "Exhibit No. 23, August 5, 1887," and is as follows:

Goss & Lambard, Sacramento Iron Works, I street, between Front and Second.

SACRAMENTO, November 10, 1868.

D. W. STRONG, Esq.:

DEAR SIR: Our Mr. Lambard left town the other day for a few days, and requested me if a telegram came from a certain party to him to inform you or request you to come down and see me. I have received a dispatch which reads thus:

"To O. D. Lambard:

"Mr. Bent will take fifteen hundred (1,500).

"You can come down, or act yourself as your judgment may dictate."

Truly yours,

L. GOSS,
Of Goss & Lambard.

MATTERS GETTING INTERESTING AT SALT LAKE.

Q. Will you look at this paper and state what it is, and by whom it is written?—A. It is written by Mr. Lambard, and is dated August 31, 1868.

Q. And is it addressed to you?—A. Addressed to me, yes, sir; in reference to a transaction with Mr. Durant.

The paper was marked "Exhibit No. 24, August 5, 1887," and is as follows:

[Private.]

SACTO, Aug. 31, 1868.

D. W. STRONG, Esq.:

DEAR SIR: Just rec'd a telegram from the East telling me to be ready to come to Salt Lake at short notice. The matter begins to be interesting. I think there is a storm coming. Keep posted in everything and if business calls you from Dutch Flat let me know it, as I am liable to want to confer with you at short notice.

Don't buy any more stock till I see you. I think we have enough for our purposes already.

Hasty,

L.

We must be very discreet and keep our own counsel.

"THE FIGHT WAXES WARM."

Q. Please look at that and state by whom it was written, to whom it was addressed, and the date.—A. Salt Lake, September 28, no year; from O. D. Lambard, signed "O. D. L."

Q. Do you want to make any explanation about that?—A. Well, it is simply notifying me or giving me some reason why the business we had on hand was delayed. That is as far as I can explain it.

The paper was marked "Exhibit No. 25, August 5, 1887," and is as follows:

SALT LAKE, Monday, Sept. 28.

D. W. S.:

DR. SIR: I wrote you by yesterday's mail, simply saying that my friends have been detained in Chicago by sickness. They left Chicago Sat'y night and will get here this week some time. They are obliged to stop and examine the road, so they are longer on the road than the regular mail passengers.

The fight is increasing and waxes warm. Keep quiet for a few days and await my return or telegram. So much time has been lost by the parties' delay that I think the 15th of October will be as soon as we can move.

Yrs. truly,

O. D. L.

RELATING TO MATTERS BETWEEN UNION AND CENTRAL PACIFIC.

Q. And what is this?—A. This letter is dated November 6, 1868, is signed "O. D. Lambard," and related to this same matter with regard to the Union Pacific and Central Pacific.

Q. You mean Central Pacific stock?—A. No, sir; no stock about it.

Q. That speaks of stock, does it not?—A. No, sir; nothing about stock.

Q. Does it not say, "I shall want to see you when I return about the stock I bought of you"?—A. He simply makes an allusion to it; it is pertaining to matters the same as in the other except in regard to that stock; that was a matter we had between us.

Q. That was the stock of the Central Pacific, was it not?—A. Yes, sir.

The letter was marked "Exhibit No. 26, August 15, 1887," and is as follows:

Sac'o, Nov. 6, 1868.

D. W. STRONG, Esq.:

D'R SIR: My business takes me to-morrow up in El Dorado Co., Grizzly Flat, twenty miles off the telegraph. I have instructed Mr. Goss, my partner (who knows about our plan), to send you any telegram that may come from D. I hear to-day reported that the C. P. Co. have got an injunction against the U. P. Co. to restrain them coming east of Salt Lake. Something or other has occurred to disturb their plans, and it is of no use for us to wait any longer in my opinion. I shall go East I think within sixty days and will get satisfaction I believe for any damages we have sustained. \$5,000 won't begin to make me whole for the damage my interests suffered here while I was gone.

I shall want to see you when I return here about the stock I bo't of you. Will write you when I return. If a dispatch comes from D. I have left my cypher with Mr. Goss, and if it is not intelligible Mr. Goss will consult with you and if necessary he will dispatch a messenger for me.

The telegraphed man at Salt Lake telegraphed me yesterday that D. w'd answer my dispatch yesterday, but he has not done it. I can't afford to let my interests suffer any longer, so to-morrow I shall start for a mine we are working. Shall be back next week. Mr. Goss will be here all the time and will open any telegrams that may come and communicate with you.

If the U. P. Co. come this way, or go to Oregon, I will have opportunities to get ourselves all right. He is a first-rate man, but there is a hitch somewhere unexpected.

Very truly y'rs,

O. D. LAMBARD.

Q. Please look at this; who was that written by?—A. Mr. Lambard. "O. D. L." it is signed.

Q. To you?—A. To me.

Q. It is dated how?—A. Dated October 30, no year. He had telegraphed to Durant.

WILL NOT BUY ANY MORE STOCK.

By Mr. HAYMOND:

Q. Who was Durant, Mr. Strong?—A. He was the man who was vice-president of the road.

Q. Of the Union Pacific at that time?—A. The Union Pacific at that time.

Q. There is a statement in that letter, "I won't buy any more of this company's stock until I know more." Was that the Central Pacific stock?—A. Yes, sir; that was the stock I was telling of certain parties were offering to sell it. Different parties were offering to sell from five to twenty shares apiece, and I was authorized by Mr. Lambard to buy.

Q. Did not you fix a price?—A. No, sir; I was not authorized to close a trade without consulting him as to figures.

The paper was marked "Exhibit No. 27, August 5, 1887," and is as follows :

SAC'T., Friday, Oct. 30.

D. W. S.:

D'R SIR: Y'r rec'd. I have telegraphed Durant to telegraph me something decisive. I can't telegraph Burnham, as I don't know exactly where to address him. I don't like the way these R. R. men do their business. Am afraid they are all alike. I won't buy any more of this co.'s stock until I know more, and as I have some money to pay out Tuesday you may return me that \$600. You can deduct your expenses down here, &c. Better send a check by express.

Whatever funds are needed if we handle Chinamen I can provide for. I am going to get satisfaction from the U. P. Co. for you and myself too in case they don't do anything with us. Will telegraph you what I get from D.

O. D. L.

NOTICE OF MEETING OF DIRECTORS AND STOCKHOLDERS.

Mr. COHEN. Will you look at the paper now shown you and state what it is ?

The WITNESS. It is a letter written by Mr. Mark Hopkins.

Q. To you ?—A. Yes, sir ; it is dated November 17, 1862.

Q. Is there any explanation you wish to make of that ?—A. It explains itself.

The paper was marked "Exhibit No. 28, August 5, 1887," and is as follows :

ENGINEER'S OFFICE, CENTRAL PACIFIC R. R. OF CAL.,
Sacramento, November 17, 1862.

Doct. D. W. STRONG,
Dutch Flat :

DEAR SIR : At a meeting of the board of directors of the Central Pacific Railroad Co. of Cal., called by the president and held this 17th day of Nov'r, it was unanimously "resolved that a meeting of the board of directors be called to meet at the office of the company on the 22nd day of Nov'r inst., and that the secretary be directed to give notice of the same to the directors not now present and request a full attendance."

There is a meeting of the stockholders of the company called to meet on that day, and as there are matters of importance to be acted upon by the directors, I am directed by the pres. to specially request your attendance.

Respyly, yours, &c.,

MARK HOPKINS,
Sec'y.

WILL BUY MARSH'S CENTRAL PACIFIC SHARES.

Q. Will you look at that paper and say by whom it was written, and to whom, and how it is dated ?—A. It is dated January 26, 1870, and Mr. Lambard wrote it to me.

Q. The stock there mentioned was held by Mr. Marsh ?—A. Yes, sir.

Q. Is that the stock of the Central Pacific ?—A. Yes, sir ; he was a director at the time.

Q. Is there anything in this copy-book you have produced that bears upon this inquiry ?—A. No, sir ; that is an old memorandum book that I carried in my pocket in those days.

The paper was marked "Exhibit No. 29, August 5, 1887," and is as follows :

SAN FRANCISCO, Jan'y 26, 1870.

D. W. STRONG, Esq. :

D'R SIR : I wrote you myself from Sac'to relative to buying Marsh fifty shares of C. P. stock, but have rec'd no answer. If you answered it has miscarried. He offered it to you a year ago for the first assessment, \$500, and if you can secure it now for that I will take it and allow you a commission of \$100 for getting it. I don't know as it is worth a cent, but I have determined to give those people a try, and will go \$600 blind on Marsh's 50 shares. I shall need your services as a witness by and by. Keep this secret till I tell you, for I shall not be ready to strike for a few weeks.

When you have closed the trade with Marsh telegraph or write me per express at the Cosmopolitan Hotel, this city. Marsh's stock is worthless to him. He never will pay the last nine assessments, \$4,500. Better not mention my name till I send you the papers for him to sign.

If I make anything out of this I will do better than the \$100 by you.

Answer soon as you can.

O. D. LAMBARD,
Cosmopolitan Hotel, S. F.

If you get the stock, telegraph, and I will send the documents for his signature at once and the money.

O. D. L.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Friday, August 5, 1887.

WILLIAM E. BROWN, being further examined, testified as follows:

STATEMENT OF LIABILITIES OF CONTRACT AND FINANCE COMPANY.

By Commissioner ANDERSON:

Question. What do you now produce?—Answer. A statement of the liabilities of the Contract and Finance Company at the time of its dissolution which were assumed by Messrs. Stanford, Huntington, Hopkins, and Crocker; that is, as near as I could get it.

Q. Is it a statement of all the liabilities of the Contract and Finance Company at the time of its dissolution?—A. Yes, sir.

Q. Will you please give the date? It does not appear on your paper.—A. It was in October, 1875.

Q. Is this amount which was assumed by S., H., H., and C.?—A. Yes, sir.

Q. And which they arranged with the various creditors whose names appear on this paper?—A. Yes, sir; and finally paid them.

Q. From what source did you take the figures that appear on the paper?—A. I got them, as I remarked yesterday, from the memoranda that were given to me by Samuel Hopkins.

Q. Did you have those memoranda before you when you made this copy?—A. No, sir; I made up my books from those memoranda and I got this from my books.

Q. Are these the first entries on your books?—A. Yes, sir.

Q. And they were made from that document furnished you by Mr. Hopkins?—A. Yes, sir.

Q. You understand this to cover all the liabilities of the Contract and Finance Company at the time of its dissolution?—A. So far as I know; yes, sir.

Commissioner LITTLER. Give the amounts so that they can be taken down.

The CHAIRMAN. The liabilities of the Contract and Finance Company when that company was disincorporated, which the witness states as October, 1875, were:

The French Savings and Loan Society	\$600,000
Capital Savings Bank	280,000
Savings and Loan Society	200,000
B. R. Crocker	56,000
D. O. Mills & Co.	200,000
Michael Reese	300,000
Total	1,636,000

The WITNESS. These liabilities were assumed by Stanford, Huntington, Hopkins, and Crocker and have since been paid.

Q. Who is the Mr. Hopkins that furnished you this?—A. Samuel.

Q. Is he living?—A. No, sir.

Q. Did you ever hear him state where the second set of books were that he made these extracts from?—A. No, sir.

Q. And you do not know anything about those books?—A. He was dead when I returned.

Q. Then you know no more about those books than you do about your own books?—A. No, sir; I took them from his memoranda.

Mr. BERGIN. Mr. Brown, however, knows about the payments of these moneys, so far as that is concerned.

Commissioner ANDERSON. The payment is not very material.

Mr. BERGIN. Except as vouching for the accuracy of the amounts.

DISAGREEMENT AS TO EXTENT OF CALL.

The CHAIRMAN. Have you produced all the entries made from the pass-books which were in the possession of Mr. Hopkins?

The WITNESS. Produced them here?

The CHAIRMAN. Yes.

The WITNESS. No, sir; I produced what were asked for.

Commissioner ANDERSON. The Commission called for all the entries made by you in the new set of books that were opened from the pass-books of Mr. Hopkins.

Mr. COHEN. I do not think that was the demand. I think that you merely asked for the amount which was due at the time that the Contract and Finance Company was disincorporated.

The WITNESS. That is what I understood.

Q. Is this a mere approximation?—A. No, sir; so far as it goes, it is correct; but there were other entries connected with the books that were started that are not included in that, but it does not refer to the liabilities of the Contract and Finance Company.

Q. They were entries made from the books furnished you by Mr. Hopkins, which had been taken from the books of the Contract and Finance Company, were they not?—A. Yes, sir.

Commissioner ANDERSON. Anything coming from the Contract and Finance Company we want.

The CHAIRMAN. Is there any misunderstanding about the call, Mr. Cohen?

Mr. COHEN. I thought the witness produced everything for which you had asked him.

The CHAIRMAN. We desire all the entries made by you at the opening of the new set of books for S., H., II., and C., taken from the pass-books furnished to you by Samuel Hopkins containing entries from the Contract and Finance Company's books.

AMOUNT DUE BY CONTRACT AND FINANCE COMPANY.

By Mr. COHEN:

Q. The paper which you produced to the Commission will show that \$1,636,000 was due at the time of the disincorporation of the Contract and Finance Company, from that company to various persons, and that those liabilities were assumed by Stanford, Huntington, Hopkins, and Crocker. It appears that these gentlemen have since paid that sum. Can you give us the further information of what amount was due by the Con-

tract and Finance Company at the time that the construction of the Central Pacific Railroad was finished?—A. I should think the indebtedness at that time was from three to four million dollars.

Q. Was the difference between sixteen hundred thousand and the amount that you have spoken of between three and four million dollars paid by the Contract and Finance Company after the construction of the Central Pacific road?—A. Yes.

Q. You have mentioned that the Contract and Finance Company received from the Central Pacific, for each mile of road constructed from the State line to Promontory, \$43,000 in cash and \$43,000 in stock. Was this floating debt that you had remaining at the time of the construction of the Central Pacific Railroad paid from that \$43,000 per mile in cash, or was it paid from other sources or assets?—A. It was paid from other sources; that had all been received at the time the road was completed.

DEBT BETWEEN THREE AND FOUR MILLIONS.

Q. Then do I understand that when the road was completed to Promontory you had expended \$43,000 per mile and you were still in debt between three and four millions of dollars?—A. That is my idea.

Q. Was any portion of that \$43,000 per mile used in any other way than for the construction of the road and the purchase of supplies, rails, equipments, and matters that properly belonged to such construction?—A. No, sir.

Q. Was any portion of that \$43,000 per mile paid in dividends or as compensation to any one of your stockholders?—A. No, sir.

Q. Therefore, at the completion of the road to Promontory you had the stock that you had received from the Central Pacific Railroad Company and you had the debt that you have mentioned, of between three and four millions of dollars?—A. Yes, sir.

MARKET VALUE OF THE STOCK.

Q. From what you know of the market value of the stock at that time could the stock have been sold or any considerable amount of money raised upon it?—A. I think not.

Q. Did you ever try to sell any of the stock?—A. No, sir.

Q. Why did you not try to sell it?—A. I tried to borrow money on it and failed; I never tried to sell it.

Q. You offered it as collateral for your loans, I think you said, on your previous examination?—A. Yes, sir.

Q. And it was not accepted?—A. It was not accepted.

Q. Did you offer to pledge this stock for the money that you were indebted to Michael Reese?—A. Yes, sir; Michael Reese was one of the parties.

Q. What was Michael Reese's position as a capitalist and banker in San Francisco?—A. He was not a banker, but he was a large capitalist and a lender of money.

Q. Was he in the habit of lending large or small sums to your knowledge?—A. Very large sums; he was a very wealthy man.

Q. He was one of the leading capitalists of California, was he?—A. Yes, sir.

Q. Were there any other of the people to whom you owed or whom you offered this stock?—A. I think Michael Reese was one that I ever offered this stock to.

FINANCIAL CONDITION OF CONTRACT AND FINANCE COMPANY.

Q. If you had been called upon to pay the money that you owed at the time of the completion of the Central Pacific Railroad, if payment had been insisted upon, what would have been the financial condition of the Contract and Finance Company?

Commissioner ANDERSON. In what year?

Mr. COHEN. Upon the completion of the road in 1869.

The WITNESS. Unless the company could have realized something on its Central Pacific stock it could not have paid the debt of the company.

Q. Would it have been insolvent?—A. Yes, sir.

Q. In the construction of the Central Pacific Railroad by the Contract and Finance Company, did you use ordinary business care and prudence in the purchase of materials and in the employment of laborers and other subordinates?—A. Yes, sir; I think the greatest care was used except in the one idea of haste in construction. Everything was subordinated to the rapid construction of the road.

Q. You were at that time running a race with the Union Pacific, were you not?—A. Yes, sir.

PRUDENCE USED IN CONDUCTING BUSINESS.

Q. And excepting that you were trying to build all the road that you possibly could in the shortest possible space of time, you used ordinary business care and prudence in the conduct of the business of the Contract and Finance Company?—A. I think so.

Q. Did you ever ask the Central Pacific Railroad Company or any of its officers to increase the allowance to the Contract and Finance Company for the construction of the road beyond the amount agreed in the contract that you made with it?—A. I talked several times with the treasurer of the company, Mr. Hopkins, upon that subject, when we found that the expense of construction was being increased by the rapidity of it. I said that the cash paid by the company would not be sufficient to build the road. His reply always was that it was all that he could give us; that \$43,000 a mile was all that the company had to give and all that it could give.

Q. Had you any personal interest in the affairs of the Contract and Finance Company beyond your salary or remuneration?—A. No, sir.

Q. I believe that you have already stated that the object of forming the Contract and Finance Company was to get the leading capitalists of the State or elsewhere to assist in building the Central Pacific Railroad, have you not?—A. Yes, sir.

CONTRACT AND FINANCE COMPANY RECEIVED NOTHING BUT STOCK.

Q. Using the language of the chairman in a question he put to a previous witness, I will ask you whether, on your oath, you will state that the stockholders of the Contract and Finance Company received any benefit or profit from the building of the Central Pacific Railroad, from the State line to Promontory, beyond the stock remaining on hand at the time of the construction of the road, subject to the debts of the road?—A. They never received any other benefit.

Q. A good deal has been said about the books of the Contract and Finance Company. I ask you to state from your knowledge of its affairs and from your experience as an accountant whether there was any-

thing upon those books that could in any way have militated against the interests of the Central Pacific Railroad Company or of the Contract and Finance Company or of the directors of the Central Pacific Railroad Company or of the stockholders of the Contract and Finance Company?—A. I think there was nothing on those books that the Central Pacific Railroad Company or their directors or any one in the interest of that company should not have seen. I have, very sincerely, regretted the loss of them.

Q. In your judgment was there anything upon the books of the Contract and Finance Company that would have prejudiced the interests of the directors of the Central Pacific Railroad Company or the officers of the Central Pacific Railroad Company if these books were produced to-day before this Commission?—A. Nothing whatever.

Q. I will ask you this question—I happen to know it myself and I would like you to testify to it: Do not the books of the Central Pacific Railroad Company show everything that was paid to the Contract and Finance Company—the amount of work which the Contract and Finance Company did for the Central Pacific Railroad Company—as fully and completely as the books of the Contract and Finance Company would show if they were here produced, less the actual details of the construction of the road?—A. I think they do.

WHAT THE BOOKS OF THE CENTRAL PACIFIC SHOW.

Mr. COHEN. Gentlemen, we will tender you those books of the Central Pacific Railroad Company. Would you like to see them?

By Commissioner ANDERSON:

Q. Do the books of the Central Pacific Railroad Company show the cost of this road to the Contract and Finance Company?—A. No, sir.

Q. Then why do you say that they contain substantially everything that the other books would, except the details?—A. They contain all that the Contract and Finance Company received from the Central Pacific Railroad Company.

Q. That was not the question put to you. It is the cost of construction that makes the whole point. Would not those books show absolutely and without the possibility of such mistakes as may occur even to an accountant who has not seen them for twelve or fourteen years, just how much profit these directors had made out of this construction?—A. The books of the Contract and Finance Company would show the details of every department of construction more accurately, of course, than the Central Pacific Railroad Company's books would show them.

Q. Would they not show by subtracting the cost of construction from the consideration received exactly what benefit the directors had derived from the contract made between the Central Pacific and the Contract and Finance Company?—A. Yes, sir; but the Contract and Finance Company used all the resources that were supplied to it by the Central Pacific Railroad Company. The books of the Central Pacific Railroad Company show what other resources there were and who turned over to the Contract and Finance Company, all of which used by the Contract and Finance Company.

ADVANTAGES OF SEEING THE WRITTEN ENTRIES.

Q. But the last statement is merely the statement of you and not the statement of a written book. In that respect, do

see that it would be of advantage both to the directors and to the Government to be informed by written entries in the books that as a matter of fact all the cash resources received had been expended, so that they could measure the exact profit made by the directors?—A. Undoubtedly it would be a great advantage, and I expressed myself that I would like very well to see those books.

Q. What other accounts did these books contain besides this construction account with the Central Pacific beginning at the east boundary of the State and ending at Promontory Point?—A. No other accounts except accounts of parties from whom materials and supplies were furnished.

Q. Did they contain no accounts of construction for the Southern Pacific?—A. No, sir; not at that time.

Commissioner ANDERSON. I mean up to the time that they disappeared?

The WITNESS. No, sir. Up to the time that they disappeared? Yes; there was some construction of the Southern Pacific, I think, up to that time.

CONTRACT AND FINANCE ACCOUNTS KEPT WITH VARIOUS PARTIES.

Q. Did they contain no account of repairs and work done for the Central Pacific after May, 1869 and 1870?—A. Yes, sir; whatever was done after that up to 1873.

Q. Have you not stated that they contained an aggregate of as many as 150 unfinished accounts at the time the books were posted?—A. I think there were as many as that, including all the various parties by whom supplies were furnished. We kept running accounts with all the parties from whom we bought.

Q. And on some accounts was the balance against the company and on some accounts was the balance in favor of the company?—A. The balance was not in favor of the company with any one from whom we bought materials.

Q. You had accounts on your books with the parties for whom you had done work, or to whom you had furnished materials, out of which there arose a balance in favor of the Contract and Finance Company, had you not?—A. Yes, sir.

Q. Did you have other accounts the balances of which were against the Contract and Finance Company?—A. Yes, sir. The balances were both ways in the different accounts.

Q. How often did you make up your balance sheet?—A. Every month.

BALANCE DUE FROM CENTRAL PACIFIC.

Q. Do you undertake to say that you can recollect to-day that at the time that this road was completed in May, 1869, there were no accounts whatever showing a creditor balance due the company from which the obligations assumed by S., H., H., and C., may have been paid?—A. I did not say so. I think there was a balance due from the Central Pacific Railroad Company at that time.

Q. Arising out of what?—A. Out of the construction of the road. At the exact date of finishing the road I think there was a balance due from the Central Pacific Railroad Company.

Q. A cash balance?—A. Yes, sir.

Mr. COHEN. But I understood you to say that it had been expended.

HOW LARGE AND WHEN PAID.

Q. One moment. Do you know how large that balance was?—A. I do not know how large the balance was.

Q. Do you recollect whether it was one hundred thousand or five million?—A. No; I think it was something between one million and a half and two millions.

Q. Do you know when that balance was paid?—A. No, sir; I presume it was paid a very short time after.

Q. At what period is it that you said that the result of the work was that all the cash receipts had been expended, and the company had the stock on hand, with a liability against it of between three and four millions of dollars?—A. At the completion of the contract in 1869.

Q. Can you state positively from your present recollection that that result was after crediting this balance due from the Central Pacific, which was not paid until afterwards, or before crediting it?—A. I said I thought, approximately, that the indebtedness of the company would amount to between three and four millions.

Q. Did you afterwards collect from the Central Pacific the balance which you say amounted to about a million and a half?—A. Yes, sir.

INDEBTEDNESS OF CONTRACT AND FINANCE COMPANY.

Q. Did that then go to reduce the indebtedness of the Contract and Finance Company, which you have stated to be between three and four millions?—A. Yes, sir.

Q. So that after that collection had been completed, the indebtedness of the Contract and Finance Company, as against the stock, would not have been over \$2,000,000?—A. I think the company was in debt at least from three to four millions of dollars. That was its absolute indebtedness, including what was due it from the Central Pacific.

Q. You mean that that would have been the net balance against the company on stating the balance sheet?—A. I think so, approximately.

Q. Can you call to your mind the balance sheet containing that balance from the Central Pacific as one of the assets and all the other credit balances as assets and on the other side all the debtor balances?—A. No, sir; I presume that is the amount from the general impression that I have, that we were always very largely in debt for material. While we were building fifty miles of road a month, the materials were accumulating and the indebtedness was accumulating. The result was that at no period were we not owing a large amount for materials furnished, which were generally bought on a credit of from 30 to 60 days.

OFFSET OF AMOUNT DUE FROM CENTRAL PACIFIC.

Commissioner ANDERSON. That I perfectly understand, but at the same time the very fact of incurring an obligation of that kind would necessarily develop corresponding credit for moneys to come to you?

The WITNESS. We had the million and a half or two millions from the Central Pacific coming to us, which, so far as it went, went towards paying that indebtedness.

Q. And was there nothing to increase your indebtedness after May, 1869, arising out of the Contract and Finance Company's operations? Was there no purchase of material after that date?—A. Yes, sir; we did considerable work after that date.

Q. Did you not state that the road was completed by May, 1869?—A. The road was accepted by the Government commissioners, but there

was a good deal of work required to put it in first-class condition after that, which the Contract and Finance Company did—ballasting and surfacing.

CONTRACT AND FINANCE COMPANY INDEBTED TO CENTRAL PACIFIC.

Q. After 1869 did the balances as between the Contract and Finance Company and the Central Pacific Railroad Company change so that the Contract and Finance Company became indebted to the Central Pacific Railroad Company?—A. Yes, sir.

Q. Out of what did that arise?—A. For moneys advanced.

Q. Moneys advanced by the Central Pacific to the Contract and Finance Company?—A. Yes, sir.

Q. What did that indebtedness amount to?—A. I think that at one time it amounted to several million dollars.

Q. For what purpose was that money borrowed by the Contract and Finance Company?—A. For carrying on its business.

Q. In what work was it then engaged?—A. It was engaged in the construction of a portion of the railroad down the San Joaquin Valley, and the California and Oregon Railroad.

Q. And also a portion of the Southern Pacific?—A. And also a portion of the Southern Pacific.

TERMS UPON WHICH MONEY WAS BORROWED.

Q. Do you remember on what terms that money was borrowed?—A. It was borrowed at the usual rate of interest. The interest was paid and the principal was paid.

Q. I know that. But do you know what the rates of interest were?—A. I think at that time it was 10 per cent. per annum.

Q. It was how much?—A. I think 10 per cent. per annum.

Q. Do you know whether some portions of this money was borrowed without any interest at all?—A. No, sir.

Q. Do you remember a practice of the Contract and Finance Company to leave memoranda with the officers of the Central Pacific and to receive cash advances for limited periods without paying interest on such advances?—A. No, sir; not for any length of time; perhaps for a day or for two days, but for no length of time.

INDIVIDUAL NOTES TO SETTLE CONTRACT AND FINANCE DEBTS.

Q. Now, I read you this memorandum from the minutes of the board of directors of the Central Pacific, of September 9, 1873:

"Resolved, That the secretary be directed to receive from the Contract and Finance Company the notes of Leland Stanford, Mark Hopkins, and C. P. Huntington, amounting to \$5,700,000, indorsed by said Contract and Finance Company, in settlement of its indebtedness to this company, and credit the amount of same to the account of said Contract and Finance Company."

Do you remember that transaction?—A. Yes, sir.

By Mr. COHEN:

Q. You say you do?—A. Yes, sir; it was in payment of the indebtedness that I told you of. The advances that had been made and the interest on those advances were finally settled by the delivery of these notes,

By Commissioner ANDERSON:

Q. Did your company retain the money?—A. They had the money.

Q. They did not pay it back at all?—A. No, sir; they did not pay it back to the Central Pacific; they paid it back in notes.

Q. The ultimate result of the transaction was that the Central Pacific held the notes of these gentlemen?—A. Yes, sir.

Q. And you had the money without any obligation whatever of the Central Pacific?—A. Yes, sir.

STATEMENT OF ACCOUNTS OF CONSTRUCTION.

By Commissioner LITTLER:

Q. Do I understand you to say that after the Central Pacific road was completed according to your contract and after you had received all the money which you were entitled to receive by the terms of the contract, there was a statement of the accounts of the construction by the Contract and Finance Company, and it was then ascertained that the road had cost between three and four millions more than the total amount of money received from the Central Pacific Company?—A. I do not know that any statement of accounts was made to that effect. That was a fact.

Q. How could you arrive at the facts without a statement of the accounts?—A. We had used up all the resources that had been received, the \$43,000 a mile in cash, and we were in debt.

Q. Had any portion of the State or county subsidies gone into that construction?—A. I do not know; no portion of those county subsidies or State subsidies ever came to the Contract and Finance Company.

By Mr. BERGIN:

Q. You mean directly, do you not?—A. Directly. All the Contract and Finance Company received was the \$43,000 per mile in cash. It never received any subsidy or any bonds of any kind.

INDEBTEDNESS ASCERTAINED AT COMPLETION OF CENTRAL PACIFIC.

By Commissioner LITTLER:

Q. Do I further understand you that the sixteen hundred and some odd thousand dollars of debt contained in your statement furnished this afternoon formed a part of this three million and a half of indebtedness ascertained at the completion of the Central Pacific Railroad?—A. That formed a part of the indebtedness, but it might not have been exactly with those people. It was carried on from bank to bank and from money lender to money lender, just as it was most convenient and advisable to borrow the money.

Q. You do not mean to state to the Commission that the Contract and Finance Company was indebted the \$3,500,000 at the completion of the road, and was also indebted this \$1,600,000, do you?—A. No, sir.

Q. Did the \$3,500,000 cover every item of indebtedness arising out of the construction of the Central Pacific road?—A. Yes, sir.

Q. Do you state these facts from your recollection? You do not pretend to state that they are accurate, do you?—A. I state them as my idea of the approximate amount of the indebtedness.

MARKET VALUE OF CONTRACT AND FINANCE STOCK.

Q. How many millions of dollars in stock did this Contract and Finance Company get in addition to cash payment for that construction?—A. I have forgotten now the mileage. It is from the State Va.

to Promontory. Whatever number of miles it is between those points, multiplied by \$43,000, would give the amount of stock.

Q. Do you desire the Commission to understand that the total amount of that stock, \$23,600,000, was not equivalent in value, and more than equivalent in value, to the amount of its indebtedness at that time?—

A. I think it would be very difficult to fix any value upon it. There was no market value.

Q. Do you not know that there are a great many valuable things that have no market value?—A. The Contract and Finance Company and the stockholders of the Contract and Finance Company considered that it had value.

Q. As I understand, you never made any effort to sell any of this stock except to this capitalist Reese? You did not hawk the stock on the market? You made no effort to sell it?—A. No, sir.

STOCK NOT ON THE MARKET.

Q. Was the stock at that time listed on the stock exchange in New York?—A. No, sir.

Q. Or in San Francisco?—A. No, sir.

Q. It had never been offered in the market for sale?—A. No, sir.

Q. What is your idea of when this stock began to have a market value?—A. I think it was about 1876.

Q. What is your recollection as to the time when it was first listed on the stock exchange in New York?

Commissioner ANDERSON. It was 1879.

The WITNESS. I think it was about that time. It had some little value when the first dividend was paid, about 1874. Regular dividends commenced in 1879 or 1880, and then it was listed on the New York board.

Q. What were its first quotations, as you now remember?—A. I think it was listed on the board at about 50 or 60.

Commissioner LITTLER. That is pretty good for a new stock.

The WITNESS. All those kinds of things are managed by the brokers.

NO RESOURCES ON HAND.

By Commissioner ANDERSON:

Q. When you say that this road cost \$13,000 a mile for construction, do you base that on the fact that you had no resources on hand; had they all been spent?—A. Yes, sir.

Q. Was that the only basis?—A. Yes, sir.

Q. So that if there should have been expenditures made which have escaped your recollection, either by way of checks given to stockholders or checks given for any other purpose or moneys applied to any other purpose, there would be no foundation for your conclusion, would there?—A. I am quite sure checks were not given for any other purpose.

Q. That is merely the result of your memory after the lapse of all these years, is it not?—A. Yes, sir. No dividend was ever declared by the Contract and Finance Company, except in stock.

SALARIES.

Q. Did the stockholders have any salaries?—A. No, sir.

Q. Did you have any salary?—A. I did.

Q. What other officers had salaries?—A. The clerks and secretaries, the clerks and book-keeper.

Q. Had you not bought for the account of these gentlemen several thousand shares of Central Pacific stock, outside of the business?—A. ; up to that time.

Q. Not up to what time?—A. Not up to 1869. We bought stock after that.

Q. When did you make your earliest purchase?—A. I think we made some small purchases of stock in 1870. I do not remember the date.

Q. May you not be mistaken about the date?—A. Mr. Huntington may have bought some stock earlier than 1870, but I am not aware of it.

HUNTINGTON REIMBURSED FOR PURCHASES OF STOCK.

Q. When he purchased stock was he not reimbursed by the Contract and Finance Company, and was not the stock turned in?—A. Remittances were made to him in New York for various purposes and for materials that he bought.

Commissioner ANDERSON. I am talking of the stock that he bought—Central Pacific stock.

The WITNESS. I do not know when he did commence buying it, but I do not think he bought any before 1869.

Q. If he did buy and turn the stock into your company, would not you have had to pay him for it?—A. He did not turn any in before that.

Q. I asked you if your practice was not to pay him for stock when he turned it in?—A. Yes, sir; we paid him by crediting his account.

Q. Would that appear in your balance sheet?—A. Yes, sir.

Q. And with the same effect as though it was paid in cash?—A. Yes, sir.

Q. Was any payment made by the Contract and Finance Company to the firm of Crocker & Co. for the stock which it turned over?—A. No, sir.

Q. Are you positive of that?—A. Yes, sir.

CROCKER & CO. STOCK TURNED IN AND DIVIDED UP.

Q. How can you remember that when you cannot recall the account?—A. I know that the stock that was held by Crocker & Co. was turned in as belonging to the five associates, and it was divided up pro rata among them all.

Q. Can you remember whether there were any other transactions between the Contract and Finance Company and Crocker & Co. than this one?—A. No, sir.

Q. Was there no other entry in any other books?—A. There was no entry at all of any kind.

Q. Was there no transactions relating to any other building, or sale of material between Crocker & Co. and the Contract and Finance Company?—A. No, sir.

Q. Did not Crocker & Co. pass over considerable material that they had on hand at the end of their work?—A. Yes, sir; I think they did turn over the horses and carts that they had, and they were paid for by the Contract and Finance Company.

Q. Did the Contract and Finance Company pay for them?—A. Yes, sir; I think they did.

By Mr. COHEN:

Q. To be used in the work?—A. Yes, sir; they used them in the work.

By the CHAIRMAN:

Q. Can you recall any entries in the Contract and Finance Company books—any balances?—A. No, sir; I cannot recall any balances.

Q. Can you recall any accounts as stated?

The WITNESS. What accounts, sir?

The CHAIRMAN. The accounts in the Contract and Finance Company's books.

The WITNESS. No, sir; I cannot recall them absolutely.

NOTHING IN BOOKS COMMISSION SHOULD NOT SEE.

Q. Why do you say, then, to the Commission, that there is nothing in the books but what the Commission could see?—A. Because I believe there is nothing in the books that the Commission should not see.

Q. Do you say that from what you recall of the books as a matter of fact?—A. From what I know of the books and from what I know was in the books.

Q. Do you say as a matter of fact that you recall that from the books of the Contract and Finance Company?—A. I make that statement from the manner in which the books which were under my supervision were kept.

Q. Do you make that statement from what was in the books?—A. Yes, sir; I make it from what was in the books. I do not think there was anything in the books that any living man might not see.

ACCOUNT WITH THE BANK OF CALIFORNIA.

Q. Did the Contract and Finance Company keep an account with the Bank of California?—A. Yes, sir.

Q. How long did they keep an account there?—A. They kept an account there, I think, during its entire existence.

Q. Did they borrow large sums of money from the Bank of California?—A. No, sir; not very large sums; they were occasionally overdrawn there, but only by overdrafts.

Q. Who were the officers of the Bank of California during this account?—A. I think D. O. Mills was president and William C. Balston cashier.

Q. Who were the directors, if you recall them?—A. I do not remember the directors.

Q. Can you recall any of them?—A. No, sir.

Q. Were any of the members of the Contract and Finance Company directors in the Bank of California?—A. No, sir.

Q. Had any of the members of the Contract and Finance Company interests in the Bank of California?—A. Not to my knowledge.

STILL IN DEBT AT END OF CONSTRUCTION.

By Mr. COHEN:

Q. I understand, then, that the fact still remains as testified by you in answer to my question and in answer to the questions of Commissioner Littler, that you expended the full amount of \$43,000 per mile in the construction of the road and were still in debt at the end of the construction to the extent of about three and a half million. Is that correct?—A. That is my belief; yes, sir.

The CHAIRMAN. That is all; now, if you will produce those additional entries which we have called for, we will excuse you.

The WITNESS. I will do so.

The Commission then adjourned to Saturday, August 6, at 10 a. m.

PALACE HOTEL, SAN FRANCISCO, CAL.,

Saturday, August 6, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

CHARLES F. CROCKER, being duly sworn and examined, testified as follows:

By the CHAIRMAN:

Question. What is your business?—Answer. I am one of the directors and executive officers of the Central Pacific and Southern Pacific companies.

CONNECTED WITH CENTRAL AND SOUTHERN PACIFIC COMPANIES.

Q. How long have you been connected with the company?—A. A little over ten years. I commenced with the company in January, 1877.

Q. What relation did you hold to the company in 1877?—A. I was clerk in the office of one of the division superintendents.

Q. What was the next position that you held?—A. I was clerk afterwards in the office of the general freight agent, and after that I was occupied some time in the office of the local freight agent at San Francisco station. Following that I went into the executive office.

Q. Is that the position which you hold now?—A. No, sir; I was then a director only. It was some time before I became an executive officer.

Q. In what year did you first go into the board of directors?—A. In 1878, I think.

Q. How are you connected with Charles Crocker, one of the original directors?—A. I am his son.

Q. Did you acquire your interest in the road through your father?—A. Yes, sir.

Q. Do you attend all the meetings of the board of directors?—A. Yes, sir. I have been absent very little. I have attended nearly all the meetings.

WORK OF EXECUTIVE COMMITTEE.

Q. What committees did you serve upon?—A. I have been on the executive committee. There are no other subcommittees.

Q. What were the duties of the executive committee?—A. They were general in their character.

Q. What especial work did that committee do?—A. I think that I should correct my former answer. My recollection is, at least while I have been a director of the Central Pacific, that there has not been an executive committee of that company, and no subcommittees that I know of.

Q. That is since 1877 or 1878?—A. Yes, sir.

Q. Was that when your connection as a director commenced?—A. Yes, sir.

Q. There has been, as I understand it, no subcommittee of the board of directors?—A. I do not remember any.

Q. Why do you refer to the executive committee as an organization separate from the board of directors?—A. Because at one time we had what was called an executive committee.

Q. What time was that?—A. It has been since the organization of the Southern Pacific Company, not of the Central Pacific.

Q. What was the date of that; was it since April 1, 1885?—A. Yes, sir.

Q. Do you recall the stockholders' meeting in July, 1878?—A. Not particularly.

STOCKHOLDERS' MEETING IN 1878.

Q. Do you recall being present at the stockholders' meeting in 1878?—A. I may have been.

Q. Was that the time that you were elected a director?—A. I could not say whether I was elected a director at a stockholders' meeting, or between the meetings of the stockholders upon the resignation of some one of the other directors. I do not recollect that.

Q. Were you elected director prior to July, 1878?—A. No; I do not think that I was, because in July, 1878, I was in the office of the general freight agent.

Q. Whose place did you take in the board?—A. I have no recollection of that. I believe that I was elected a director when absent from the office. That is, I was in the general freight office, but my father had given me some stock some time before that, and at some meeting, when I was not present, I was elected a director, and was notified.

Q. Will you give to the Commission the date of your election from any memorandum that you have?—A. I have no memorandum.

RESOLUTION OF CENTRAL PACIFIC STOCKHOLDERS.

Q. The books of the company may suggest something. Do you recall a resolution of the stockholders of the Central Pacific Railroad Company, July 30, 1878, approving the acts of Leland Stanford, as president, done and performed in the States of Nevada and California, and in the Territories of Utah and Arizona, and in the District of Columbia, and releasing him from all liability?—A. I remember that such action was taken at that meeting, but the date, of course, I do not recollect.

Q. Were you present at that time?—A. Yes, sir.

Q. Do you recall whether you offered the resolution or not?—A. I think that I did, but it is not clear.

Q. Do you recall writing the resolution?—A. No, sir; I do not.

Q. Do you recall the circumstances under which the resolution was presented to you?—A. Not in detail.

Q. Prior to its being offered for consideration, had you given the resolution any attention?—A. Yes; I think I had.

Q. What investigation did you make of the subject-matter of the resolution?—A. By looking it over, and reading it carefully, and considering whether it was the proper thing to do or not.

STANFORD'S ACTION IN NEVADA AND CALIFORNIA IN COMPANY'S INTEREST.

Q. Will you state to the Commission what were the acts that were done and performed by Leland Stanford in the States of Nevada and California? Take, in the first place, the State of Nevada; what was done there?—A. I do not think that I was present with him when he performed acts in Nevada for the company.

Q. But the stockholders must have had some idea as to the character of the work before they voted such an absolute indorsement, must they not?—A. Yes, sir.

Q. How did they inform themselves?—A. I do not know how they may have informed themselves. I had only a general knowledge of what had been done.

Q. What was the general knowledge that you had?—A. A general knowledge that he had acted in the interest of the company, and had done a great many things for the benefit of the company.

Q. What did he do in the State of Nevada?—A. I have no particular recollection.

Q. What have you of a general recollection?—A. None; only in a general way, anything that he may have done.

Q. What knowledge have you as to what Governor Stanford was doing in California at that time?—A. The same knowledge.

Q. What knowledge is that?—A. Only a general knowledge that he had been doing whatever he saw fit as president of the company in attending to its affairs.

Q. What did he do?—A. I do not know. I acted as one of the stockholders in showing a confidence in everything that he had done.

Q. What was it? You certainly did not go it blind on the whole business?

COMPLIMENTARY RESOLUTIONS.

By Commissioner LITTLER:

Q. What gave rise to the passage of the resolution?—A. A discussion of all those matters.

Q. Had Governor Stanford's character or reputation been attacked in any way or by anybody?—A. No, sir.

Q. What was the occasion of your passing these complimentary resolutions?—A. The resolutions that were passed, as I recollect, were passed for the purpose of having the stockholders show their confidence in Governor Stanford, and to ratify all of his acts which had not been formally ratified by the board of directors.

By the CHAIRMAN:

Q. What had he been doing?—A. I do not recollect anything particularly.

Q. Do you recall any acts of his in the Territories of Utah and Arizona?—A. No, sir.

Q. Was the subject of his conduct discussed at all by the stockholders or directors?—A. I do not remember that it was, particularly.

Q. Was anything said at the time about the acts of Leland Stanford?—A. Some things may have been said.

Q. What was said?—A. I do not recollect in detail.

Q. What was said generally?—A. There was not anything particularly said.

CONFIDENCE IN STANFORD AS AN EXECUTIVE OFFICER.

Q. What were they talking about?—A. There was no particular discussion about those matters, that I recollect, but it was proposed to pass the resolution, and there was a general consent to ratify and confirm the acts and deeds of Governor Stanford as an executive officer, and in that way to show the confidence that we had in him.

Q. Did Governor Stanford suggest the passage of the resolution?—A. No; I do not recollect that he did.

Q. Who suggested it?—A. I do not recollect that. It had been customary to pass resolutions of that kind.

Q. Can you recall the passage of any resolution resembling this at any other time in the history of the company prior to 1878?—A. I entered the directory of the company about that time.

Q. Why do you state to the Commission that it was a matter of form, and that it was customary to pass such resolutions?—A. I understood it to be so. It seemed to me to be a very proper thing to do.

Q. Will you produce any resolution like this which was adopted prior to 1878?

Mr. COHEN. Yes; we will. There are some that were adopted prior to that time.

The WITNESS. They will be found in the minutes.

Q. What did Leland Stanford do in the District of Columbia that required an indorsement by the stockholders of the company and his release from all liability?—A. I do not know.

SERVICES RENDERED IN WASHINGTON.

Q. What service had Leland Stanford rendered to the company, or done or performed for the company, in the District of Columbia that required such a resolution?—A. I believe that he had performed general services in pursuance of his duties as president.

Q. What were the general services?—A. I do not know what they might have been; anything that might come up that would be to the interest or benefit of the company.

Q. What would come up?—A. I cannot specify.

Q. What would suggest itself to you as coming up in the District of Columbia that the president of a great railroad corporation would be interested in so as to be required to do certain things, and then require the subsequent indorsement by the stockholders and a release by them of all liabilities?—A. I do not know. I cannot give a more definite answer to the question than I have, for at that time I was new in the office, and I have no knowledge of any special transactions.

Q. Were the services which Governor Stanford rendered as president of the company in the District of Columbia discussed before the offering of the resolution?—A. I do not recollect that they were.

Q. Do you recall having heard of any service having been rendered by Governor Stanford in the District of Columbia?—A. No, sir.

Q. Do you recollect any part that he took in the District of Columbia in any legislation before the Congress of the United States?—A. No, sir.

Q. Was this indorsement with reference to any expenditure of money in the District of Columbia?—A. If it was, it would show on the resolution, I think. It might cover that.

Q. Do you recall any discussion with reference to any act whatever of Leland Stanford as president of the company, in the District of Columbia, at the time of the passage of the resolution?—A. No, sir.

PURPOSE OF RESOLUTION RELEASING HIM FROM LIABILITY.

Q. What was the purpose of the latter part of the clause in the resolution with reference to a release of all liabilities?—A. I should say that it meant what it said.

Q. What does it mean with reference to the District of Columbia; what liability had he incurred?—A. There may have been none, and there may have been some. I do not know.

Mr. COHEN. Do you know what is in the resolution, Mr. Chairman? Do you want it read?

The CHAIRMAN. I have read the resolution.

Mr. COHEN. The whole of it?

Commissioner LITTLER. Have you a copy of the resolution?

The CHAIRMAN. This is an extract. I call upon Mr. Cohen to produce this resolution in full. It is dated July 30, 1878; the approval of the acts of Leland Stanford, page 293, minutes of the Central Pacific Railroad Company.

Mr. COHEN. I shall be glad to do it.

BUSINESS IN CHARGE OF EXECUTIVE OFFICERS.

Q. Did all the business of the Central Pacific Railroad Company originate in the board of directors or in committee? I want to distinguish between the work of the committee and the work of the board of directors, if you had any committees.

Mr. COHEN. That is rather a confusing question. I would say that it might confuse the witness.

Q. Had the board of directors of the Central Pacific Railroad Company any organized committees?—A. No, sir.

Q. Was all the work of the company done in the board meetings?

Mr. COHEN. What kind of work?

The CHAIRMAN. Such as the board of directors would have jurisdiction of.

The WITNESS. The directors have always been in the habit of consulting about matters almost constantly; at any rate, every day. The custom of the directors has been to meet formally once a week, and whenever it became necessary to pass formal resolutions.

Q. Who had charge of the work between the meetings of the board in case any question should arise?—A. The executive officers of the company.

Q. Then instead of referring to an executive committee, or to any other committee of the board, the work arising during the interval between the adjournment of one meeting and the calling of another was referred to the executive officers, was it?—A. Yes, sir; it was.

Q. Are you connected with the Pacific Improvement Company?—A. No, sir; not directly.

Q. How are you connected?—A. Through my father.

Q. Are you a member of the board or do you hold any office in the Pacific Improvement Company?—A. No, sir.

RELATIONS BETWEEN WESTERN DEVELOPMENT AND CENTRAL PACIFIC COMPANIES.

Q. At the meetings of the board of directors of the Central Pacific Railroad Company during your membership, were questions of finance between the Development Company and the Central Pacific discussed?—A. No, sir; I think not.

Q. Were any loans of money made by the Central Pacific Railroad Company to the Western Development Company, or to any other organization, upon the deposit of collateral security?—A. Yes, sir; I think so. But as I entered the directory of the company in 1878, and as it was in that year that the Western Development Company discontinued its business, I cannot state positively.

Q. During your association as a member of the board, what relation had the treasury of the Central Pacific Railroad Company with any outside organization?—A. Outside organizations used the Central Pacific Railroad Company as a depository for its moneys and had account with it.

QUESTIONS OF ACCOUNTS BROUGHT BEFORE BOARD OF DIRECTORS

Q. Were the questions of the accounts brought before the board of directors at their regular meetings?—A. Yes; I think so; there have been instances of it—many instances.

Q. Did the board of directors pass on applications for the use of the money of the Central Pacific?—A. Yes; I think they did; the record books will show, however.

Q. What outside organizations made such applications and received the use of any money that you can recall?—A. I do not know of any except the Pacific Improvement Company. There may have been others. I think at times when the Central Pacific has had a large balance on hand, the money has been loaned out, and it may have been loaned to various parties.

Q. Do you recall any organization or any parties other than the Pacific Improvement Company?—A. No, sir.

CENTRAL PACIFIC'S RATE OF INTEREST.

Q. What rate of interest was charged by the Central Pacific for the use of the money?—A. The rate prevailing in the market at the time, according to what money was worth.

Q. Was any money of the Central Pacific loaned at any time without any charge for interest?—A. Not that I know of.

Q. Do you recall the use of the money of the Central Pacific by any other outside organization or individual without the payment of interest?—A. No, sir.

Q. Did you have charge of the sinking-fund money?—A. I represented the directors of the company in taking charge of the sinking fund or having charge of the securities.

WHO CONTROLLED THE SINKING FUND.

Q. Had you direction or control of the sinking funds?—A. No, sir.

Q. Who had?—A. The board of directors.

Q. Was any money belonging to the sinking fund, to your knowledge, put out on loan at any time?—A. I do not recollect anything of the kind.

Q. What was the size of the balance that the sinking fund usually carried; what was the cash amount?—A. It varied. The books, of course, will show it.

Q. Did you have a clerk in charge of the cash on hand?—A. No, sir.

Q. Who had charge of the cash belonging to the sinking fund?—A. The treasurer.

TIMOTHY HOPKINS TREASURER.

Q. Who was the treasurer?—A. Timothy Hopkins; and before him E. W. Hopkins.

Q. Did he take direct charge or was it done through a clerk?—A. I could not tell you that. I do not know.

Q. Do you know whether that money was put out at any time without charge for interest?—A. I do not know.

Q. Do you know whether the money, the cash on hand, upon receipt of a tag or memorandum, was loaned out at any time to any individual or company?—A. I do not recollect.

"TAGS" REPRESENTING MONEY.

Q. Have you ever heard of tags in connection with the cash account of the Central Pacific Railroad, either in the sinking fund or in the current account?—A. No, sir. Do you mean tags in the treasurer's office?

The CHAIRMAN. I mean tags as applied in connection with other organizations or companies. This is a new term to me.

Commissioner LITTLE. He means tickets representing money in the cash account—in the treasurer's account. He means the carrying the ticket as so much cash.

Q. Was there such a practice?—A. The treasurer may have done it.

Q. Did you ever hear of it?—A. I have heard of tags.

Q. In connection with what business?—A. In connection with the ordinary business in the treasurer's office.

Q. Who got the money on the deposit of tags, that you heard of?—

A. I do not know; various individuals.

WHO RECEIVED THE "TAGS."

Q. Did the Western Development Company, or the Contract and Finance Company, or the Pacific Improvement Company, receive money on the deposit of tags?—A. Not that I know of.

Q. Did you ever hear of tags in connection with any of the companies that I have named?—A. No, sir.

Q. Was any interest charged on the tag account?—A. I do not know of any financial transactions with the companies with which I am connected on which there was no interest charged.

Q. How would the interest charge be made upon the deposit of a memorandum, or what you call a tag? How would you keep the interest account with reference to such deposit?—A. If I were treasurer I could do it by noting the date.

Q. Is it not a fact that tags were carried as cash, and not as tags or due bills?—A. It does not follow that they were.

Q. I am asking you if it is not a fact that they were in this case?—

A. I do not know that it is a fact; no, sir.

MONEYS PAID WITHOUT VOUCHERS.

Q. I will call your attention to the stockholders' meeting in the year 1885, April 14, to a resolution reciting that Leland Stanford, C. P. Huntington, and Charles F. Crocker have made various payments of money in the interest of the company, for which they have given their individual receipts, but no vouchers have been received from the grantees to whom the sums were paid; also, reciting that the nature and amount thereof have been exhibited and fully made known and explained to stockholders, wherefore it was resolved that the stockholders waive the filing of vouchers and authorize the delivery of releases. Do you recall the meeting at which this resolution was offered?—A. Yes, sir.

NATURE OF THE EXPENDITURES.

Q. What was the nature of the expenditures made by these gentlemen from which they were thus released from the filing of vouchers or detailed statements?—A. They were general in their character.

Q. What do you mean by general in their character?—A. I mean expenses for various purposes.

Q. What various purposes? Please enumerate or state in detail, as far as you can.—A. Anything and everything that they might consider advantageous to the company, and which required the expenditure of money.

Q. Is it not a singular fact that in the management of the finances of a great corporation anyone should be released from the filing of vouchers, and from explaining the cause of the expenditure? Would not that suggest something irregular in the proceedings?—A. No.

THE EXPLANATIONS MADE.

Q. What explanation was made at the time?—A. The explanation was made that the expenses were incurred for the benefit of the company, and that it was impossible to file full explanatory statements or documents.

Q. I call your attention to the fact "that the nature and amount thereof have been exhibited and fully made known and explained to us"; that is, the stockholders. Now, what explanation was made?

Commissioner LITTLE. Was that a stockholders' meeting?

The CHAIRMAN. Yes, sir.

Commissioner LITTLE. It was not a meeting of the board of directors, then?

The CHAIRMAN. No, sir; it was a stockholders' meeting.

Mr. COHEN. Mr. Chairman, is the amount stated there?

THE STOCKHOLDERS SATISFIED.

The CHAIRMAN. No. Colonel Crocker, I call your attention to the fact that the nature and amount of such expenditures, according to the resolution, "were fully exhibited and made known and explained to the stockholders." Now, what explanation was made?

The WITNESS. An explanation was made which was considered sufficient. It was explained that these expenses were incurred, and that they were necessary for the company. The stockholders thought that was sufficient; or, so far as I was concerned, I thought so.

Q. Who made the explanation?—A. The parties mentioned in the paper.

Q. Were all of the gentlemen named—Messrs. Stanford, Huntington, and Crocker—present at the time that the explanation was made?—A. The books will show that. I believe that they were.

Mr. COHEN. This was a stockholders' meeting in 1885?

The WITNESS. The books will show who was present.

WITNESS THE MAN REFERRED TO IN THE RESOLUTION.

Q. Are you not the Charles F. Crocker referred to in this resolution?—A. Yes, sir.

Q. What explanation did you make?—A. I explained in that way, just as the others, that these expenditures were necessary.

Q. Did you make the expenditures yourself?—A. No, sir; not directly.

Q. How did you make them?—A. Through attorneys and officers of the company.

Q. What attorneys and officers?—A. The attorneys that were in the service of the company.

Q. Did you make the payments of the money to the officers of the company?—A. In some cases.

THE PAYMENTS WERE FOR GENERAL SERVICES.

Q. For what did you make the payments of money?—A. For services rendered.

Q. What kind of services?—A. General services—anything and everything.

Q. What kind of a voucher did you take that you did not give to the company?—A. I do not recollect that I took any.

Q. What explanation was given to you?

Mr. COHEN. I beg to say, Mr. Chairman—

The CHAIRMAN. Let him answer this question.

Mr. COHEN. I will ask the witness whether these services were rendered by the counsel employed by the company that made these payments?

The WITNESS. Yes, sir; they were.

DECLINES TO ANSWER, UNDER ADVICE OF COUNSEL.

Mr. COHEN. As at present advised, without further consultation with my associates, I advise you not to make any further answer to that question.

Q. What is your answer to my question, Colonel Crocker? I repeat it. What explanation was given to you?—A. Under advice of counsel, I decline to answer that question.

Q. Were any of the payments made for the purpose of influencing legislation?—A. I do not know of any.

Q. Would you not know if you had made such payments?—A. I did not make any.

Q. What was the character of the expenditures that you declined to give in full or in detail at the stockholders' meeting?—A. I did not decline to give any at the stockholders' meeting.

The CHAIRMAN. Mr. Cohen, we ask that this resolution, or the book containing it, be laid before this Commission.

Mr. COHEN. I would suggest that if the Commission would hold its meeting at the proper place, where it could be furnished with information as it desired it, we would be glad to give it quickly. As we are about a mile from the company's offices I cannot give information the moment you call for it.

Commissioner ANDERSON. We do not want you to give it the moment we ask for it. We simply want you to give it to us.

The WITNESS. Previous to the last question I think that I was asked the question whether these moneys referred to had been used for the purpose of influencing legislation.

THE GOVERNMENT'S PER CENTAGE NOT TO BE AFFECTED.

Q. Have you any knowledge of the expenditure of any money on account of the Central Pacific Railroad Company for the purpose of influencing legislation?—A. I have none; and I wish to submit generally in answer to that question the same answer which Governor Stanford has already made to the same question; that is, that no reduction will be made from that portion of the net earnings belonging to the United States for account of any expenditure for which detailed and satisfactory vouchers are not furnished. We will account to the Government as if no such expenditures had been made.

Q. Do you know, directly or indirectly, of the expenditure of any money on account of the Central Pacific Railroad Company for the purpose of influencing legislation?

ADVISED NOT TO ANSWER CONCERNING INFLUENCING LEGISLATION.

Mr. COHEN. I advise you not to answer that question.

The WITNESS. By advice of counsel, I decline to answer that question.

Commissioner ANDERSON. On behalf of the Commission, I desire to put in an explanation. The witness in answer to this question stands upon the answer of Governor Stanford, which is to the effect that no deduction is made in the account of the Government in relation to the amounts actually due under the Thurman act. That has absolutely nothing to do with the merits of this inquiry. The expenditure of large sums of money for the purpose of influencing legislation necessarily has the effect of decreasing the assets of the company and diminishing the power of the company to pay its debts. In the next place, it is referred to by the act as a proper thing to be inquired into. It certainly needs no argument to show that if Congress is to be asked to take any action in this matter, it is perfectly right to ask if any of its members have been approached or improperly influenced. In my judgment we are compelled to insist upon answers to these questions; and I suggest to counsel that before committing themselves to the position of refusing to answer they take the matter under serious consideration.

AN ASSUMPTION NOT PROVED.

Mr. COHEN. So far as I am concerned, I can advise now, but I would prefer to take time to consult. In the first place, the Commission assumes a fact to exist which is not yet proved. The witness has said that certain payments were made to the counsel of the company, and has said that in the absence of vouchers the stockholders and directors of the company, with full knowledge of the facts, have approved these expenditures. I do not know whether, after I have had consultation with the other counsel in this case, we shall advise the witness not to answer the question. As to what the rights of the Commission may be, that can easily be determined.

COUNSEL DESIRE TO BE FULLY REPORTED.

I would like to have some understanding as to the orderly proceedings of this Commission. I notice that when I am speaking the secretary stops reporting. If that is to be the rule, I might as well retire, as I can do no good by appearing here unless the arguments and the motions I make to this Commission are to go upon record. If they are not to go upon the record, I do not desire to waste my time here any further.

THE SECRETARY DIRECTED TO REPORT EVERYTHING.

The CHAIRMAN. We will hear you, sir. You may go ahead, and the secretary will report everything that you say.

Mr. COHEN. So far as I am concerned, I have said in the first place that the Commission assumes a fact to exist which has not yet been proven. The witness has said that certain payments were made for the

benefit of the company, for which detailed vouchers have not been rendered. I have said that in the absence of associate counsel, who are not here this morning—I do not know why—I prefer, until I have had consultation with them, to advise the witness not to answer the question. I have not considered the powers or the rights of this Commission in the premises, or what the effect of the non-explanation of the payments might have upon the interests of the Government. Until I shall have had the consultation with my associates that I have spoken of, I would prefer that these questions be not insisted upon by the Commission.

Commissioner ANDERSON. I am perfectly satisfied with that.

The CHAIRMAN. There is no objection to that.

AN ABSOLUTELY INSUFFICIENT EXPLANATION.

Commissioner ANDERSON. I want to point out the absolutely insufficient nature of the explanation given in the answer before us. The mere fact that no reduction will be made from that portion of the net earnings belonging to the United States on account of any expenditure for which detailed and satisfactory vouchers are not furnished is utterly insufficient by itself. If we should have no power over the matter, or if for any other reason the question is improper, we should consider it, with a desire to decide it according to the justice of the case and according to the real and proper construction of the powers of the Commission; but that explanation is absolutely insufficient.

NECESSITY OF RESISTING ADVERSE LEGISLATION.

Mr. COHEN. It seems to me it ought to be apparent to the Commission, not only with respect to this corporation, but with respect to all other large corporations, that they are engaged not only before Congress, but before the State legislatures in resisting adverse legislation. They seldom ask for any affirmative legislation, but they are compelled, in the interest of their stockholders, and in this case in the interest of the Government, to see that their earnings are not curtailed and their power to pay their debts impaired by such legislation as is proposed in all the States through which the roads run; and for that purpose they have undoubtedly been compelled to employ counsel and agents and have had to give them certain powers. If such payments have been made, it certainly answers no useful purpose to drag those agents into the public gaze, or to examine them. So far as the Government's interest is concerned, we do not seek to charge it with any payments that may have been proved to have been made. Whatever we think is right, as lawyers, to advise our clients to do, that will be done.

The CHAIRMAN. Mr. Littler, is that agreeable to you?

REQUEST FOR TIME TO CONSULT.

Commissioner LITTLER. As I understand it, you ask time to consult with your associates?

Mr. COHEN. Yes, sir; I do not know why they are not here, but I suppose that they thought that you had adjourned until Monday.

Commissioner LITTLER. I think that that is a reasonable request and I think that it should be granted.

Mr. COHEN. I think it is. Will the Commission adjourn until Monday at 10 o'clock?

Commissioner LITTLER. We can skip that question, and go on with other matters. Let it stand that way.

The CHAIRMAN. We will skip that point, and proceed with the examination.

IGNORANT OF COST OF CONSTRUCTION.

Q. How familiar are you with the cost of the construction of the roads which have been consolidated into the Central Pacific?—A. I am not familiar with it.

Q. Have you any knowledge at all as to the actual cost of any of the roads connected with or consolidated into the Central Pacific?—A. No, sir.

Q. Have you ever considered the question of the actual cost of construction of the several roads?

The WITNESS. Do you mean that now form a part of the Central Pacific?

The CHAIRMAN. That now form the Central Pacific road. They were consolidated into it, I think, in the month of June, 1870.

The WITNESS. I know of those companies or railroads, but I know nothing of their cost.

Q. Have you ever as a director or one interested in the Central Pacific considered the actual cost of the several roads with reference to the bonded and stocked cost?

Mr. COHEN. These roads were all consolidated before you became a director of the company, were they not?

The WITNESS. Long before that.

"HE WAS A SMALL BOY, THEN."

Q. I asked the question, have you considered these matters as one having an interest in the Central Pacific?

Mr. COHEN. He was a small boy then.

The CHAIRMAN. What was your answer?

The WITNESS. I could not have considered it. I did not. That is the answer; I did not consider it.

Q. I understand you to say that, speaking relatively, you have no knowledge of the actual cost of the several roads that were consolidated into the Central Pacific with reference to the bonded and stocked cost?—A. I have no knowledge.

CONSTRUCTION OF THE SOUTHERN PACIFIC.

Q. That is what I wanted to know. Was the Southern Pacific in process of construction while you were connected with the board?—A. No, sir.

Commissioner ANDERSON. Some branches of it must have been.

The WITNESS. Not any portion of the Central Pacific.

Mr. COHEN. The question is as regards the Southern Pacific.

The WITNESS. I thought that you said the Central Pacific. The Southern Pacific was in course of construction.

Q. How far had the construction of the Southern Pacific proceeded when you went into the board?—A. To Fort Yuma, Arizona.

Q. Was the subject of the construction of the Southern Pacific considered during your attendance upon the meetings of the board of directors?—A. Its construction was no doubt considered.

NOTHING TO DO WITH THE CENTRAL PACIFIC.

Q. With reference to what part of the construction was the discussion in the Central Pacific board?—A. Nothing special. The construction of those roads had nothing to do with the Central Pacific.

Q. What generally was the discussion about in the board of the Central Pacific with reference to the construction of the Southern Pacific?—A. There was no consideration of those matters in the board of the Central Pacific.

Q. Were there any applications to the board of the Central Pacific for the loan of money to the Southern Pacific or to the Western Development Company on account of the Southern Pacific construction?—A. No, sir; none that I know of.

Q. Were there any offers on the part of the Western Development Company for the deposit of bonds of the Southern Pacific with the Central Pacific for the loan of the Central Pacific money?—A. I do not remember any.

PROPOSAL TO PAY DEBT DUE TO CENTRAL PACIFIC.

Q. I call your attention to the minutes of August 28, 1878, page 306, of the Central Pacific Railroad Company; communication of F. S. Douty, president of the Western Development Company, proposing to pay off indebtedness due by the Western Development Company to the Central Pacific Railroad Company, or to continue the present loans at 6 per cent. per annum. Do you recall the discussion that took place in the board of directors during that year concerning the loans made by the Central Pacific Railroad Company to the Western Development Company?

Mr. COHEN. Was Colonel Crocker present at that meeting?

The CHAIRMAN. It does not appear.

The WITNESS. I doubt that I was a director at that time.

Q. Do you recall at any subsequent meetings any discussion as to the loans of the Central Pacific funds to the Western Development Company?—A. No, sir.

WHAT THE WESTERN DEVELOPMENT COMPANY PROPOSED.

The CHAIRMAN. I read from the minutes of the Central Pacific Railroad Company, page 385, September 1, 1879, that the Western Development Company proposes to pay a note given to the Central Pacific Railroad Company for \$3,086,259.72, with bonds of the Southern Pacific Railroad Company at 90 cents on the dollar.

Mr. COHEN. That was in the interest of the Government, was it not?

The CHAIRMAN. I am not discussing that. I am asking for information.

Mr. COHEN. The bonds are now worth 115.

The WITNESS. I have no recollection of that at all. I recollect that about that time the Western Development Company began to close out its affairs, but I have no recollection that it had any such transaction as that.

Q. Did you not consider the question of the security that was being placed with the Central Pacific for the use of its money?—A. I did think of it; yes, sir.

Q. Would not such a sum as \$3,000,000 make an impression upon you?—A. Yes, sir.

Q. What impression have you now of the transaction that took place in 1879?—A. It was a very fair one to make for the company.

Q. Do you recall what discussion took place at the time?—A. I cannot remember any details.

Q. Were not the funds of the company loaned from time to time to the Western Development Company, to be used in the construction of the Southern Pacific Railroad?—A. No, sir; not that I am aware of.

CENTRAL PACIFIC MAY HAVE LOANED TO WESTERN DEVELOPMENT.

Q. Do I understand you to say that you have no knowledge of the use of any of the money of the Central Pacific by the Western Development Company for the purpose of the construction of the Southern Pacific?—A. If there were any loans made the books will show them; but I have no recollection of any moneys that were turned over by the Central Pacific for that purpose.

Q. Were not the moneys of the Central Pacific loaned upon deposit of proper security for that purpose?—A. They may have been.

Q. Was not interest received by the Central Pacific for the loans made for the purpose of the construction of the Southern Pacific?—A. If there were any loans made there was interest.

Q. Then is it not a fact that upon such loans the funds of the Central Pacific went into the Western Development Company for the purpose of constructing the Southern Pacific?—A. I do not know that they were.

SOUTHERN PACIFIC BONDS AS COLLATERAL SECURITY.

Q. Were bonds of the Southern Pacific taken by the Central Pacific as collateral security for loans on account of the construction of the Southern Pacific Railroad?—A. Those bonds were taken as collateral security for loans, but I have no knowledge of the use that was made of that money.

Q. How far in advance of construction were the bonds issued as collateral security; how far had the construction proceeded?

Mr. COHEN. You mean of the Southern Pacific Railroad?

The CHAIRMAN. I mean the Southern Pacific Railroad.

The WITNESS. I do not think it had proceeded in advance at all. I do not recollect that bonds were issued before the road was built.

Q. As you proceeded, were bonds issued in advance of the construction?—A. I have no recollection that they were. I do not believe that they were.

COMMITTEE TO INVESTIGATE SINKING FUNDS.

By Commissioner ANDERSON:

Q. Were you not a member of the committee appointed to invest the sinking funds of the company?—A. Yes, sir.

Q. For how many years did you serve on that committee?—A. I think that that committee was appointed from time to time. It was not a permanent committee.

Q. How soon after you became a director did you first serve on such committee?—A. Three years at least, I should say.

Mr. COHEN. What committee was this?

Commissioner ANDERSON. A committee to invest the sinking funds.

Q. That would be about 1881, would it not?—A. As near as I can recollect.

Q. Before that time, had you any knowledge of the various sinking funds of the company?—A. Yes, sir; I had knowledge from what I had heard in conversation and read in the reports of the company. I studied the reports of the company.

METHOD OF DISPOSING OF SINKING FUNDS.

Q. What was the mode of operation in regard to disposing of the sinking fund; was it done through trustees of the sinking fund, as in

other States, or was it done by the board of directors?—A. It has been done by the board of directors.

Q. So that the sinking fund has been entirely under the control of the board of directors, has it?—A. Yes, sir.

Q. Was there any one person especially charged with the custody of the securities?—A. They were more particularly in charge of those trustees. There was a separate safe provided for all the securities.

Q. By trustees, do you mean the committee appointed with power to invest?—A. Yes, sir.

Q. You say that there was a separate safe?—A. Yes, sir.

PLACE OF DEPOSIT OF SINKING FUNDS.

Q. Is there a separate safe to-day for the sinking funds?—A. Yes, sir.

Q. Are the securities kept in that safe?—A. Yes, sir.

Q. Are there any other securities belonging to the company kept in that safe, or only the sinking funds?—A. Only the sinking funds.

Q. Where is that safe?—A. It is in one of the rooms in the railroad company's offices.

Q. Who has the key or the combination of that safe to-day?—A. I have the combination; and I think that Mr. Timothy Hopkins also has it.

Q. And are you two gentlemen responsible for the sinking funds to-day—for the presence of all the securities and for the nature of the investment?—A. I do not know whether there are any others who know the combination of that safe or not.

WHO ARE RESPONSIBLE FOR THE SECURITIES.

Q. Do you hold yourselves responsible for the sinking funds so far as the care that you, as a member of the committee, are called upon to bestow upon them?—A. As to the care of the securities; yes, sir.

MR. COHEN. With the ordinary restriction of a bailment.

Q. I want to know of whom to ask these questions. In regard to these investments of the sinking fund, going back as far as your memory extends, what has been the policy of the company?—A. The policy of the company has been to invest the accumulating sinking funds as soon as convenient after they had accumulated.

Commissioner ANDERSON. I call more particularly for the general nature of the investments made.

GENERAL NATURE OF THE INVESTMENTS.

The WITNESS. The investments were made in available securities—in the securities that were considered advantageous as an investment.

Q. Can you not be more specific as to the nature of the securities and the nature of the corporations or persons to whom this fund has been loaned from time to time?—A. These reports of the trustees, so-called, have been made to the directors, and these reports have been spread upon the minutes of the company, and are now in the record book.

Q. Were the reports made to the board in writing or verbally?—A. In writing.

Q. Has that always been the custom as far back as you can remember?—A. Yes, sir.

Commissioner ANDERSON. I ask you to furnish us with copies of these reports of the investment.

REQUEST FOR STATEMENT OF SECURITIES

By Commissioner LITTLER:

Q. Can you not furnish us with a statement of the several securities which go to make up your sinking funds?—A. Yes, sir; I can have a statement of that kind prepared, and will do so.

Mr. HAYMOND. Let your statement show what those securities cost and what their par value is.

Commissioner LITTLER. Also state the total amount of the sinking fund.

FUNDS LOANED TO CONSTRUCTION COMPANIES.

By Commissioner ANDERSON:

Q. Is it not a fact that these funds have occasionally been loaned to the different construction companies—to the Pacific Improvement Company, for instance, at times?—A. Yes; I believe that they have been.

Mr. COHEN. On interest, you mean.

The WITNESS. There was interest, of course.

Q. Is it not also a fact that the funds have been loaned to the Western Development Company in the same way?—A. Yes, sir; I think so, from what has been read from the minutes. I have no personal recollection of it.

Q. You have no present recollection?—A. No, sir.

Q. Is it not also a fact that these moneys have been occasionally loaned individually to Mr. Huntington and to Mr. Stanford and to Mr. Crocker?—A. No, sir.

Q. Do you state that positively, or is it merely that you do not recollect?—A. I certainly do not recollect of any such loans.

Q. Do you know whether the funds of the Central Pacific Railroad Company, other than those belonging to the sinking funds, have also, at times, been loaned to the construction companies?—A. I do not believe that they have been; I have no recollection of it. There has always been a running account between the two companies, and it may have been overdrawn.

Q. If such running account were overdrawn to the extent of a million dollars, would that not in effect be a loan of the funds of the Central Pacific to the construction companies?—A. Yes, sir; it would.

NO RECOLLECTION OF \$5,000,000 LOAN.

Q. Do you not know, or have you not heard at any time, of a loan amounting to as much as \$5,000,000 having been made of the funds of the Central Pacific to the Contract and Finance Company?—A. No, sir.

Q. You never heard of it?—A. No, sir.

Q. And that that loan was paid by notes of Charles Crocker, Mark Hopkins, and Leland Stanford?—A. I may have been eight or nine years old at that time.

Commissioner ANDERSON. I am glad that you are so young now. Twelve years ago, Mr. Crocker, if you were then nine years old, would make you now rather a young man.

The WITNESS. I have learned a great many things about the early history of the road from reading the newspaper reports of the proceedings of this Commission.

PAST REPORTS SHOW SINKING FUND OPERATIONS.

Q. Will your past reports show not only the condition of the sinking funds, but also the collaterals held for the loans?—A. Yes, sir.

Q. These reports that we want are all the reports as far back as reports were made. Will you produce them?

The WITNESS. Do you mean the annual reports of the company?

Commissioner ANDERSON: I mean the reports of this committee showing the investment of the sinking funds, not only the current report for this year, but as far back as reports go. I suppose that they were filed with the secretary of the company.

The WITNESS. I think that they were so filed.

Q. Do you know whether the chief engineer of your road makes an annual report?—A. He does.

Q. Does he make any report other than the report which appears in your printed annual report?—A. No, sir.

Q. Is that the only one that he makes?—A. Yes, sir.

MANUSCRIPT REPORTS PREVIOUS TO 1872.

Q. The first annual report that we have in print is dated 1872. Do you know whether there are on file copies of the reports of the chief engineer from the organization of the road up to 1872?—A. I do not know whether those reports are on file or not. The reports are made in manuscript and then printed, together with the reports of the other officers of the company.

Q. If you have the manuscript reports from 1862 to 1872 we would like to see them. Will you produce them?—A. Yes, sir; if we have them.

THE CALIFORNIA AND OREGON.

Q. What knowledge have you of the construction of the California and Oregon Railroad between Delta and the State line?—A. I have been along the line frequently and have watched the work.

Q. What is the nature of that country with reference to the difficulties of construction?—A. It is mountainous and rocky, and there are steep grades. For 75 miles the road winds along a narrow cañon, and there are a great many curves with a high degree of curvature and steep grades.

Q. What is your precise relation to that construction; are you merely interested as a director, or have you any connection or official relation with it?—A. I am, of course, interested as a director and as a stockholder.

Q. Stockholder of what company?—A. Of the Central Pacific.

Q. Are you a stockholder of the Pacific Improvement Company?—A. No, sir.

Q. Did you represent your father in examining the road or watching its progress?—A. I do not represent him in my official relations with the railroad company.

Q. Has your investigation of the construction been sufficiently close to give you any knowledge of the actual cost of the construction?—A. No; it has not.

WHY CENTRAL PACIFIC DID NOT BUILD IT DIRECTLY.

Q. Can you tell this Commission why the Central Pacific Railroad Company did not construct this road through its own engineers and officers, at cost, instead of constructing it through the device of the Pa-

cific Improvement Company, for the construction of which road the Central Pacific pays four and a half millions in bonds and eighty thousand shares of stock?—A. There were legal difficulties in the way.

Q. Of what nature?—A. The difficulty in the way of making the proper connections with the Oregon and California Company.

Q. How would that difficulty affect the question of determining the cost of construction by means of the engineers and officers of this road, who should do the work directly up to the State line?—A. The value of the railroad depended largely upon its being under our management through to Portland, Oreg., and that could not be accomplished by the Central Pacific.

Q. Why was that circumstance controlling so as to compel the Central Pacific to make this construction by a contract with the Pacific Improvement Company instead of constructing that road itself?—A. It was necessary to obtain the control of the Oregon and California Railroad Company.

Q. Could not that portion of the arrangement have been made by separate negotiation, leaving the Central Pacific to build this road in the usual way?—A. It could not have been done.

Q. Why not?—A. I do not believe that it could have been done.

Q. Can you give no other reason?—A. I do not think it could have been accomplished in that way.

CONTROL OF OREGON AND CALIFORNIA STIPULATED.

Q. Is a large portion of the consideration agreed to be paid to the Pacific Improvement Company based upon the promise of the Pacific Improvement Company to obtain control of the Oregon and California road, and to complete that road to a junction?—A. That was one of the considerations.

Q. How much of the value to be paid by the Pacific Improvement Company is based upon that consideration—that is, the completion of the Oregon and California road?—A. In my judgment it was the greater part of the consideration.

Q. And all of the consideration has been paid to the Pacific Improvement Company, except \$317,000 in bonds, has it not?—A. Yes; I think so.

Q. But the junction has not yet been made, has it?—A. The Pacific Improvement Company has fulfilled its part of the contract.

Q. It has not fulfilled that part of completing the gap, has it, which you say was a very material part of the contract?—A. It is not actually completed to-day.

THE FURNISHING OF EQUIPMENT.

Q. Is it not also true that the Pacific Improvement Company has not furnished any of the equipment agreed to be furnished under the contract?—A. I think that it has furnished the equipment, or else it is in process of delivery.

Commissioner ANDERSON. The president of that company has informed us that none of it has been delivered as yet, though the orders for it are out in the East.

A. I think that the greater portion of it is delivered, but am not daily apprised of the arrival of rolling stock.

Q. Have you been apprised of the arrival of new rolling stock?—A. I know that a great deal of rolling stock has been delivered.

Q. Under that contract?—A. Yes, sir.

Q. Where is it delivered?—A. To this system of railroads at one of its eastern termini from some of the other railroads.

Q. Where is it manufactured?—A. In various places. There are contracts in different places.

Q. Is it manufactured most generally in the East?—A. Yes, sir. The passenger cars are made at Dayton, Ohio; the freight cars are made at two or three different places; the engines are being made at Sacramento, in the shops of the company.

Q. How many engines have been built at Sacramento? I mean for this Pacific Improvement Company contract.—A. There is not any particular portion made. The engines are being made at Sacramento as rapidly as they can be made, and the quota under this contract is supplied whenever they are needed.

SOUTHERN PACIFIC BUILDING THE ROLLING STOCK.

Q. By what arrangement between the Pacific Improvement Company and the Central Pacific Railroad Company is it that these engines are being constructed?—A. I do not believe there is any arrangement with them. The shops and employes are all under the control of the Southern Pacific. It is a part of the lease to the Southern Company, and the Southern Pacific Company is doing that work at Sacramento.

Q. For whose account does the Southern Pacific Company do it?—A. If the rolling stock is made for the Pacific Improvement Company under any of its contracts, it is made for account of that company. If the rolling stock is needed by any one of the different railroads leased by the Southern Pacific Company it is apportioned off to it where needed.

Q. How is the price to be paid by the Pacific Improvement Company for these engines determined?—A. An account is made up of the cost; to this 10 per cent. is added and charged against the Pacific Improvement Company.

TERMS OF CONTRACT AS TO EQUIPMENT.

Q. The Pacific Improvement Company under its contract agrees for the four and one-half millions of bonds and the eighty thousand shares of stock to deliver one locomotive for every 5 miles, and a number of passenger cars and freight cars, to be determined by the mileage of the road. As the Pacific Improvement Company appears to have received all the consideration, I want to know how it is that the cost of these locomotives and cars is regulated so as to reimburse the Central Pacific?—A. I do not believe that the cost of that rolling stock affects the Central Pacific at all.

PACIFIC IMPROVEMENT PAYS SOUTHERN PACIFIC.

Q. If the locomotives are manufactured in its shops, the Central Pacific must pay the wages of the men who make the locomotives, must it not?—A. These shops are leased to the Southern Pacific Company.

Q. Then the Southern Pacific Company must pay these wages, must it not?—A. It pays the wages of the men in the shops.

Q. How does it get the money back from the Pacific Improvement Company?—A. The Pacific Improvement Company pays for it.

Q. How is the amount which it is to pay determined?—A. An account is made up of the cost; to this 10 per cent. is added and charged against the Pacific Improvement Company.

Q. In regard to the rolling stock that is bought in the East—by whom is that purchase made, by the Pacific Improvement Company, or by the Southern Pacific Company?—A. It is made by the Pacific Improvement Company.

Q. Where was that rolling stock to be delivered, at Ogden?—A. Generally at Ogden; yes, sir.

MR. DOUTY HAS FULL INFORMATION.

Q. Do you say that Mr. Douty has no information of these deliveries?—A. He has full information of them.

Commissioner ANDERSON. Mr. Douty has told us that they have been made. I refer to these deliveries of rolling stock called for by the Pacific Improvement Company's contract. He said that they were simply under order at the East.

The WITNESS. There are a great many orders at the East, and one may be confounded with another. Some are orders of the Pacific Improvement Company and some are orders of the Southern Pacific Company, and deliveries are being made almost constantly.

IGNORANT OF PROFITS OF PACIFIC IMPROVEMENT COMPANY.

Q. Are you sufficiently familiar with the construction between Delta and the State line and the amount of equipment to be delivered under the contract to tell us how much profit the Pacific Improvement Company will make under the contract in question, the consideration it receives being four and a half millions in bonds of the Oregon and California and of the Central Pacific, issue of October, 1886, and eighty thousand shares of stock of the Central Pacific Railroad Company, and the work to be performed by the Pacific Improvement Company, being the aforesaid construction of 104 miles, and the delivery of the rolling stock?—A. I do not know anything about its profits.

Q. Do you know what the bonds of October, 1886—fifty-years bonds—are worth?—A. They are not on the market.

Q. Do you own any of them?—A. No, sir.

Q. Have you ever owned any of them?—A. No, sir.

INTEREST ON BONDS OF 1886.

Q. Do you know whether the interest is paid on those bonds?—A. Yes, sir; it is paid. It is a very new bond.

Q. I know that one coupon has passed; was it paid?—A. Yes, sir; on such bonds as had been issued when the coupon was due.

Q. Do you know at what rate those bonds were received as collateral for your sinking funds?—A. No, sir; I do not recollect.

Q. Do you know that within a year a large number of these bonds were accepted in payment of bonds of the Southern Pacific Railroad Company held in the sinking funds?—A. Yes; I do recollect that.

Q. Is it your judgment, then, that the bonds of October, 1886, are as good as the first-mortgage bonds of the Southern Pacific Railroad Company?—A. Yes; I think they are as good.

ALSO ON CALIFORNIA AND OREGON BONDS.

Q. How about the California and Oregon bonds; is the interest paid regularly on those?—A. Yes, sir; it is.

Q. In your judgment, are those bonds as good as the Southern Pacific Railroad bonds?—A. Yes, sir; they are.

Q. So that, so far as your judgment goes, we may assume that the four and a half millions paid to the Pacific Improvement Company in those bonds as being the equivalent of four and a half millions in money?—A. I do not know whether they would sell in the open market for that amount or not.

Q. With what other construction of the Central Pacific, or any of its branches, are you familiar?—A. There is no other construction that has been undertaken by the Central Pacific since I have been connected with it.

RECEIPTS OF CENTRAL PACIFIC BEFORE AND AFTER LEASE.

Q. How familiar are you with the results of the management of the Central Pacific prior to the lease of 1885, as compared with those results subsequent to the lease of 1885?—A. I am somewhat familiar with it. I have been at the office nearly all that time.

Q. Have you studied the figures showing the gross receipts of the management before the lease of 1885 with the deductions made for rentals, interest, sinking-fund requirements of the United States, and the State sinking funds, so as to familiarize yourself with the absolute net resulting prior to the lease of 1885, and as compared with that, the net actually received since the lease of 1885, which has amounted, as you know, to \$1,300,000 or \$1,400,000?—A. The statements showing those facts are prepared by the secretary or his assistants, and I have seen those statements. I have also obtained other information upon those points from the annual reports of the company. Regular statements of earnings and expenses are also made out.

CENTRAL PACIFIC'S INTERESTS NOT AFFECTED.

Q. What is your conclusion as to which is most advantageous to the Central Pacific Railroad Company; which form will yield the largest amount of earnings?—A. As nearly as I can judge the interests of the Central Pacific remain the same as they did before this lease.

Q. Do you mean to say that the amount of net earnings is about the same?—A. No, sir; they do not necessarily remain the same, but the net earnings of the Central Pacific depend upon its actual business to the same extent exactly now as they did before.

Q. Before that lease were not the net earnings of the Central Pacific largely affected by the operation of the Southern Pacific of California, the Southern Pacific of Arizona, the Southern Pacific of New Mexico, and all the lines south of Goshen?—A. The lease had nothing to do with that.

Q. Before the lease of 1885, were not the annual net earnings affected by the operation of the lines of the Southern Pacific south of Goshen? If those lines south of Goshen made more money than the rentals, would not that increase the net earnings of the Central Pacific?—A. Yes, sir.

Q. And if they made a loss, it would decrease those earnings?—A. Yes, sir.

Q. Since that lease, the lines south of Goshen do not enter into the computation at all, do they?—A. They do not. The Central Pacific is independent, as it was before.

ARE THE NET EARNINGS MORE OR LESS?

Q. I ask you whether the absolute net earnings after the payment of all charges, the net earnings that would be available for dividends, are more or less under the operation of the lease of 1885 than they were before the lease of 1885?—A. These reports would show that; but as to the business of the Central Pacific, it cannot be affected.

Q. Do you mean when you say Central Pacific, the aided portion of the Central Pacific?—A. No; I mean all of the Central Pacific lines.

Q. I cannot understand your answer. Before the lease of 1885, the Central Pacific Railroad Company was a system, the net earnings of which were determined by its own actual net earnings, and also by the net earnings resulting from a number of lines leased to it, including those south of Goshen. Since the lease of 1885, it is a corporation whose net earnings are determined by the operation of its own line, and of certain leased lines embracing only those north of Goshen. I ask under which system the net earnings have given the largest return?—A. I must refer you to the reports of the secretary for such a statement. They will show the fact. The only knowledge which I have of them is what the secretary would furnish to me, and what I have obtained from the annual reports.

WAS THE LEASE A GOOD THING?

Q. I will put the question in a very much shorter form: Do you think that the lease of 1885 was a good thing?—A. Yes, sir.

Q. Why do you think that it was a good thing?—A. It continues harmonious relations between these companies, which is very desirable.

Q. When you say a good thing, you mean a good thing for whom?—A. All the parties concerned.

Q. Do you think that it has brought more money to the Central Pacific than the Central Pacific would have had if this lease had not been made?—A. I do not think that the Central Pacific has been affected much either way.

FUTURE OF THE THROUGH BUSINESS.

Q. Have you made the subject of the through business, as compared with the local business, a study?—A. Yes; I have observed it as closely as possible.

Q. What is your judgment as to the probable future of the through business; by this, I mean the transcontinental business?—A. The value of the through business to these railroads has been greatly impaired. It is not worth as much to these companies as it once was.

Q. Has it been impaired chiefly in tonnage, or in money value?—A. The rates have been so affected by competition that it is not worth to the companies what it once was.

Q. How far is the decrease of earnings from this cause offset by the increase of local earnings?—A. In my judgment, it has been very nearly offset; for the increase of local trade or traffic has been considerable.

THE MOST VALUABLE FEEDERS.

Q. Which do you regard as the most valuable feeders tending to increase the local earnings?—A. The local lines in the valleys about San Francisco; and within the last two or three years the local lines about Los Angeles, in Southern California.

Q. Does the class of business which goes to these local lines to any extent pass over the main line of the Central Pacific?—A. Yes, sir.

Q. What are the features of this business?—A. The local business on the main line of the Central Pacific, as far east as Truckee over the mountains, or to Reno, is large, and the local business on the Central Pacific, Oregon Division, as far north as Redding, is growing rapidly, and it is now quite heavy. The local business in the San Joaquin Valley is also increasing rapidly. Those localities are rapidly settling up with a new population. In addition to these, those feeders of the line which do not actually form a part of the Central Pacific, but which are valuable, are the California Pacific, in Napa Valley, and the Northern Railway.

Q. How far does the business to which you are now alluding tend to increase, if it does so, the earnings of the Central Pacific between Sacramento and Promontory Point?—A. That business is affected by the local trade first referred to by me, and is between Sacramento and Truckee.

Q. Because it goes farther east than Truckee, is that the reason?—A. Because it is the same line.

Q. Is it not affected beyond Truckee?—A. Any business beyond Truckee would be affected. I was speaking of the very valuable feeders to the main line, and referred to its best local business.

THE EXPECTED BUSINESS FROM OREGON.

Q. In regard to this expected business from Oregon, what direction would that take after the completion of the road? I mean, whether it would benefit the road east or west of the point of junction with the Central Pacific?—A. It would benefit the Central Pacific from the Oregon State line to Sacramento.

Q. And is the only aided part of the Central Pacific that it would benefit the portion of the road between Roseville and Sacramento?—A. Yes, sir.

Q. Which is about 15 miles, is it not?—A. Yes, sir.

Q. Would you expect to do any through business from the East to Portland over that line?—A. Yes; we hope to.

By Commissioner LITTLER:

Q. Then the road east of the junction would be favorably affected, would it not?—A. Yes, sir; on all of that business. I supposed that Commissioner Anderson was referring to the San Francisco business; that is, the business between San Francisco and Portland.

EFFECT OF FEEDERS ON AIDED LINES.

By Commissioner ANDERSON:

Q. What I want to get is some information from you as to the effect of some of these feeders, including the California and Oregon, on the aided portion of the line between Sacramento and Promontory Point; can you give us any such information?—A. The construction of this line to Portland and the control of it by the California company for another line to Portland from the Eastern States. That line is due through Ogden and Roseville Junction, thence up to Oregon. For entire distance to Roseville it passes over the aided line. It will be policy of the company to get as large a share of that business as possible, and work it as a through line.

Q. So far as the East is concerned, it would have to compete due with the Union Pacific and the Oregon Short Line, would it not? Yes, sir; and with the Northern Pacific also.

NORTHERN PACIFIC'S TRAFFIC RIGHTS.

Q. The Northern Pacific does not connect with Portland, except by the interchange of traffic with the Oregon Railway and Navigation Company, does it?—A. It has a traffic right to run its cars over their track.

Q. Has it a traffic right over the line of the Oregon Railway and Navigation Company?—A. Yes, sir.

Q. Is the lease of the Oregon Railway and Navigation road to the Oregon Short Line subject to that trackage right?—A. I have not seen the papers, but I should think that it is.

FORECLOSURE WOULD DAMAGE THE AIDED ROAD.

Q. What, in your judgment, would be the effect on the value of the aided portion of the Central Pacific in case of a foreclosure of the mortgage of October, 1886?—A. Its value would be impaired through the loss of benefit from the local traffic.

Q. The effect would be to sever from the aided portion all of the branches and all communications with tide water, would it not? At least, that is the apparent effect to us.—A. It would sever from the aided portion all property—railroad and real estate—included within the mortgage of October, 1886.

Q. Then, so far as the old Central Pacific is concerned, it would leave nothing but the route from Sacramento to Promontory Point, and, so far as the old Western Pacific is concerned, it would leave nothing but the route from Sacramento to San José via Niles, I believe; is that your understanding?—A. Yes, sir; the papers show that—whatever the aided portion is.

Mr. COHEN. That would be so if the property sold for less than the mortgage; but if it sold for more than the mortgage, of course it would be different. Of course it would be liable to the Government for the debt.

PRESENT VALUE OF CENTRAL PACIFIC.

Q. What, in your judgment, is the present value of the Central Pacific line from Sacramento to Promontory Point, with its shops, appurtenances, and rolling stock belonging to it? I do not ask for a critical answer as to its value, but for an answer in relation to its general value, considering its mortgage and the Government lien, amounting in all, principal without interest, to about \$54,000,000.—A. I do not believe it is worth that; at least it would not sell for that.

Q. What would it cost to-day to reconstruct or produce it?—A. I have no definite knowledge on that point.

Q. Are you satisfied that it would cost less than \$54,000,000?—A. I believe it would.

Q. Can you approximate more closely? Would it cost \$40,000,000?—A. I should not want to take a contract to reproduce it for much less than \$40,000,000.

Q. Do you include in that all the property at Sacramento and all the rolling stock belonging to that portion of the line?—A. Yes, sir.

WOULD THE STOCKHOLDERS LET IT GO?

By the CHAIRMAN:

Q. In your judgment would the stockholders let it go at \$54,000,000?—A. I have no knowledge as to what the stockholders would do.

Q. I am asking you as to your judgment whether it would bring \$54,000,000.—A. I believe that I said I thought that it would not bring it.

Q. Would the stockholders let it go for fifty-four millions?—A. I do not know.

Q. What is your judgment of the matter, when you consider the financial history of railroad companies?—A. Speaking for myself, which is as far as I can go, I should say yes.

By Commissioner LITTLE:

Q. From whom can we get the most reliable information with reference to the traffic management of this property?—A. From Mr. J. C. Stubbs.

Q. You do not know much about that branch of the subject, do you?—A. I talk with him a great deal, but he is the traffic manager of the company, and is thoroughly posted upon all of this business.

PLAN OF SETTLEMENT.

Q. Have you any suggestions to give the Commission in relation to the adjustment of the Government lien against this property?—A. No; I have no suggestions to make.

By the CHAIRMAN:

Q. Have you considered the question of the adjustment of the debt, as a director of the Central Pacific?—A. I have thought of it a great deal.

Q. Have you thought of it sufficiently to give the Commission the benefit of any opinion that you have reached?—A. No, sir; not sufficiently for that purpose.

Q. Have you considered the question of the extension of the debt?—A. Yes, sir.

TIME FOR PAYMENT SHOULD BE EXTENDED.

Q. What conclusion have you reached as to such an adjustment?—A. I believe that it would be a fair thing to the company and to the interests of the Government to extend the time for its payment.

Q. Upon what conditions and in what manner?—A. I have no advice to give the Commission on that point.

The CHAIRMAN. I am only asking for your thought and for the result of your consideration as a director. If you have given it any consideration, we want the benefit of it. We want all the information that we can get upon that question.

The WITNESS. I have nothing to say upon that point.

WAS NAME ON ROLLING STOCK CHANGED?

Q. Were you familiar with the rolling stock of the Central Pacific and its condition at the time of the lease of the Central Pacific to the Southern Pacific?—A. I was generally familiar with it.

Q. Have you any knowledge as to any order issued with reference to the change of the name of the company painted on the outside of the cars and rolling stock generally, from the Central Pacific to the Southern Pacific Company?—A. I believe that there was some discussion with the operating department as to that.

Q. What discussion did you have with reference to the change?—A. We discussed what course should be pursued and what form should be adopted in lettering the cars. I believe that was settled between Mr. Towne and Mr. Miller.

Q. Did you settle it by changing the lettering from the Central Pacific to the Southern Pacific Company?—A. I do not recollect that.

WHO WOULD KNOW IF IT WAS SO ORDERED?

Q. Was there an order issued?—A. I do not know of any order.

Q. Who would have knowledge of such a change, if it was true?—A. Mr. Towne, the general manager.

Q. Do you know whether any of the rolling stock of the Central Pacific was put under the title or lettering of the Southern Pacific Company?—A. I do not know positively whether it was or not.

Q. Could Mr. Towne give that information?—A. Yes, sir.

Q. Who is Mr. Towne?—A. He is the general manager of the company.

Q. At the time of the declaration of the last dividend by the Central Pacific Railroad Company in February, 1884, or prior to that time, at a meeting of the board of directors, was there any discussion in the board as to the ability of the company to pay a dividend at that period?—A. I do not recollect any particular discussion. There was a statement submitted showing the earnings and expenses, and the balance sheet was also before us.

DIVIDEND PAID IN 1884 FROM SURPLUS EARNINGS.

Q. At that time were there sufficient earnings out of the actual surplus on hand in cash to warrant the payment of a dividend in February, 1884?—A. Yes, sir.

Q. Have you any knowledge of the borrowing of money at any time for the purpose of paying dividends?—A. I have no knowledge of any such proceedings.

Q. Was any part of the dividend of February 1, 1884, paid out of borrowed money?—A. No, sir.

Q. Have you any knowledge of any money having been borrowed at that time from James G. Fair for the purpose of paying the dividend of February 1, 1884?—A. No, sir.

Q. Would you have knowledge of the fact if such a loan had been made by Mr. Fair to the company at that time?—A. Yes; I might have knowledge of that fact.

Q. Then, to your knowledge, were all dividends of the company paid out of the earnings represented in cash in the possession of the company at the time of the declaration of a dividend?—A. Yes, sir.

By Commissioner ANDERSON:

Q. Do you mean represented in cash?—A. It was stated by the secretary that there was available for a dividend a sufficient amount to pay it.

Q. I am asking you whether the statement was that there was this amount available in cash on deposit in bank to the credit of the company, or whether the statement was that it was surplus earnings?

Commissioner LITTLER. Would not the surplus earnings necessarily be in bank?

Commissioner ANDERSON. No; they never are.

Commissioner LITTLER. Where do they keep them?

Commissioner ANDERSON. They keep them in the property itself.

The WITNESS. It is possible that some of it was in the form of surplus earnings that had not been previously divided.

NO MONEY BORROWED TO PAY DIVIDENDS.

By the CHAIRMAN :

Q. Did you call in the loan of surplus earnings and reduce it to cash, or, in case these loans were not called in, did you borrow money to pay the dividend and afterwards repay those loans of borrowed money?—A. The railroad company never borrowed any money for the purpose of paying dividends.

Q. What answer do you make to Mr. Anderson's question?—A. I answered him.

By Commissioner ANDERSON :

Q. My question is whether you mean when you say there were surplus earnings enough to warrant a dividend, those surplus earnings at the time of the declaration of the dividend were in fact in the form of cash?—A. I answered that by stating that a portion of that dividend may have been in the form of surplus earnings.

By Commissioner LITTLER :

Q. In what form would the surplus earnings be, cash or its equivalent?—A. It would be considered as cash.

Q. Cash or its equivalent?—A. Yes, sir.

WHAT CONSTITUTES SURPLUS EARNINGS.

By Commissioner ANDERSON :

Q. Might it not be in the form of houses, ties, material, bills receivable, fuel, and other accounts?

Commissioner LITTLER. They would not declare a dividend on that.

Commissioner ANDERSON. They do it, however. Every company ever organized does. So long as the account shows surplus earnings and that account is fairly kept, it is quite justifiable. So long as the amount is sufficient it is called surplus earnings available for dividends. Is that not so, Mr. Crocker?

The WITNESS. I think that part of the dividend might have been of surplus earnings, and from the earnings of the company for a period prior to the payment of the dividend. The dividend might not have been altogether earned during the year preceding its payment.

Q. And that is the form in which that surplus might appear. Is it not true that in making up the income account for the year, after making all proper deductions and crediting all balances, you look no further in determining the question whether you are entitled to declare a dividend?—A. If the earnings during any previous period, together with any previous earnings not divided, amount to enough to pay a dividend, it might be paid.

Q. Without reference to the question whether those earnings have been invested in branch lines, or in building bridges, or in for supplies and labor, or loaned to other railroads, or paid materials, you concern yourselves with none of these things the surplus as shown upon your balance sheet. Is that?

A. We look to see whether we have the money on hand.

Q. Do you look to see whether you have the money you declare a dividend?—A. Yes, sir; we look to see whether we have a surplus to warrant its payment.

EXPENSES WHICH FORM PART OF FLOATING DEBT.

By Commissioner LITTLER:

Q. You never declared dividends on money earned and invested in betterments on the road, building new stations and side tracks, and all expenses charged to construction account, did you?—A. Such expenses form a part of the floating debt.

Q. They form a part of the floating debt unless charged up. When you pay expenses out of the earnings you do not have any money on hand to pay dividends, do you?—A. No, sir.

Q. And you do not declare a dividend where you have expended the surplus earnings in that way, do you?—A. No, sir; we would not do so.

Commissioner LITTLER. Of course not.

By Commissioner ANDERSON:

Q. On the other hand, if you have invested surplus earnings that belong to income and represent funds properly available for dividends, you would declare a dividend even though those surplus earnings had been loaned out, or been completely changed as to their form, whether charged to equipment, construction, or any other particular account. So long as you have surplus earnings out of which a dividend can be declared, you would not hesitate to declare a dividend, would you?—A. We would not.

Commissioner ANDERSON. In one instance the floating debt would increase, and on the other hand you would have a surplus.

WOULD NOT BORROW MONEY TO PAY DIVIDENDS.

By the CHAIRMAN:

Q. If you could not reduce the surplus to cash, would you borrow money to declare a dividend?—A. We would not borrow money for that purpose.

Q. If you had no money on hand from surplus earnings out of which to pay a dividend, and did not wish to turn these surplus earnings into cash, would you borrow the money to pay that dividend?—A. If we did not have the cash on hand we would have to borrow it.

Q. Did you borrow it?—A. I do not remember. Whenever the company has paid dividends it has done so from its surplus earnings. If some of these earnings have been invested in station-houses and side tracks, and possibly in equipment, such expenditures form its floating debt.

WHAT IS EQUIVALENT TO CASH FOR DIVIDEND PURPOSES.

By Mr. COHEN:

Q. I understand Commissioner Anderson's proposition to be as follows: Suppose you had money enough to pay a dividend invested in coal, and that coal were all paid for, would you then declared a dividend?—A. Certainly we would.

By the CHAIRMAN:

Q. My question is purely where you got your cash out of which you paid your dividend on February 1, 1884? Whether you borrowed it or reduced sufficient of your surplus earnings to cash to pay it, without regard to the merits of the question?—A. I could not answer that question. I am not competent to answer it.

NOT FAIR TO EXCLUDE DIVIDENDS ON ACCOUNT OF BETTERMENTS.

By Commissioner LITTLER:

Q. Suppose that it appeared from the books that during any given year you earned \$5,000,000 more than the cost of operating expenses, and it appeared on examination of the construction account that the company had determined as the earnings came in that it was necessary to invest them in new buildings and side tracks and in ballasting the road, and for other permanent improvements on the road, and that at the end of the year all of the five millions were so invested; you would not be in condition under such circumstances to declare a dividend to your stockholders, would you?—A. Yes, sir; I think we might be.

Q. Where would you get the money to pay a dividend in such a case as that?—A. We would pay the dividend out of the surplus earnings, or from the cash on hand.

Q. There would not be any cash on hand under my proposition, would there?—A. Oh, no. We could borrow it for one purpose or the other.

Q. You would not pay any dividend, would you?—A. It would be unfair to the present stockholders, or the day-to-day stockholders, for the company to put betterments on the road and new buildings and ballasting and steel rails instead of iron rails and side tracks out of the surplus earnings and never pay any dividends.

By the CHAIRMAN:

Q. Were the dividends of the Central Pacific which were declared and paid from the year—I do not know the month, perhaps you can recall it—1873 to February 1, 1884, inclusive, paid in the manner that you have stated with reference to the payments of the dividends, to wit, out of the surplus earnings?—A. Yes, sir. There was a portion of the period when I was not in the office.

Q. What portion do you recall when you were not in the office?—A. I was not in the office previous to 1878.

FALLING OFF IN SURPLUS EARNINGS.

Q. I call your attention to the fact that the dividends during that period amount, in round figures, without giving the smaller amounts, to \$33,000,000. How do you account for the falling off in surplus earnings from the date of the last dividend down to the present time?—A. It results from the change in rates for freight and fare and in the volume of the traffic, and the change in the general affairs of the company.

Q. What have been your surplus earnings, if you can recall the amount, since the declaration of your last dividend?—A. Just as stated in the reports. I think that they are here.

Q. Do I understand you to say that the falling off has been due entirely to the reduction in the rates of freight?—A. And to change in the volume of traffic.

Q. What do you mean by change in the volume of traffic?—A. From a very heavy business it has fallen to a very much reduced business.

WHAT HAS BECOME OF THE TRAFFIC?

Q. How do you account for such a large change in the volume of traffic? Where has it gone? What has become of it?—A. It may have gone back and forth by other roads, or it may result from a general change

in commercial affairs—the difference in the volume of business that is transacted.

Q. Will you please state to the Commission, or give it any information as to the change in the volume of traffic, so as to affect so seriously the business of the Central Pacific Railroad Company since 1884?—A. I think that that could better be explained by the general traffic manager.

Q. Have you not considered it?—A. I have thought of it from the statements that have been presented to me.

Q. What has been presented to you to give you light upon the subject?—A. Statements of earnings and in particular instances tonnage statements.

SOME SALIENT POINTS ON THE SUBJECT.

By Commissioner ANDERSON:

Q. Can you not give us some information as to some of the salient features bearing upon this subject?—A. Some years there is a great deal more freight received here by the Cape Horn route than in others, and in some years a crop fails, and there is a great change in the local traffic; and then there may be a change in the rates—in the through rates—so as to affect the volume of traffic thereafter by enabling merchants and shippers to run up a very heavy stock to last them clear into another season, or over another season. A great many things occur in that way, and I think that they occurred during that period. During the same time, also, there was a great deal of trouble between the different transcontinental lines about freight rates, which finally resulted in a freight war. The hydraulic mining interests also were discontinued, and there was an enormous reduction in the product of the mines of Nevada, and also in the mines of Arizona and California.

THERE HAVE BEEN UPS AND DOWNS.

By the CHAIRMAN:

Q. Do you recall any other facts that have contributed to the decrease in your gross earnings?—A. No. I think that covers the subject generally.

Q. Then is it a fact that these changes have all taken place since the declaration of your last dividend in 1884?—A. No. Those changes have been going on during the entire period of the operations of the company. There have been ups and downs.

Q. But they were not sufficient to affect your earnings as to dividends prior to 1884, were they?—A. I think that there was a long period when the company paid no dividends.

Q. What period was that?—A. I do not recollect it, but the books will show. I think there were two or three years when no dividends were paid.

WHY DID CERTAIN DIRECTORS RESIGN?

Q. There were two years, I think. Those were 1878 and 1879. I now call your attention to the minutes of the Central Pacific Railroad Company of October 5, 1885, page 64, to the resignation of C. P. Huntington, Moses Hopkins elected in his place, to the resignation of Charles Crocker and the election of D. T. Phillips in his place, and to the resignation of W. V. Huntington and the election of George Crocker in his place. Can you explain the cause of the retirement of these gentlemen

from the board of directors of the Central Pacific Railroad Company?—A. I think that upon the advice of counsel we sought to have a full meeting of the board so that all the directors authorized by the by-laws should be present.

Q. How long did these gentlemen that I have named remain out of the board?—A. Perhaps for various periods. I do not recollect how long, but it was not for a very long time.

Q. As I understand you, in order to secure a full attendance from time to time of the members of the board of directors of the Central Pacific Railroad Company, the resignations of members would be accepted and others elected in their places, is that so?—A. It was so in that instance.

AUTHORIZING A MORTGAGE.

Q. What was the important business transaction, if you recall it, that required a full board meeting?—A. I think that it was voting on the resolution authorizing a mortgage.

RESOLUTION AUTHORIZING TEN MILLION BOND ISSUE.

Q. I read to you from the minutes of October 5, 1885, page 64, resolution reciting the issuing of ten millions of bonds to pay off the floating debt. Perhaps it may suggest some information to you: "Also, resolved, that to secure the payment of said bonds a mortgage, subject to the first mortgage of the company, be made upon all the lands granted by the United States to the Central Pacific Railroad Company, also upon all lands granted to the California and Oregon Railroad Company, excepting the lands included in the right of way." Was there any discussion at the meeting that this resolution recalls to your mind?—A. Yes; I think there was a general discussion.

Q. Were the members whose resignations had been tendered and accepted holders of a large amount of the floating debt that was intended to be paid by this mortgage?—A. I do not know that they were.

Q. Did they hold any part of the floating debt that was intended to be paid with this loan or mortgage?—A. I never heard that they did.

Q. Do you not recall the fact that they retired from the board rather for the purpose of avoiding a vote upon their own interest which would be involved by the adoption of this resolution?—A. No, sir; I recall no such fact. They were all absent from the State.

Q. Had they any interest in the floating debt of the company?—A. I do not believe that they had.

THE LEGAL REQUISITES FOR A MORTGAGE.

Mr. COHEN. I will state to the Commission that the railroad law of this State requires that a mortgage shall not be made by a railroad company, except with the unanimous consent of all its directors. Therefore, if they were about to vote upon the issue of a mortgage to secure bonds or promissory notes, or for any such purpose, it would be requisite that all the directors should be present.

The CHAIRMAN. I just asked for an explanation. It appears upon the minutes, and I did not understand it. That is all.

RAILROAD OFFICIALS AS CONTRACTORS.

Q. Are any of the officers and employes of the Central Pacific interested in contracts with that company?—A. No, sir; not that I know of.

Q. Have they had any interest in contracts with the Central Pacific?—A. No; I do not think they have. I do not know of any.

Q. Have any of the directors, officers, or employes at any time had any interest in contracts with the Central Pacific?—A. Some of them have been stockholders in corporations that have had contracts.

Q. Will you name them?—A. Wells, Fargo & Co., the Rocky Mountain Coal Company, the Pacific Improvement Company—that has been brought out, has it not?

The CHAIRMAN. I want you to say it.

The WITNESS. The Pacific Improvement Company.

Q. The Western Development Company also?—A. Yes, sir.

Q. And the Contract and Finance Company?—A. Yes, sir; that was before my time, however.

"IF YOU TELL ME, I WILL TELL YOU."

Q. Is that all that you know of? What else?—A. If you tell me, I will tell you.

Q. I am trying to find out from you; can you name any others?—A. I do not recollect definitely any more.

Q. Do you recall any others?—A. No, sir.

INTERESTS OF CENTRAL PACIFIC PEOPLE IN ENTERPRISES CONNECTED WITH THE ROAD.

G. I ask you as an executive officer the general question which has been asked and I desire information and your views upon the subject. Whether any of the directors, officers, or employes of said companies (the Central Pacific being one of them), have been or are now directly or indirectly, interested, and to what amount or extent, in any other railroad, steamship, telegraph, express, mining, construction, or other business company or corporation, and with which any agreements, undertakings, or leases have been made or entered into.

Mr. COHEN. I believe that has been answered by Governor Stanford. I would like to look at his answer before the witness answers this question.

Commissioner ANDERSON. Can he not answer it?

Mr. COHEN. He has no knowledge of the subject.

The WITNESS. I believe they have been.

By Commissioner ANDERSON:

Q. What interest have they?—A. I do not know the extent of it.

Mr. COHEN. I think that Governor Stanford puts it properly, and his answer should go as a general answer to this question.

The CHAIRMAN. I understand this gentleman to be the third officer of the Central Pacific Railroad Company—one of the leading officers—and we are asking him as an intelligent gentleman, sufficient to be at the head of his department, for information such as has been asked of the other officers.

Mr. HAYMOND. You must remember that he has only been there a little while.

The WITNESS. I have answered the question. I think that it is just as well to say that they have been.

WHO ARE SO INTERESTED.

By the CHAIRMAN:

Q. What officers, directors, or employes of the Central Pacific Railroad Company do you recall who have such an interest?—A. My father

is interested, as Governor Stanford is, as stated in his answer generally to question 17.

Q. Do you recall any other director?—A. Mr. Huntington.

Q. Do you know of any companies that your father is interested in other than those named by Senator Stanford?—A. No, sir.

Q. What other directors?—A. No others.

Q. What other officers?—A. I have stock in some of these companies.

Q. What companies?—A. I have stock in the California Pacific Railroad Company, in the Southern Pacific Railroad Company of California, in the Southern Pacific Company of Kentucky, in the Stockton and Copperopolis Railroad Company, in Wells, Fargo & Co., and in the Rocky Mountain Coal and Iron Company.

Q. What other officers of the Central Pacific are interested in these companies?—A. I think they have all been stated.

Q. Have you any knowledge of any employes of the Central Pacific Railroad Company, other than those you have named, being interested in any of the companies or contracts?—A. The books of these companies would show that positively. At one time Mr. Towne had some of the stock of the Rocky Mountain Coal and Iron Company. I think that is all.

Q. Have you named all of the officers or employes and all of the companies that you can recall?—A. I have used this list, and answered completely so far as the list will guide me.

Q. Have you any other information to give the Commission upon the subject of this investigation?—A. I have not, unless Mr. Cohen wishes to ask me some questions.

ON WHAT BASIS LOANS WERE MADE.

By Mr. COHEN :

Q. If you have no objection, will you state your age to this Commission?—A. I am thirty-two years of age.

Q. Since you have had any knowledge of the affairs of the Central Pacific Railroad Company, have you ever known of the funds of the company being loaned to the construction companies mentioned, or to anybody else, except upon sufficient security, and at the current rate of interest?—A. I do not know of any loans of a different nature than that.

Q. Have you ever known of any loans made by the Central Pacific Railroad Company to either of these construction companies, so that such loans interfered with its own business or advantage?—A. No, sir; none.

ADVANTAGEOUS TO THE FUNDS.

Q. Since the time that you have had the supervision of the sinking funds of the Central Pacific Railroad Company, have the loans that have been made tended to the advantage of those funds, or otherwise?—A. They have tended to the advantage of those funds.

Q. Could you at any time when you made such loans have obtained any higher rate of interest, or any more satisfactory security from any other borrower?—A. No, sir; we could not.

Q. Have you any knowledge of the money that has been paid by the company under the Thurman bill to the sinking fund provided for that act?—A. Yes, sir.

EFFECT OF THE THURMAN BILL ON INVESTMENTS OF SINKING FUNDS.

Q. Can you state to this Commission what would have been the difference between the amount of that fund as it now exists and the amount that would have been to its credit, if the money paid under the Thurman bill had been invested by the company in the mode in which it had previously been investing the moneys belonging to its mortgage sinking funds?—A. The amount to the credit of the company, in the Government sinking funds, would have been something more than \$1,600,000 in excess of what they are now. This is about 50 per cent. In other words, if the Government sinking fund had been treated as the company has treated those under its control, the former would have been 50 per cent. greater than it is.

FURTHER EXPLANATION ABOUT "CASH TAGS."

Q. I will ask you to explain for the information of the chairman a little further about cash tags. As I understand it, cash tags are kept by the treasurer of a corporation, or by any other person having the custody of money, when there is constant demand on the fund for a particular purpose until the demand is satisfied, and then one voucher or receipt is given. In the meantime, the amount advanced from time to time is kept on tags. Is not that the use and purpose of cash tags?—A. That is the manner in which the treasurer has done that business and has used tags as a sort of suspense account.

Q. And explain further, if any officer or person authorized to receive money from the treasurer, say to the amount of \$10,000, and did not want it all in one day, but took \$1,000 to-day and \$2,000 to-morrow, and so on each day as he required it, he would give tags until he had drawn the whole amount and then give one receipt; would he not?—A. The treasurer has done that.

FAVORABLE RESULT OF CONSOLIDATION ON AIDED ROADS.

Q. You have been asked as to your opinion of the value of the property forming what is known as the aided roads. I want to see if I can test your judgment on that subject a little further. What would have been the value of the aided roads on which the Government has a lien at the present day—and by that I mean the road starting westward at Promontory Point and ending at San José—if it had stood or been operated alone, or was owned by one company without any other line or connection, as compared with its value to-day, being included in the consolidated property of the Central Pacific Railroad Company?—A. If the Central Pacific had been compelled to continue its operations only as between San José and Promontory and had been prohibited or prevented from making any consolidations with other lines, or taking leases of those lines, its value would have been very much less than it is at the present day.

Q. Standing alone to-day, without its connection with the roads with which it was consolidated, could it in your judgment earn sufficient to pay its interest over and above the cost of operating?

Commissioner ANDERSON. Can you not make that question so that we can understand what you mean by interest, whether interest on one class of bonds, or interest on the Government debt, or not?

The WITNESS. As I understand it, you speak of the property as it is to-day.

WITHOUT CONSOLIDATION IT COULD ONLY PAY INTEREST ON FIRST MORTGAGE.

Mr. COHEN. Yes, sir. I will repeat my question. Standing alone to-day, without its connection with the roads with which it was consolidated, could it in your judgment earn sufficient to pay its interest over and above the cost of operating? By the interest I mean the interest on the first mortgage bonds issued by the company, amounting to something over \$27,000,000, the bonds issued by the Western Pacific Railroad Company, and such floating debt as it might have incurred in the construction of the road and for its equipment.

The WITNESS. It might be able to pay the interest on its mortgage bonds; but considered as a separate property, it could not do more than that. If it had been obliged to remain a separate property there is hardly any doubt that there would have been parallel lines constructed by this time.

Q. Under the condition of things that I supposed in my former question, could it in any way have contributed to a sinking fund to redeem its indebtedness to the Government, in your judgment?—A. No, sir. In my judgment it could not. Under such circumstances the road could not take care of itself.

PRO RATA EARNINGS OF AIDED AND NON-AIDED ROADS.

Q. What, in your judgment, would have been the difference between the pro rata earnings upon the aided roads as compared with the entire earnings of the consolidated roads as they existed after 1870, with the condition of the aided roads, if the consolidated lines had been in adverse possession—that is, in the possession of parties whose interests were not identical with those of the Central Pacific?—A. An answer to that question involves ascertaining the proportions of the aided portion as compared with that portion of the Central Pacific which was not aided; but such statements involving that information can be prepared so that you could have accurate information upon the subject. However, my judgment is that the earnings due to the earning portion as compared with the non-aided portion are about as forty is to sixty, and the aided portion is less than the non-aided portion.

Q. How much less would they have been if the non-aided portion had been owned by any company having adverse interests to that portion of the Central Pacific which received aid in bonds from the Government?—A. It would have been very much less than it is at the present time; less than it actually is to-day.

TRANSCONTINENTAL POOL.

Q. You were asked by the chairman about the decrease of the earnings of the company since 1884. I would like to get a little further information from you about that point. Do you remember the forming of the transcontinental pool previous to 1884?—A. Yes, sir.

Q. Under that pooling arrangement each road had a defined share of the business, and by that means rates were kept up, were they not?—A. The share was not definitely defined, but the pool was upon that basis, and for the purpose of maintaining rates. While it lasted it served that purpose.

Q. Under that arrangement there was no war between the companies competing for the overland traffic, was there?—A. None.

Q. That agreement came to an end some time in 1885, did it not?—A. Yes, sir; in 1885.

Q. And then it was a go-as-you-please arrangement, and each company went for all the traffic that it could get, did it not?—A. Yes, sir; regardless of rates. The trouble began very late in the year 1885, but the war was during the year 1886.

Q. Can you mention the time at which the earnings of the Central Pacific were interfered with by the competition of the Northern Pacific?—A. I do not recollect the date.

Q. Or with the Atchison, Topeka and Santa Fé and Atlantic and Pacific companies?—A. That is all shown on this record here, but I do not recollect those dates.

VERY LARGE DIVERSION OF TRAFFIC.

Q. Have you formed any estimate as to the amount of gross earnings which the Central Pacific has lost by the competition of those two roads, and including also the Canadian Pacific to the commencement of this year?—A. There has been a very large diversion of traffic which the Central Pacific might have enjoyed, and some statements have been prepared which show it; they have already been submitted to the Commission.

Q. Is that information included in the answers of Governor Stanford?—A. I believe it is.

By the CHAIRMAN:

Q. Who made the calculations?—A. They were prepared in the office from the records—tonnage, traffic, way bills, and the written books containing passenger mileage and freight tonnage.

Q. By whom were the calculations made?—A. They were made by subordinates in the general freight office and in the auditor's office and in the secretary's office.

STOCK IN OTHER CORPORATIONS.

By Mr. COHEN:

Q. You stated that you owned some stock in various corporations mentioned in the exhibit to the answer to question seventeen submitted by Governor Stanford; how long have you owned those stocks?—A. From different periods; but I obtained most of them at about the time that I became connected with the company.

By Commissioner LITTLER:

Q. Do you mean at the time that you became connected with the company as a director?—A. No, sir; previous to that time. I have also acquired some of those stocks long since that time.

GRADES ON THE CENTRAL PACIFIC.

By Mr. HAYMOND:

Q. The grades over the Central Pacific from Auburn to, say, Verdi are very heavy, are they not?—A. Yes, sir; they are.

Q. It requires two locomotives and 14 cords of wood to take fourteen freight cars over there, does it not?—A. Yes, sir.

Q. Do you know about the price of wood?—A. Yes, sir.

Q. In addition to that there are snow-sheds in a continuous line for 40 miles, are there not?—A. Yes, sir.

Q. Those snow-sheds are not built like the Union Pacific snow-sheds are they?—A. No, sir.

HEAVY EXPENSE OF CONSTRUCTION.

Q. Do you know that some of them have cost over \$200,000 per mile? \$280,000 per mile, I think, is the cost.

Commissioner ANDERSON. Did you say \$200,000 a mile?

Mr. HAYMOND. Yes, sir; some of the sheds cost \$280,000 a mile; that is my information.

Commissioner ANDERSON. Are they built of marble?

Mr. HAYMOND. No, sir; they were built not to protect the road against the fall of snow, but against the mountain avalanches. They have to be built at the same grade precisely as the mountain, and they must be made secure. I think that \$280,000 a mile is the actual cost of some of them. I have a suggestion to make which I think the Commission ought to consider.

(To witness.) If that road could be thrown down, say to Soda Springs, and a tunnel run through to Truckee, it would take away all of the heavy expense, would it not?—A. Yes, sir; all of it.

Q. And enable that road to be run as cheaply as the Union Pacific has been run, would it not?—A. Yes, sir.

HOW THE GOVERNMENT COULD GET ITS MONEY BACK.

Q. I want to ask you this question: Suppose that these leases which are now made between the Central Pacific and the Southern Pacific were forfeited and all of the subordinate lines were consolidated by an act of Congress and Congress advance the money to make this change in this line of road, on a liberal credit, and the Government took a second lien upon the whole line of road from the city of New York to Ogden, giving the Central Pacific an independent line through and the right to take up the outstanding bonds at the Government prices, which would be 1 or 2 per cent., do you believe that this line would pay a dividend besides paying what would be required to create and maintain sinking funds? Take the whole line, and, besides that, take 1,000 miles of local line which must be built in California within the next year, I would ask you whether, if such an arrangement could be made with the Government upon a liberal credit, and putting the Government Commissioners in charge of its operation, you do not think that the Government could be repaid all of its money, that the bondholders would be paid all of their money, and that these roads would be in time freed from debt?—A. I believe they could. I believe that such a policy on the part of the Government, and a change of the line over the Sierra Nevada Mountains in some such manner as you suggest, would place the Central Pacific almost beyond the reach of competition.

Q. It would place it nearly where it was before the Government, whether rightfully or wrongfully, aided the construction of opposition and competing lines, would it not?—A. Yes, sir.

A TEN-MILLION DOLLAR TUNNEL SUGGESTED.

By Commissioner LITTLE :

Q. Will you state in that connection the length of that tunnel and the probable cost of it?

Mr. HAYMOND. It would cost about ten millions.

The WITNESS. That subject has been examined carefully by some of the engineers of the company, and I have heard it discussed. I think that there is some definite information on the subject, and some estimates.

Mr. HAYMOND. Not only that, Commissioner Littler, but that tunnel would supply water to all the cities on the road, because it taps Lake Tahoe.

BRINGING WATER FROM LAKE TAHOE.

The WITNESS. One of the projects discussed in connection with that tunnel was to bring water to all the cities of the coast from Lake Tahoe.

Mr. HAYMOND. It seems to me that if such an arrangement as that could be made, and all these roads could be brought under it, the Government with plenty of money on its hands could be made absolutely secure, which it ought to be, of course.

The CHAIRMAN. We want you gentlemen to decide what you will do with reference to the question put to Colonel Crocker, which you advised him to answer. You will please be ready to give the Commission your decision on next Tuesday morning at 10 o'clock?

Examined, corrected, and signed this 5th day of September, 1887.

CHAS. F. CROCKER.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Saturday, August 6, 1887.

ELISHA S. MILLER, being duly sworn and examined, testified as follows:

By the CHAIRMAN:

Question. What is your business?—Answer. I am a book-keeper in the secretary's office, Southern Pacific Company.

Q. How long have you been connected with the company?—A. About twenty-two years.

BOOKKEEPER OF THE SOUTHERN PACIFIC COMPANY.

Q. Of what department of the company have you charge? I mean in what department are you a clerk?—A. I am simply in the secretary's office keeping books for the secretary's department. I am also a sort of assistant to him, not legally an assistant, but only a general assistant, in so far as I can render him service.

Q. During your association with the company, have you had any connection with the cash account?—A. No, sir.

Q. Do you keep any of the cash account?—A. No, sir.

Q. Do you assist in the keeping of the cash account, or have you assisted in keeping it?—A. No, sir.

Q. Did you keep at any time memoranda of the amount of cash paid out?—A. Only on the books of the company from memoranda furnished by the treasurer's department.

DAILY CASH STATEMENTS FURNISHED.

Q. Did the treasurer furnish you with memoranda to be entered on your books?—A. I think that he furnishes daily statements from the treasurer's department to be entered on the secretary's books of the Central Pacific Railroad.

Q. What kind of memoranda or papers did he furnish to you?—A. He furnished a regular statement of the daily business.

Q. Was it a printed statement?—A. It was a written statement with a printed heading, I think.

Q. Did he at any time furnish to you any original papers, memoranda, tags, or due bills as evidence of the payment of money during the day?—
A. Not to my knowledge.

Q. Have you any knowledge of the payment out of the money of the Central Pacific on the deposit of tags in the drawer in the place of cash?—

A. No, sir.

Q. Did you ever hear of the use of the term tags in connection with the management of the finances of the Central Pacific Railroad Company?—A. No, sir.

Q. Is this the first time that you ever heard the use of the term?—A. I have never heard it in connection with the Central Pacific, but I have heard of tags before.

EXPLAINS THE MEANING OF "TAGS."

Q. Where did you hear of them before?—A. In mercantile business.

Q. It is a new term to me; can you explain it?—A. In mercantile business sometimes they lend a man a little amount of money and take what is called a tag for it. It would be used as a tag against that man, and would either be charged to his account in time or be taken up by him in cash.

Commissioner LITTLE. It would be an ordinary I O U, and not be entered up as a due bill.

Q. Would that occur in the instances you relate and be carried as cash?—A. It would be in mercantile business. I have never known anything about it in the Central Pacific.

Q. During your connection with the railroad company have you had any knowledge at any time of the use of due bills, or tags, or memoranda as evidence of the payment of cash?—A. No, sir.

Q. Have you any knowledge of the loan of any of the money of the Central Pacific on the deposit of a tag or due bill?—A. No, sir.

Q. Have you any knowledge of the loan of any money of the Central Pacific without the charge of interest?—A. No, sir.

E. S. MILLER.

The Commission then adjourned to Monday, August 8, 1887, at 10 a. m.

PALACE HOTEL, SAN FRANCISCO, CAL.,

Monday, August 8, 1887.

The Commission met pursuant to adjournment, all the Commissioners being present.

N. GREEN CURTIS, being duly sworn and examined, testified as follows:

By Commissioner ANDERSON:

Question. Where do you reside?—Answer. I reside in Sacramento City, this State.

Q. What is your occupation?—A. I am an attorney-at-law.

Q. How long have you been in practice?—A. Thirty or forty years almost all my lifetime.

Q. And always in California?—A. For about thirty-six or seven years in California. I came here in 1850.

ACQUAINTED WITH JOHN MILLER.

Q. Are you acquainted with John Miller, formerly employed by the Contract and Finance Company?—A. Yes, sir.

Q. How long have you known him?—A. I became acquainted with him in the fall of 1876. I met him at the bar of the court, and was introduced to him there. That was the first time that I ever saw him.

Q. Had you prior to that time acted as counsel for the Central Pacific Railroad Company?—A. Never, sir.

Q. In no business whatever?—A. Never. I was never employed by them in any capacity whatever in my life.

Q. How did you come to meet Mr. Miller?—A. I was sick at the time with typhoid fever. I was taken sick in July.

ATTORNEY FOR JOHN MILLER.

Q. What year?—A. In 1875. While I was sick in bed, Mrs. Miller came to me and said that she wanted me to defend her husband. I was taken from my room in September. During the month of August I scarcely knew anything. My partner, General Clunie, appeared for me in the criminal court, and stated to Judge Blake that I was too sick to defend Mr. Miller, and the case was continued. I went down to the bar of the court in a carriage, stated my condition to the district attorney, Mr. Ryan, and Judge Blake then continued the case. That was in the fall or the winter of 1875. Mr. Miller was brought to trial in October, 1876. I appeared in court and defended him upon charges of embezzlement. I never had acted as attorney for him before, and never had met him.

Q. Through what intermediary did your introduction to Mr. Miller's family occur?—A. I knew Mrs. Miller when she was Mrs. Friend. She came to my bedside and acquainted me with the object of her visit. She employed me to defend Mr. Miller.

Q. Had you attended to any business for Mr. Miller upon other matters at the request of any officials of the Southern Pacific?—A. No, sir; I did not. I did not attend to anything at all for him.

ACCOUNTING FOR A CERTAIN VOUCHER.

Q. While on this point, there is a voucher among the Central Pacific papers—a receipt for \$500—alleged to have been paid to you for services rendered in relation to some matter in the State of Nevada. Can you tell us anything about that?—A. I saw an account of that in your examinations, and I wish to explain it. An old friend of mine by the name of Burke had got into some trouble in the State of Nevada and was indicted there in 1872, I think. It was alleged that some parties had destroyed property belonging to the Central Pacific on the Truckee Division. Mr. Burke pursued the accused parties into the State of Nevada, and brought them to California without any legal process. He had no extradition papers. The grand jury of Washoe County, in the State of Nevada, indicted Mr. Burke for kidnapping. Mr. Burke was a well known and prominent man in Sacramento City. He was a very prominent citizen and an old friend of mine. He employed me to defend him. He said that the railroad company would furnish attorneys to defend him, but it was a question personal to himself; that if he was convicted the railroad company could not go to the penitentiary for him. He therefore wanted his own attorney. I said to Burke, "I will go and defend you." He said that the railroad company objected to employing outside counsel.

I went there and defended Mr. Burke, and he was acquitted. When we came back, I had a conversation with him about my fee. He was amply able to pay it, but he said that the railroad company ought to pay it, as it was their business. He had brought those parties from the State of Nevada and did not stop to get proper papers. He was indicted for that, and wanted that I should defend him, and I agreed to do so. The railroad company had their own attorneys, but he preferred to employ me, and I therefore went over and defended him in this matter. When we came back, we were talking about the fee. He said, "I have seen Uncle Mark (that is Mr. Hopkins) and explained the situation to him, and he is willing to pay that fee. He has told Robinson to allow you the fee." Five hundred dollars was paid to me, and I signed a receipt, but whether it was paid by Robinson or by Burke, I do not know. I know that I got the money and signed the receipt. I was never employed by the Central Pacific Railroad Company in my life. They never tendered it, and I never solicited it. I suppose that I would have been glad to have had their business, but I never was tendered it, and I never solicited it.

THE CENTRAL PACIFIC PAID THE MONEY.

Q. So far as this business was concerned, the railroad company paid the \$500, did it not—the fee of \$500 which you received?—A. Yes, sir; I was employed by Mr. Burke; I signed the receipt, but they never employed me.

Q. They paid the fee, did they not?—A. Yes, sir.

By the CHAIRMAN:

Q. The statement that you make is that from your understanding of the relations of the parties it was a matter which it was the business of the Central Pacific to defend and to pay counsel for, was it not?—A. I do not know whether it was or not. That is a question.

Q. Did not Mr. Burke so state to you?—A. It was Mr. Burke's business. I do not know that the railroad company's business was to defend him against any improper act.

SERVICE RENDERED FOR BURKE: BILL PAID BY CENTRAL PACIFIC.

By Commissioner ANDERSON:

Q. You said that Mr. Burke told you that in his judgment it was a matter for which the railroad company ought to pay, did you not?—A. Yes, sir.

Q. And you so far acquiesced in that representation as to accept the money of the Central Pacific?—A. I did not care who paid me my fee. I did the service for Mr. Burke and the railroad company agreed to pay for it, and I accepted the money and signed the receipt.

Q. Is that the only acquaintance that you have had with the officers of the Central Pacific?—A. No, sir; I was intimately acquainted with all of them. They are all my warm personal friends. Long before the road was projected, we were warm friends living in the same town. Governor Stanford was a particular friend of mine, and so were they all. Mr. Crocker was a warm friend. I served in the legislature with Mr. Crocker in Sacramento in 1861. We lived in the same town, and were all personal warm friends.

THE INDICTMENT AGAINST JOHN MILLER.

Q. While the negotiations were going on between Mr. Miller and the railroad company before the indictment was moved for trial, did you

see any of the officers of the Central Pacific about the business?—A. I did not. I was sick in my bed, and did not have any conversation with them.

Q. You were not sick in your bed when you went into court and tried the indictment, were you?—A. No, sir; that was the year after.

Q. Up to that time had you seen the officers of the Central Pacific and conversed with them about this matter?—A. Yes, sir; I saw Mr. Hopkins.

Q. How long before the indictment was tried did you see Mr. Hopkins?—A. I do not remember. It was some time before the trial, but some time after the indictments were found I went to Mr. Hopkins. I had been led to believe—

Commissioner ANDERSON. I do not care to know at length anything that occurred between you. I merely want to know generally if Mr. Hopkins explained to you the situation and what the company had claimed Mr. Miller ought to do.—A. I can tell you exactly.

HAD NO PART IN THE MILLER SETTLEMENT.

Q. What allusion, if any, was made by Mr. Hopkins in regard to the indictment?—A. Please understand distinctly that I had nothing to do with the settlement between the railroad company and Mr. Miller, and never had any conversation with the railroad about it, or with Mr. Miller, for I did not know Mr. Miller. It was some time after Mr. Miller had made all these settlements that he was indicted, and I defended him. I had nothing to do with the settlement. I notice that in his testimony Mr. Miller said that Harvey Brown and Judge Robinson acted for the railroad company, and you asked the question, or some one of you did, "And Mr. Curtis acted for you?" and he said "Yes." He was mistaken in that. I only acted for Mr. Miller in the criminal court, and not in their settlement. That was all made before I saw Mr. Miller.

Q. What did Mr. Hopkins say to you in regard to the criminal proceedings?

The WITNESS. Will you let me, in the way of explanation, give what I said to Mr. Hopkins?

Commissioner ANDERSON. If you will not be too long about it.

"DO IT; THE MORE THE MERRIER."

A. I was led to believe by Mr. Brown, the attorney for the railroad company, that probably the railroad company would pay my fee. I was interested in that. I went to Mr. Hopkins, as I had understood from Mr. Brown that Hopkins was the man. I knew Mr. Hopkins well. I asked him if the company was to pay my fee for defending John Miller, and he said, "No, sir; we pay no money; not one cent. We neither prosecute nor defend. The State prosecutes. If we are subpoenaed, we will go before the court and testify as other citizens." I went into Governor Stanford's office, where I met Governor Stanford, and soon after General Colton came in. Colton was denouncing Miller in bitter terms. I said, "I have nothing to do with that, sir." I said to Governor Stanford, "Do you intend to prosecute John Miller?" He made me no answer for some time. I intimated to him that if he did prosecute, Mr. Miller perhaps would be a damage to him. Governor Stanford took that as an offense and seemed to think that I was threatening him. I was not. In a very bitter manner he said, "Do it, sir, and I will employ the best counsel in the State to prosecute him." I

said, "Do it; the more the merrier," and I walked out. That was the only conversation I had with him in relation to the matter.

WITNESSES IN THE CASE.

Q. What witnesses appeared at the trial?—A. I do not know—their clerks. I think that Mr. Douty was there, and also Mr. Gunn and Robert Robinson.

Q. Did you not know that they were coming?—A. No, sir; I did not. I supposed that Crocker would be there. I did not know but what he probably would come. I had no intimation as to whom their witnesses would be. I was prepared for the defense.

Q. The result was that Miller was acquitted, was it not?—A. Yes, sir; he was acquitted on two indictments. He was tried by two juries and acquitted.

WAS IT A DESPERATE FIGHT?

By the CHAIRMAN:

Q. It was not a very desperate fight, however, was it?—A. It would not be well for me to criticise those lawyers. I defended him and he was acquitted; but whether they made a prosecution or not it would not be fair for me to say.

Q. Who was the prosecuting attorney?—A. Mr. C. B. Darwin, a very able lawyer.

Q. How long did he speak?—A. I do not know; he spoke and I spoke at some length. I would not attempt to criticise Mr. Darwin or his management of the case.

THE MISSING BOOKS OF THE CENTRAL PACIFIC.

By Commissioner ANDERSON:

Q. When did you first hear that Mr. Miller had had the custody of some books, which had disappeared, relating to the construction of the Central Pacific Railroad?—A. I do not remember whether about that time or before then. I heard that he had, as secretary of the company, got into trouble and absconded, and then I heard that he had been captured.

Q. I ask you when you first heard that the books of account, which he had kept, had disappeared?

The WITNESS. The books who had kept?

Commissioner ANDERSON. The books of the Contract and Finance Company that Mr. Miller had kept.

The WITNESS. I do not remember; perhaps in some suit with the railroad company—perhaps in some suit that Mr. Cohen had against them. I do not remember.

Q. Can you give us the time with relation to the happening of these events concerning Mr. Miller, whether before or after this indictment was tried?—A. It was before the indictment was tried that I heard the books were missing; some time before that.

GOVERNOR STANFORD BROUGHT BEFORE THE CRIMINAL COURT.

Q. Do you remember the occasion when Governor Stanford and one or two officers were brought up on some complaint, I believe in the criminal court, for failure to produce those books?—A. I had nothing to do with that case.

Q. Do you remember such a suit?—A. I do not remember it.

Mr. COHEN. Do you say that there was such a case?

Commissioner ANDERSON. No, sir.

The WITNESS. My memory is a very good one, and I do not very often forget anything. I do not remember any such thing as that.

Mr. COHEN. If counsel wishes to examine the witness as to any prosecution against Governor Stanford in such a matter, I think that he should fix the time and place. It ought not to be assumed that Governor Stanford appeared in the police court under any such circumstances.

Commissioner ANDERSON. I was informed that it was so, but I do not know anything about it.

SUIT BY ROBINSON TO DISCOVER THE BOOKS.

The WITNESS. I never appeared for Governor Stanford in my life.

Q. Do you remember a suit which was brought by a Mr. Robinson, in which proceedings to discover these books were instituted?—A. I do not remember that I ever heard anything about it. I thought when I read these things in the paper that I never knew directly anything about it.

Q. Do you remember that it was before the indictment that you heard that the books had disappeared?—A. Yes, sir.

THEY WERE OF GREAT IMPORTANCE.

Q. What did you hear about these books? Did you hear that they were important books that had been lost—books of great consequence?—A. Yes; I understood that. It was understood in the community that they were of great importance.

Q. At that time did you know that Mr. Miller had kept these books and had made entries in them?—A. I did not know anything about it; I thought that Mr. Brown had kept the books.

Q. Did you not know that Mr. Miller had been secretary of the company?—A. I did not know it until he was arrested.

Q. Did you hear it then?—A. Yes; I heard he had been secretary. Mr. Miller told me that the books were passed over to him to transcribe into a new set.

JOHN MILLER'S CONNECTION WITH THE BOOKS.

Q. So that for the past ten years you have been aware that books of great consequence in matters in which the Central Pacific Railroad Company was interested had been lost, and that Mr. Miller had, when secretary of the Contract and Finance Company, made entries in those books?—A. No; I did not know that he had made entries in those books.

Q. He had been secretary, and had been in charge of them, had he not?—A. I never heard that Mr. Miller was secretary of the old Contract and Finance Company. I heard that he had succeeded Mr. Brown as the clerk of that company.

Q. What I want to know is whether at this time you knew that he had some position in connection with those books which gave him custody of them, that the books had been lost, and that they were important books?—A. I heard that at the time. I heard it from Mr. Miller, as I stated to you. Let me explain it. It is but justice to me that I should explain it. I heard from Mr. Miller himself and from other parties that Mr. Miller had been secretary of the Contract and Finance Company after Mr. Brown had given up the place.

Q. After you knew these facts, did you receive from Mr. Miller certain papers purporting to contain figures or entries which had been taken from his books?—A. Never.

Q. Did you receive any papers from Mr. Miller?—A. Yes, sir; I did.

Q. Did you examine those papers?—A. I did. Of course I examined them.

PAPERS DELIVERED BY JOHN MILLER TO WITNESS.

Q. When did he deliver those papers to you?—A. When I was preparing Mr. Miller's defense in 1876; I think it was in September that I was preparing his defense. Mr. Miller, in the mean time, had given bonds and was at large. He brought me at different times sheets of paper, saying, "Ask Crocker this; ask Crocker that." They did not purport to be transcripts of any papers, but they were memoranda that Mr. Miller had made, and he gave them to me to conduct the examination in court. For instance, they were questions like this: "How much did the Central Pacific cost per mile?" "How much did the Contract and Finance Company charge for a mile, and how much did they pay?" He had many questions of that sort which I and you as a lawyer would know could not be used in his defense. No matter what the railroad had done, that would not be a defense for Mr. Miller. I examined them particularly. They did not purport to be transcripts from books, but were interrogatories prepared by Mr. Miller to be propounded to these gentlemen in the criminal trial.

USED IN DEFENSE OF JOHN MILLER.

Q. When did Mr. Miller give you those papers?—A. I think in October, 1876.

Q. Where was your office then?—A. At Sacramento City. He gave them to me in this city at the old Cosmopolitan Hotel, where I stopped.

Q. By this city you mean San Francisco?—A. Yes, sir. My office was in Sacramento and I came here to defend him, and he brought me those papers to my room in the hotel.

Q. Did you have possession of those papers at the time of the trial?—A. Yes, sir; I did. I had them on the desk before me.

Q. How many were there?—A. I cannot tell. There were several sheets and parts of sheets containing notes, &c. I had them together with notes of the testimony that I made myself and notes for argument. There were two trials, and I saved them and kept them all until after the trials. There were two jury trials.

Q. Where did you take the papers after the trial?—A. From the court-house to my room at the old Cosmopolitan Hotel. I went over them and examined them carefully to see if I had covered all the points in the argument. I never referred to them in the argument, although I had them jotted down. I was then going home. The memoranda that Mr. Miller gave me were simply questions to ask these gentlemen. That memoranda and the memoranda that I had taken, the memoranda of testimony and the notes for the argument, I put into the grate in my room at the Cosmopolitan Hotel in October, 1876, and went home to my office at Sacramento the next day. As Mr. Miller was acquitted I had no further use for them. If he had been convicted, I should in all probability have kept them for future reference, a new trial, &c.

"PUT THEM ALL IN THE GRATE."

Q. Did you destroy all of them?—A. Everything that there was I put there. I put them all in the grate.

Q. Have you on any other occasion received any other papers from Mr. Miller?—A. Nothing of this sort. I received a mortgage from his wife, but that has nothing to do with this matter. I received no papers from him referring to that.

Q. Did you meet Mr. Miller on the street in Sacramento ten or twelve days ago?—A. I did, sir.

Q. Did you say to him in that interview that it was a good thing for this company that those papers had been destroyed?—A. I did not. I see that Mr. Miller is credited as so testifying. I met Mr. Miller and I said, "In all probability you will be subpoenaed before this Commission." He said, "If I am what shall I do?" I said, "Obey it." That was all that was said about this matter. We talked about fruit matters.

Q. Do you say that there was no allusion whatever to these papers?—A. Not a word.

Q. Was there no allusion made to the subject concerning which he was subpoenaed?—A. None whatever. I knew the subject, and so did he.

Q. How did you know the subject?—I knew what you were investigating, and I thought that Mr. Miller would be subpoenaed.

Q. How did you know what relation his testimony might bear to the subject-matter of this investigation?—A. Simply from the fact that you were trying to find out everything in relation to the Central Pacific Railroad Company's connection with the Contract and Finance Company, and knowing that Mr. Miller had been there, I supposed that you would subpoena him. I did not know it; I supposed it.

Q. Did you know that he was charged with the fact that he was the last custodian of the books, after Mr. Brown?—A. I supposed that you were coming here to get everything you could, to get all the information you could, and that you came here to get facts, and I supposed that you would call upon Mr. Miller.

"ALLUDED TO IT OFTEN."

Q. And you say that the conversation concerning the disappearance of the books never happened; that there never was any allusion made to it in any conversation between yourself and Miller?—A. I did not say so. We have alluded to it often.

Q. You say you have alluded to it often?—A. Yes sir; often.

Q. What has Miller said to you as to these books, and as to his last information concerning them?—A. Miller told me at different times that he had memoranda from those books. He said that he had never kept the books, but that Brown had kept them. He told me that he had taken abstracts from the books. He told me that repeatedly, but I do not know anything about it myself. That is what he told me, but he never gave me what purported to be abstracts from the books, but simply memoranda of questions to ask those gentlemen if they appeared on his prosecution.

Q. Did he tell you where those abstracts were kept?—A. No, sir.

Q. Did you ever hear of anybody who has seen them, or professed to have seen them?

The WITNESS. Do you mean the abstracts that Miller made? Commissioner ANDERSON. Yes, sir.

ATTENDED TO HIS OWN BUSINESS.

The WITNESS. No, sir. I make it a very strict rule to attend to my business, and do not look after other people's business.

Commissioner ANDERSON. You have never been a member of an investigating committee.

The WITNESS. Oh, yes, I have. I have occupied positions not as high perhaps as those you occupy now under the Government of the United States, but under other capacities I have been on investigating committees.

By the CHAIRMAN:

Q. Are you aware that Mr. Miller swore in his testimony before the Commission that the papers which he delivered to you were abstracts taken from the books of the Contract and Finance Company?—A. No, sir. I understand that he said that he gave me memoranda and not abstracts; but if he said that he gave me abstracts, I wish to say that he never did. I never had any abstracts.

DENIES THAT THE PAPERS WERE ABSTRACTS FROM BOOKS.

Q. He said that he had made abstracts taken from the Contract and Finance Company's books which he had kept, and delivered them to you. Did he ever do that?—A. No sir. I never saw them. If he stated that he gave them to me, he stated that which is not so. He never did give me any such abstracts.

The CHAIRMAN. He swore to it.

The WITNESS. He gave me what purported to be memoranda made by him to guide me in his defense, and to ask these gentlemen certain questions. Where he got his data for these memoranda I never knew. He never showed me what purported to be abstracts. At different times he said, "Here is another thing—ask this; here is another, ask this also." I never asked these questions, because these gentlemen did not appear.

NOT PAID BY CENTRAL PACIFIC FOR SERVICES TO JOHN MILLER.

Q. Did you receive any money or compensation of any character whatever from the Central Pacific Railroad Company for services rendered to Mr. Miller?—A. Never one dollar. I would like to explain: Mrs. Friend, who is now Mrs. Miller, employed me. She came to me as Miller's wife, and she secured my fee by a mortgage on land which belonged to her, and which she had before she married Mr. Miller. That was subsequently lifted and paid by Mr. Clark, a capitalist at Sacramento. She secured my fee by a mortgage on land that she owned before she married Miller, when she was Mrs. Friend. That was paid out of her separate property. She gave a mortgage to secure my fee and other indebtedness, which mortgage was paid off by Mr. Clark. I never got a dollar from the Central Pacific in any shape or form. I never received a dollar from them under any conditions whatever, except the \$500 in the Burke case, and then I was not employed by the Railroad Company, but by Burke himself—he preferred me to any man in the State to defend him, and said that if he had been convicted and had to go to the penitentiary the railroad company could not go for him, and he therefore wanted his own lawyer. He afterward went to Mr. Hopkins, and Mr. Hopkins told Judge Robinson to allow my fee. I did not consider that the fee was really a fee from the Central Pacific Railroad, but from Burke. Burke was my friend, and I would have gone for him and defended him even if he had not been able to pay for it. He has been an old and long time friend of mine, and he could have paid the fee. Outside of this, I never received a dollar from the railroad company

in any shape, manner or form, and even in this case I was not employed by it. About the Miller fee, I wanted to know where my fee was coming from.

Q. Was a man named Kennedy employed in that Miller case?—A. No, sir. Alexander Campbell, a very able lawyer in this town, was employed by Mrs. Miller at my solicitation.

DOES NOT KNOW KENNEDY.

Q. Had Mr. Kennedy anything to do with the case?—A. I do not know any such man.

Q. His name is M. G. Kennedy; do you know him?—A. I do not know him.

The CHAIRMAN. He was formerly connected with Kennedy, Long & Co. in the transfer business in this city, from 1869 to 1873.

The WITNESS. Do you mean employed as attorney in the case?

Q. Was he employed in any capacity in the case, so far as you can recall it?—A. No, sir.

Q. Had you any conversation with M. G. Kennedy?—A. I do not know. If he was a witness perhaps I did. I talked with all the witnesses to find out all they knew. Alexander Campbell, an able criminal lawyer here, at my suggestion—in fact I think I employed him myself, but Mrs. Miller was to pay him—was associated with me in the case.

Q. Was any attempt at that time made to secure any information concerning the jury list; did you make any such attempt?

The WITNESS. On my part, do you mean?

The CHAIRMAN. Or on the part of anybody else that you know of.

The WITNESS. Yes, sir; I did. I always tried to get a copy of the venire and look at every man there. I want to learn all I can about him, what business he was in, how he lived, where he lived, what his proclivities were, and whether he would be likely to favor the other side or not.

Q. Had you any conversation with M. G. Kennedy concerning the list?—A. I do not know. I talked with everybody that I could.

The CHAIRMAN. I refer to Kennedy as having been specially employed.

The WITNESS. No, sir; I never employed him. I may have talked to Kennedy as I talked with a good many people about that time. I may have talked about the jurors in order to find out all about them, and then I questioned them very closely when they come on the stand. I always do. It is a habit that I have got in trying to hunt up all I can about a juror.

PALACE HOTEL, SAN FRANCISCO, CAL.,
Monday, August 8, 1887.

EDWARD H. MILLER, JR., being further examined, testified as follows:

By Commissioner ANDERSON:

Question. Have you prepared the statement exhibiting the cost of the construction of the road under the various contracts, as it appears from the books of the Central Pacific Railroad Company, which was referred to in your prior testimony?—Answer. Yes, sir.

Q. In what form have you prepared it; what does it show?—A. It is a statement in tabular form showing the amounts paid in cash, stock,

and bonds for the different portions of the road from Sacramento to the 690th mile, which is Promontory Point.

Q. Is it prepared by miles or by sections?—A. It is prepared by contracts. Would you like to look at it [producing the statement]?—

COMPLETE STATEMENT OF CONTRACTS.

Q. What is the statement which you now produce?—A. It is a statement of the cost of construction of the Central Pacific under its contracts between section 1, commencing at Sacramento, and the 690th mile near or at Promontory Point, by different contractors.

Q. Does it give the amount of stock, bonds, and cash issued or paid under each contract separately?—A. Yes, sir.

Q. Who prepared this statement?—A. A clerk in my office.

Q. What verification have you made of its accuracy?—A. I did not examine all the details, but I am positive that it is accurate.

UNION PACIFIC BUILT FROM OGDEN TO PROMONTORY POINT.

By Commissioner LITTLE:

Q. I will ask you how far is it from Promontory Point to Ogden?—A. Fifty-two miles.

Q. Why is it that in all these matters there is nothing said as to the cost of the road between Promontory Point and Ogden?—A. Because the Union Pacific built to Promontory Point, and an arrangement was made with them to get the road from Promontory to a point 5 miles west of Ogden.

Q. Did you buy the road as constructed?—A. Yes, sir. The Union Pacific now owns to a point 5 miles west of Ogden.

The paper referred to was marked "Exhibit 1, August 8, 1887," and is as follows:

Central Pacific Railroad Company.—Statement showing amounts paid in cash, stock, and bonds for different portions of the road.

Sections.	Contractor.	Date of completion.	Amounts paid.			Total.
			Stock.	Bonds.	Cash or its equivalent.	
1 to 18	C. Crocker	Jan., 1864	\$50,000.00	\$100,000	\$250,000.00	\$400,000.00
19 to 20	C. Collins & Bro. ....	.....	300.00	.....	2,044.84	2,344.84
Do	C. Crocker	Apr., 1864	.....	.....	15,228.25	15,228.25
21 to 24	Turton, Knox & R.	do	4,500.00	.....	25,778.02	30,278.02
25 to 27	C. D. Bates	Mar., 1864	5,500.00	.....	31,238.88	36,738.88
28 to 29	S. D. Smith	Apr., 1864	7,600.00	.....	43,831.64	50,431.64
30 to 31	C. Crocker & Co.	July, 1864	11,600.00	.....	65,537.42	77,137.42
32 to 54	do	Mar., 1866	522,381.53	.....	870,752.47	1,393,134.00
55 to 138	do	Dec., 1868	4,414,890.00	.....	7,357,228.06	11,772,118.06
From 138th to 690th mile.	Cent. and Finance Co.	July, 1869	23,730,000.00	.....	23,730,000.00	47,460,000.00
Total .....	.....	.....	28,782,780.53	100,000	32,897,135.58	61,780,916.11

Central Pacific Railroad Company—Continued.

[Note to statement showing amounts paid in stock or in cash on different contracts.]

Section.		Amount as per statement rendered.	Capital stock.
32 to 54...	The stock issued on the contract was $\frac{1}{2}$ of the estimate and was issued at the rate of 50 cents on the dollar: Amount charged as per estimate.....	\$522,281.53	.....
	At the rate of 50 cents on the dollar, the stock issued on above was.....		\$1,044,763.06
55 to 138...	The proportion ($\frac{1}{2}$) of stock issued on this contract was at the rate of 50 and 30 cents on the dollar: Amount charged as per estimate.....	4,414,399.00	.....
	Stock issued on above: At the rate of 50 cents.....		1,632,000.00
	At the rate of 30 cents.....		11,900,339.00
		4,936,760.53	14,657,694.85
	Capital stock issued in addition to amount shown as per statement.....		9,729,914.15

The WITNESS. I have here an analysis or statement which I have made up, showing the settlement with the Union Pacific for the additional miles that were received. [Producing another paper.]

AN ANALYTICAL STATEMENT.

By Commissioner ANDERSON:

Q. Do I understand that this supplemental paper is made for the purpose of showing the cost per mile of that portion of the road which is expressed as being a cash payment?—A. Yes, sir.

Q. It appears to omit all the stock; is that correct?—A. Yes, sir; it omits the stock. It shows only the cash and bonds; and in addition to the previous statement it shows the compromise or settlement with the Union Pacific for the 47 $\frac{1}{2}$ miles from Promontory Point to a point 5 miles west of Ogden. This, I think, does not appear on the first statement. It was made up by me especially in explanation of the previous statement.

The paper was marked "Exhibit No. 2, August 8, 1887," and is as follows:

Statement showing amounts paid in cash or its equivalent for different portions of the road; also amount per mile.

Section.	Items.	Total cash.	Amount per mile.
1 to 8.....	Paid in cash (100 C. M. bonds at \$85), 18 miles.....	\$335,000.00	\$18,611.11
19 to 20.....	Paid in cash, 2 miles.....	17,271.09	8,635.54
21 to 24.....	Paid in cash, 4 miles.....	23,776.02	5,944.00
25 to 27.....	Paid in cash, 3 miles.....	31,238.28	10,412.96
28 to 29.....	Paid in cash, 2 miles.....	43,331.64	21,665.82
30 to 138.....	Paid in cash, 109 miles.....	8,293,517.95	76,087.32
139th to 690th mile.....	Paid in cash, 552 miles.....	23,736,000.00	43,000.00
	Expended by company.....	751,963.78	.....
690th mile to 737.5 miles from Sac'to, 47.5 miles.....	Compromised with Union Pacific R. R. Co., 1,562 C. P. bonds, first mortgage; 1,338 U. S. bonds, 6 per cent.....	2,840,000.00	.....
Total.....		36,074,000.30	.....

MONEY EXPENDED BEFORE THE PURCHASE.

Q. I see an item on this Exhibit No. 2, expended by the company, \$751,963.78. Do I understand it was expended by the company on the section of the road purchased from the Union Pacific?—A. Yes, sir.

Q. For the purchase?—A. No, sir; it was made before the purchase. It was made on our line; but the Union Pacific built a road parallel to our line, and that was so much lost.

Q. To whom was that payment made?—A. The payment was made by Governor Stanford, acting under a power of attorney, when he was in Salt Lake City, in advance of the completion of the road. It was made to many different parties.

Q. Was the construction carried on by the Contract and Finance Company?—A. No, sir.

Q. By whom was the construction carried on?—A. By the company itself, through Governor Stanford, its agent and attorney.

By Commissioner LITTLER:

Q. Do you say that the payments made by Governor Stanford were made to many different parties?—A. Yes, sir; they were made to many different parties.

EACH ROAD PARALLELED THE OTHER.

Q. Do I understand you to say that the Union Pacific paralleled a portion of this line between Promontory Point and Ogden?—A. Yes, sir; each road paralleled the other for a long distance.

Q. Which track was taken up; the track built by you, or the track built by the Union Pacific?—A. No track was built by either. The Union Pacific came 200 or 300 miles west of Promontory with their grading, and the Central Pacific graded from Ogden for nearly 100 miles this way, and when the tracks met, of course, the grading done by either alongside the track of the other was so much lost.

Q. That was so much dead loss?—A. Yes, sir; so much dead loss.

By Commissioner ANDERSON:

Q. Was this figure of \$2,840,000 full payment to the Union Pacific for the road which it had built, and for its interest under the acts as applicable to that portion?—A. Yes, sir; that payment was in bonds. It was a payment of \$2,840,000 in the first-mortgage bonds of the Central Pacific Railroad Company, and the 6 per cent. United States bonds that were issued on that mileage.

By Mr. COHEN:

Q. In addition to what?—A. In addition to the Central Pacific bonds.

CONDITIONS OF THE PURCHASE.

By Commissioner ANDERSON:

Q. What I mean to ask you is whether this was the full measure of the value of the Union Pacific portion, this 47½ miles, without considering the \$751,000?—A. No, sir; I do not think so. I think there was an additional payment made to the Union Pacific on that 47½ miles. There was no equipment furnished, or anything of that sort. This 47½ miles was simply bare track, while the mileage this way from the one hundred and thirty-eighth mile to the six hundred and ninetieth mile was fully furnished with equipment—locomotives, cars, buildings, and everything of that sort, including water stations and turn-tables.

Q. What I mean to ask you is whether the \$751,000 was expended on the same track or whether it was expended on a parallel track, and therefore not to be counted as a part of the consideration paid to the Union Pacific for its track?—A. It was expended on the parallel track, and we derived no benefit from it whatever.

Commissioner ANDERSON. Please describe the character of the country from section 1 to section 18.

Mr. COHEN. Had you not better take that from the engineer's reports?

Commissioner ANDERSON. I would like this witness to state his knowledge.

CHARACTER OF THE COUNTRY.

The WITNESS. It commences at Sacramento and runs out to the American River bridge, a distance of 3 miles, partly over the old Sacramento City levee, which was very much widened and strengthened, and the elevation heightened by the Central Pacific in building. The American River bridge trestle-work extends for a quarter of a mile on each side of the bridge, the bridge itself being, I should say about 1,000 feet in length. From there on the grading is not very heavy, and the road runs through practically an undulating country, rather than a hilly country. We have, however, another bridge crossing Arcade Creek at a point about 16 miles from Sacramento.

AT WHAT FIGURE CROCKER & CO. TOOK STOCK.

Q. All that work was completed before January, 1864, by Crocker & Co., was it not?—A. I do not remember.

Q. Do you remember whether the stock issued under the contracts for section 1 to section 18 was taken at par?—A. I think so. I am not positive, but I have no doubt of it. It was taken, I think, practically at par.

Q. Sections 19 and 20 you have entered Collins & Company?—A. Yes, sir.

Q. From what did you take that entry?—A. From my books.

CROCKER & CO. SUCCEEDED COLLINS & CO.

Q. I find the report made to the Commission by Mr. Stevens, the accountant, states that sections 19 and 20 are entered to Crocker & Co., as the contractors. Will you please explain that?—A. Yes, sir. Collins & Bro. failed to complete their contract, gave it up, and Crocker & Co. completed it.

Q. The amount entered in the statement, \$15,226.75, was a cash payment made to Crocker & Co., and the other amount entered to Collins & Co., of \$2,344.84, had been paid to Collins & Co., before they failed. Is this your understanding?—A. Yes, sir. They failed to complete the contract, and Crocker & Co. completed it upon the same terms that Collins & Bro had taken it.

DIFFERENT CONTRACTORS FOR SECTIONS 21 TO 29.

Q. Sections 21 to 24, for which Turton, Knox & Ryan were the contractors—do you know on what terms the \$4,500 of stock were taken?

The WITNESS. At par. Is that what you mean, whether at par or not?

Commissioner ANDERSON. Yes, sir.

The WITNESS. It was taken at par.

Q. As to sections 25 to 27, C. D. Bates was the contractor. Do you know on what terms the \$5,500 of stock were taken?—A. At par. I make this answer with the same qualification, however, that it is possible that I may be mistaken; but I think not.

Q. Sections 28 and 29, S. D. Smith, contractor. On what terms were the \$7,600 of stock taken?—A. On the same terms.

SECTIONS 30 TO 54 BUILT BY CROCKER & CO.

Q. Sections 30 and 31, Crocker & Co., contractors; do you know on what terms the \$11,600 of stock were taken?—A. My recollection is that it was at par.

Q. Sections 32 to 54, C. Crocker & Co., contractors. From what source do you obtain the date of the completion of the work as being March, 1866? Is that because that is the date of the last payment?—A. That is the date of the last estimate which came in, which is credited to the contractors on my books.

Q. Do you know the date of the contract?—A. No, sir; I have not that. I know from recollection only.

TIME OF PAYMENT AND TERMS OF CONTRACT.

Q. Do you know when the payments began under the contract for the construction of sections 32 to 54?—A. I can state only this fact, that they began immediately before the first estimate was returned by the engineers for the first work done.

Q. Do you know what were the terms of that contract?

The WITNESS. Which, 32 to 54?

Commissioner ANDERSON. Yes, sir.

A. Only generally. It was fixed for the prices for the grading, masonry, bridging, trestling, &c., and did not include track-laying, iron, ties, or equipment or buildings.

Q. What do you mean by buildings?—A. Depot buildings.

Q. When you say iron, do you include rails?—A. I do not include the rails, but do include the superstructure.

Q. Does it include, then, the materials which we find in the estimates which were furnished?—A. Yes, sir.

Q. How were the rates fixed that were to be paid?—A. They were fixed in the contract.

Q. Who fixed them before they were entered in the contract?—A. I do not remember that. Do you mean how were the terms of the contract settled as to rates?

Q. The rates to be paid for the different classes of work done by Crocker & Co.; how were they fixed?—A. I do not remember that. It is possible that there was a committee appointed, or something of that kind, by the board of directors, to see what rates could be got.

Q. Do your minutes show anything on the subject?—A. I do not know that.

Q. Do you remember any discussion as to whether those rates were reasonable or extravagant?—A. I do not remember.

THREE-EIGHTHS IN STOCK, FIVE-EIGHTHS IN CASH.

Q. Do you remember how the payment was to be made, as to each dollar of payment?—A. That statement will show. My recollection is that it was three-eighths in stock and five-eighths in cash.

Q. And did that rate persist throughout the contract, or was there a modification? I think it persisted.—A. Whether under this contract or not, stock was to be paid at the rate of 50 cents on the dollar, and afterwards it was modified to 30 cents on the dollar, I cannot say. I do not know whether that was under the contract, or under the continuance of the terms of that contract, doing work that had not been contracted for.

Q. But you do remember, do you not, that at the inception the three-eighths which was payable in stock was taken at 50 cents on the dollar; from section 32 to section 54?—A. I am not sure about this.

Commissioner ANDERSON. It so appears in Mr. Stevens's report.

The WITNESS. That is my recollection. I think so.

Q. Fifty cents on the dollar?—A. Yes, sir; that is my recollection.

Q. For sections 32 to 54?—A. Yes, sir.

Commissioner ANDERSON. Your figures seem to agree with Mr. Stevens's.

The WITNESS. They do up to 138.

Q. In making up the statement of total payments made to these contractors for sections 32 to 54 has your clerk not taken the entries directly from the account books showing the payments actually made?—A. Yes, sir.

THE STOCK ENTERED AT PAR.

Q. And have not the payments in stock on your books been reduced to their cash value by dividing the actual issue of stock into halves, so as to state it at 50 cents on the dollar?—A. If I comprehend your question, I think that the stock has been entered in the statement at par value.

Q. I think that there is no doubt that under the Crocker contract twice as much stock was issued to him as appears on the account as cash?—A. If that is so, it is an error of my clerk. I will analyze it.

Q. I think your clerk is right, because he agrees with Mr. Stevens. He is stating the exact cost of the stock instead of the cash cost. Stevens calls it "stock," and you can see that it is half the actual issue. Will you please ascertain whether in the column of "Stock," contained in Exhibit 1, of August 8, you have stated the stock payments after their reduction to their cash value, the contract providing that the stock shall be issued at 50 cents on the dollar; and whether, as matter of fact, the number of shares issued to Crocker & Co. on sections 32 to 54 were not double the amount entered on your statement? Perhaps you can tell it from your balance sheet.—A. Yes; I think that is so.

Q. What is your next division of sections?—A. The next division is 55 to 138.

Commissioner ANDERSON. Mr. Stevens's division seems to be 55 to 92.

The WITNESS. That probably is because it is in that one year. The next year is probably to 138.

STOCK FOR SECTIONS 55 TO 138 TAKEN AT FIFTY.

Q. I see that I have it here; 55 to 92, and 92 to 138, but the details are separate. In regard to your statement of the cost of sections 55 to 138, as to which sections you state that \$4,414,899 of stock were paid, is that entered in the same way—the value of the stock reduced to cash on the basis of 50 cents on the dollar for each share up to May, 1866, and after that date upon the basis of 30 per cent. for the stock?—A. It is the equivalent of that. That statement is made up from the contractors' account, charging them with simply the three-eighths of stock that was three-eighths at par. That stock was issued to them, and additional stock not charged to them under the contract at 50 per cent. when it was 50 cents on the dollar, and 70 per cent. when it was 30 cents on the dollar.

Q. Can you furnish us with a true statement of the total amount of stock issued to the contractors?—A. Yes, sir. I supposed that it was in there. If I had done it myself I would have put it in.

By Commissioner LITTLER:

Q. Can you do it now?—A. Not without the books; not now.

STOCK ISSUED TO CONTRACT AND FINANCE COMPANY.

By Commissioner ANDERSON:

Q. How about this six millions more of stock; how was the stock issued to the Contract and Finance Company taken; at what rate was it taken?—A. At par; that is, \$43,000 of stock at par value.

Q. Do you mean \$43,000 per mile?—A. Yes, sir.

Q. That would make about eight millions or nine millions additional. We find in Mr. Stevens's report sections 55 to 92 stated by themselves, and that the cost in cash or its equivalent for these 37 miles was \$7,047,012.06. Will you please verify that statement from your books?—A. Yes, sir.

Q. We find that the payment credited in stock, reduced at the varying rate of fifty and thirty, was \$2,642,569, the total payment carried out in the cash column, and we understand that the contractors must have received an amount exceeding the amount stated in stock, being an equivalent amount while the rate was fifty, and an amount at the rate of seventy when the rate was changed. Will you please furnish us as to these sections the exact amount of additional stock issued?—A. I will give you an exact account of the whole stock issued.

Commissioner ANDERSON. We want it from 55 to 92.

The WITNESS. I will furnish it from 55 to 92, showing the total amount of stock.

TOTAL CENTRAL PACIFIC STOCK PAID FOR CONSTRUCTION.

Commissioner LITTLE. If you have not already done so, I wish you would furnish the Commission with a statement showing the total amount of stock issued by this Central Pacific Railroad Company; I mean issued in payment of original construction.

The WITNESS. The questions that Mr. Anderson asked, and the statements that I will furnish in reply, will bring that out. I supposed that it was in this statement; but he now asks for totals. I will make a statement of the whole thing.

Q. Do you know the character of the country between section 55 and section 92?—A. That is in the Sierra Nevada Mountains.

Q. Do you know the initial point and the terminal point?—A. The initial point is at or near Colfax, but as for the terminal point, I cannot tell from recollection whether it is on this side or on the other side of the summit. I think, however, that it is not far from the summit of the Sierras.

CONSTRUCTION COSTS \$195,000 A MILE.

Q. The cash or its equivalent paid, omitting additional stock, runs up to about \$195,000 a mile, does it not?—A. That must include, then, the Summit tunnel, and probably does.

Q. Do I understand that this only includes the work that appears on the engineers' estimates as to these sections of the road?—A. I understand it so.

Q. Does it include the rails or the equipment or the buildings?—A. I have not examined into that since the Commission has been here; but I have learned more about it in the last few days than I ever knew before. Perhaps you had better examine the estimates upon this point.

Commissioner ANDERSON. We have the estimates here, but we would also like your recollection.

The WITNESS. I will not say positively that they do not cover track-laying, iron, and equipment. I am not positive, but I will ascertain.

By the CHAIRMAN:

Q. They may relate to the entire track, may they not?—A. Yes.

seems to be my recollection, but I will not state positively. There is a pencil memorandum on this estimate that I did not suppose I had left there, and from your question just now it is possible that it may not be correct. With reference to the question you have just asked, I will state that that is my recollection, and so I state it.

By Commissioner ANDERSON:

Q. We will ask you to get definite information. Will you do so!—

A. Yes, sir; I will. I have no doubt that is correct.

WORK UNDER THE CROCKER CONTRACT.

Q. Will you look at the two final estimates now shown you for the work under the Crocker contract, the first being from section fifty-five to section sixty-seven, and the second being from section sixty-eight to section ninety-two, and state the total cost of work appearing to have been done upon these two estimates?—A. \$7,047,011.66.

Q. Then we understand that the work actually paid for under these contracts was the work specified on these two estimates?—A. Yes, sir; that amount was specified on these two estimates.

Q. And we understand that that amount of work was paid for at the rates stated on these papers?—A. Yes, sir.

ESTIMATE FOR SECTIONS 55 TO 67, CROCKER & CO. CONTRACT.

The papers referred to were marked respectively "Exhibits 3 and 4, August 8, 1887," and are as follows:

No. —.] O. P. R. R. OF CAL.

— subdivision of — division. Final estimate, July 26, 1867. —, contractor.

Description.	Sections Nos. 55 to 67.		
	Quantities.	Price.	Amount.
Grubbing and clearing.....miles..	13	\$2,000.00	\$26,000.00
Excavation:			
1st class.....cubic yards..	580,956	.45	261,430.20
2d class.....do.....	100,470	.65	65,305.50
3d class.....do.....	594,943	1.47	874,566.81
4th class.....do.....	155,290	2.50	388,225.00
5th class.....do.....	20,071	5.00	1,003,525.00
In foundations.....do.....	12,674	1.50	19,011.00
Masonry:			
2d class.....do.....	3,294	25.00	82,350.00
3d class.....do.....	537	25.00	13,425.00
4th class.....do.....	5,198	20.00	103,960.00
5th class.....do.....	4,037	10.00	40,370.00
Cement mortar.....	854	5.00	4,270.00
Rip-rap wall.....	27	3.00	81.00
Brick in work.....	7,754	30.00	232,620.00
Timber:			
In truss bridges.....feet, B. M..	221,425	00.00	19,928.25
In trestle bridges.....do.....	474,804	75.00	35,510.30
In piers.....do.....	135,602	00.00	12,294.18
Of truss.....do.....	103,900	00.00	9,531.00
In flumes.....do.....	40,886	75.00	3,066.45
In ties.....do.....	34,432	83.00	2,857.36
Track laid.....	133	800.00	11,000.00
Plank in foundations.....	16,190	70.00	1,133.30
Painting bridges, labor.....			260.00
Wrought iron.....pounds..	71,400	15.00	10,710.00
Cast iron.....do.....	49,817	11.00	5,479.87
Spikes and nails.....do.....	9,530	8.00	762.40
White lead.....do.....	1,325	1.15	152.38
Oil, 4 1/2 barrels (say 40 gallons).....gallons..	180		270.00
Total.....			2,061,887.11

Abstract of monthly estimate for ———, 186—.

	Total estimate of section.
Total final estimate to date	\$2,081,507.15
Deduct former estimate	1,989,851.19
Final estimate	91,656.36

I certify the above estimate to be correct.

ESTIMATE FOR SECTIONS 68 TO 92, CROCKER & CO. CONTRACT.

No. ———.] C. P. R. R. OF CAL.

— subdivision of — division. Final estimate, July 26, 1867. C. Crocker, contractor.

Description.	Section No. 68 to 92.		
	Quantities.	Price.	Amount.
Grubbing and clearing	25	\$2,000.00	\$50,000.00
Excavation:			
First class	280,829	.45	126,373.05
Second class	188,691	.65	123,649.15
Third class	833,893	1.47½	1,229,697.18
Fourth class	786,551	2.50	1,966,377.50
Fifth class	89,187	5.00	445,935.00
Sixth class	28,912	8.00	231,296.00
Tunnels	11,540	20.00	230,800.00
In foundations	31,803	1.50	46,935.00
In ditches	10,823	.45	4,870.35
Masonry:			
Second class	2,890	25.00	72,250.00
Third class	450	25.00	11,250.00
Fourth class	10,239	20.00	204,780.00
Fifth class	3,966	10.00	39,660.00
Cement mortar	1,844	5.00	9,220.00
Lime mortar	1,719	8.00	5,157.00
Rip-rap wall	2,873	8.00	8,019.00
Retaining	5,082	10.00	50,820.00
Timber in trestle bridges	164,536	75.00	11,500.20
Timber in tunnels	137,788	90.00	12,400.92
Timber lagging	42,466	90.00	3,821.65
Timber in flumes	172,600	70.00	12,082.00
Plank in flumes	82,712	70.00	5,789.84
Wrought iron	8,491	15.00	1,273.65
Cast iron	5,633	11.00	619.63
Spikes and nails	2,000	8.00	160.00
Ties in track	65,000	83.00	53,950.00
Miles track laid	26	800.00	20,800.00
Total			4,163,504.51

Abstract of monthly estimate for ———, 186—.

	Total estimate of section.
Total estimate to date	\$4,965,504.51
Deduct former estimate	4,173,545.78
Final estimate for the month	791,958.73

I certify the above estimate to be correct.

The WITNESS. I should judge from these estimates that the iron and so forth were not furnished, and that the track laying simply was done by the contractors. I would like to explain this a little further. In answer to some questions I think that I said that Crocker & Co., the contractors for sections 55 to 92, did not furnish iron, &c. It appears by this

estimate that they did furnish ties and did lay the track, included in this amount which is stated, but iron was not furnished.

Mr. COHEN. Mr. Chairman, when did you say that you wanted Charles Crocker?

The CHAIRMAN. In September, in New York.

Mr. COHEN. I will try and have him there. I would like to have him explain all of these contracts himself.

Commissioner ANDERSON. In connection with this contract, I will read the following report, signed by Leland Stanford, Mark Hopkins and E. H. Miller, jr., and dated May 9, 1865.

REPORT OF COMMITTEE APPOINTED TO EXAMINE INTO THE QUESTION
OF CONTRACTING FOR THE GRADING.

The paper was marked "Exhibit No. 5, August 8, 1887," and is as follows:

To the Board of Directors of the Central Pacific Railroad Company of California:

Your committee, appointed on the 1st day of May, 1865, to examine into and report upon the question of contracting for the grading of the railroad of the company, beg leave to report that they have given the subject a good deal of consideration, in view of its importance and its effect upon the great enterprise in which the company is engaged.

It is the universal experience of railroad companies that the work of construction can be conducted more economically and expeditiously by competent contractors than by the officers of the company. The result has been that nearly all the railroads of the United States have been built by contract, by the terms of which a considerable portion of the contract price is paid in the stock of the company, thus identifying the contractors with the successful progress of the enterprise, and at the same time relieving the finance of the company to the extent of such stock payments.

By adopting that plan the board of directors will be relieved of a large amount of labor in carrying out the details of such a work and thus leave them more time to perform the other arduous labors of providing the money necessary to complete the road expeditiously, the purchase of the necessary rolling stock and other railroad material, and the operating of the road, which are sufficient, if properly attended to, to fully occupy the time and abilities of all the members of the board of directors.

The experience gained in the prosecution of the work to the present point has convinced us that the contract system is decidedly preferable.

We are also satisfied that it will be necessary to let the contract for the grading of the road as far as the surveys of the company have been extended, that is, the Big Bend of the Truckee River in Nevada, to some competent firm of contractors whose known knowledge of the work to be done and experience in the business will secure the confidence of the public and capitalists on their ability to perform it. The price should be a remunerative one, reasonable, fair, and just, in view of the large amount of labor to be performed and the rugged, mountainous character of the country over which the line to that point is located. It should also be within the means and ability of the company to pay.

We recommend this course for the following reasons: It is well known that the enemies of our enterprise have been and still are actively engaged in circulating reports that it is virtually impracticable to build a railroad across the Sierra Nevada Mountains. A railroad operator who has heretofore occupied a somewhat prominent position in this State has published a letter which has been extensively circulated, in which he asserts that your railroad over the mountains cannot be constructed for less than \$250,000 to \$300,000 per mile, that the physical obstacles are so great as to render its construction impracticable, and that the only purpose of the company is to secure public aid to build the Pacific Railroad far enough into the mountains to turn Nevada freight and travel over the Dutch Flat and Downer Lake wagon road.

The falsity of these statements is well known to you, but those unacquainted with the route are liable to be misled by it, and their industrious and persistent circulation have no doubt had a tendency to injure the company in its financial negotiations. Although his bitter enmity to the Pacific Railroad is well known here and therefore his statements carry but little weight, yet as he claims to be a civil engineer of large experience, capitalists who are not well acquainted with the route and the country are liable to be misled, and thus the negotiable securities of the company, upon which it relies to raise the money necessary to carry on the work, are liable to be depreciated, and the company will thereby suffer loss, and the work will be delayed in its progress.

In the Eastern States and in Europe, where the true character of the enemies of your work and their interest in hostile local roads are unknown, but where their infamous publications have been circulated by thousands, through the mails and by the agents of Wells, Fargo, & Co.'s express, it is not strange that some doubt should have been created in the minds of capitalists as to the practicability of constructing your railroad in consequence of its supposed great cost.

Our agent and friends there, who are negotiating our bonds and other securities, have to meet and overcome these objections, and they advise us that if a contract was let to responsible contractors of known character, experience, and good judgment, well acquainted with the character and extent of the work to be done, at a price within the means of the company to pay, it would immediately secure the public confidence in the practicability of the work, and at the same time give increased confidence and establish a higher market value for your securities.

Your committee are confident that such would be its immediate effect, and we know of no other means so effectual to counteract the effects of the enemies of your enterprise and place its success beyond all contingencies.

It will not only increase the value of your securities, but it will remove all doubts of the speedy completion of the railroad, not only to Dutch Flat, but beyond that point to the valleys over the mountains. It will be a full and complete answer to the oft-repeated slander that the railroad is only interested as a feeder to the wagon road.

A fair and reasonable contract of the kind proposed will also induce railroad capitalists whose business it is to build railroads to take an interest in the work, and thus add to your strength and give increased confidence in its speedy completion.

So, too, placing so large a portion of the work in the hands of one firm of contractors, the work on the more difficult and expensive points can be pushed more rapidly, as they can procure labor cheaper, there being no competing contractors to run up the price, and they can more readily concentrate a large force upon any particular section when necessary.

It is well known that after reaching the vicinity of Bear Valley the line passes through many miles of rough country, chiefly of a hard granite and serpentine rock formation, which will be expensive and slow, and the more so, being about 5,000 feet above the level of the sea, and where for several months in the year the work, except in the tunnels, will be necessarily suspended by snow and inclement winter weather. In view of this interruption of the work in that region its actual cost will be largely increased, and must be commenced two years or more in advance of the time when by the acts of Congress the 25-mile sections are required to be annually completed.

The work, therefore, of this portion of the line should be commenced soon, and, in the opinion of your committee, after a full and careful examination of the whole subject, that it would be the best policy to let a contract for the whole work to the Big Bend of the Truckee River, if reliable parties can be found with whom a contract can be made upon terms satisfactory to the company. All of which is respectfully submitted.

Sacramento, May 9, 1865.

LELAND STANFORD,
MARK HOPKINS,
E. H. MILLER, JR.

THE WITNESS. In connection with these reports, I would like to state that I produced them on the 28th of July and offered to read them to the Commission, but was not permitted to do so. On the 29th of July they were asked for from Governor Stanford, with some sharp remarks to the effect that they had been demanded and had not been produced.

Commissioner ANDERSON. We have a great many things to do, and cannot read every paper presented to us.

THE WITNESS. Your memories did not seem to be much better than mine, which you have criticised so freely.

Commissioner ANDERSON. Memory as to what?

THE WITNESS. Memory as to their not being produced.

Commissioner ANDERSON. I have said nothing about it.

THE WITNESS. Somebody did, and only one day had intervened.

By Commissioner ANDERSON:

Q. Do you remember who composed this report; was it composed by yourself or by Governor Stanford?—**A.** I do not think that it was I who composed it. It is in the handwriting of S. S. Montague, chief engineer of the company at that time.

Commissioner ANDERSON. I think that I will read this other report also to the Commission. It is dated June 6, 1865, and is signed by Mark Hopkins and E. H. Miller, jr.

REPORT OF COMMITTEE UPON THE QUESTION OF CONTRACTING FOR CONSTRUCTION.

The paper was marked "Exhibit No. 6, August 8, 1887," and is as follows:

SACRAMENTO, June 6, 1865.

To the President and Board of Directors of the Central Pacific Railroad Company of California:

Your committee, to whom was referred the matter of contracting for the construction of the railroad of the company, would respectfully report:

The subject is one of great importance to the company, and requires a full and careful consideration; that they have endeavored to make arrangements to procure a combination or association of capitalists and business men, who would take a contract on fair, reasonable terms to construct the railroad of the company, and who would combine such an amount of capital and business tact and energy as would secure the confidence of the public in the speedy completion of the work; but we have, thus far, failed in our efforts. We feel confident, however, that in the course of time such an arrangement can be made.

It is absolutely necessary to construct the road as rapidly as practicable, for the purpose of concentrating without delay upon the line of the railroad route the carrying and passenger trade between Sacramento and Virginia, and also to comply with the acts of Congress and the State legislature, which require the rapid completion of the road. In view of this necessity, and to come up to the wishes and wants of the public, your committee cannot recommend the letting of any contract to any parties unless they are men of known ability and where friendship and sympathy for the success of our enterprise would be a sure guaranty that the work would be pressed with vigor, and that every effort would be made to complete the work as speedily as possible.

Persons of large capital seem unwilling to bind themselves to construct the road as rapidly as the acts of Congress and the interests of the company require, fearing that the scarcity of labor, and the uncertain character of the rock excavations in the upper mountainous portions of the line, will prevent a compliance with such obligations. The high rates which capitalists are able to realize for the use of their money in this State is also another serious obstacle to effecting such arrangements. We believe that it will not be long, now that the rebellion is crushed, before arrangements can be made by which business men here, possessing the proper skill and energy, can co-operate with Eastern capitalists in taking a contract for the construction of the road, which will insure its completion as speedily as labor and capital can accomplish it.

C. Crocker & Co. have been, and are now, pushing on the work with extraordinary vigor and success. They have in all cases complied with the orders and directions of the officers of the company. They are entitled to great credit for the system with which they have conducted their affairs and the rapidity with which they have graded and constructed the road. Their organized force of superintendents, foremen, and laborers carry on the work in the most effective and expeditious manner. Their known enterprises and large pecuniary interest in the company afford assurance of their continued and hearty co-operation with the board in carrying out their plans in the future.

Until, therefore, parties can be found with whom other arrangements shall be made your committee recommend that they continue the work, and that they be allowed, therefor, the prices named in the annexed resolution, which is herewith reported by your committee, and the adoption of which they hereby recommend, and which they are willing to abide by.

Some of the work could probably be done at a lower price, if sufficient time could be allowed them to do it in the most economical manner, but the necessity for the speedy completion of the work is so great, that we believe it is true economy for the company to pay the prices named, rather than to have the work delayed, or even run the risk of delay, by the hands of unskillful, incompetent, or unfriendly contractors. Delays work serious and incalculable injury to the business of the road.

For instance, we are confident that the gross earnings of the railroad, which for the month of May have been about \$665 per day, will be increased to \$1,500 per day when it reaches Illinois Town, and probably greatly exceed that amount if it can be completed to that point early in September. To do that will require the combined energy

of the contractors and the board. It is therefore true economy for the company to keep and to maintain at this time such immediate control of the work as will enable them to complete the road to that point at the earliest day possible, even at some sacrifice, if need be, in crowding the work at a rate which contractors studying the more economy of working would not be likely to do.

Messrs. Crocker & Co. fully understand the plans and wishes of the board of directors, and know better than any others the character of the work, the obstacles to be overcome, and what is requisite to carry out those plans successfully. They are also fully provided with the necessary tools, horses, and carts, with a well-organized force to do the work expeditiously. It would require a large outlay of money, as well as months of time, for others to secure the same advantages. They are willing to carry on the work as desired at the price named in the resolution, and at any time give way to others whenever the board shall require it or can make better arrangements, but they are unwilling to go on at less prices, in view of the difficulties and the great extra expense of hurrying on the work as required. Your committee believe that it would be ruinous to the best interests of the company to make any change in the present management, and break up the admirably organized system of these contracts now in such successful operation, and which is hurrying on the road so rapidly. Your committee are satisfied that, under the circumstances, the prices named in the resolution are just and reasonable, and they therefore recommend that the resolution be adopted and maintained until some better arrangement can be made.

All which is respectfully submitted.

MARK HOPKINS.
E. H. MILLER, JR.

By Commissioner ANDERSON:

Q. Have you the resolution referred to in the report which I have just read?—A. I suppose that it appears on the books; it must appear on the minutes.

RESOLUTION CONTAINING RATES.

Commissioner ANDERSON. The resolution referred to is a resolution containing the rates.

Mr. COHEN. You have it here.

The CHAIRMAN. It is in the minutes of the Central Pacific Railroad Company at page 12, under date of June 6, 1865.

(The resolution referred to will be found printed among the miscellaneous documents in the latter part of volume 7. See Index.)

By Commissioner ANDERSON:

Q. This report states that "until, therefore, other parties can be found with whom other arrangements can be made, your committee recommend that they continue the work, and that they be allowed therefor the prices named in the annexed resolution." Do you know whether that referred to the different classes of work which they were to do at so much a yard, or does it refer to the resolution which appears on the minutes providing that they be paid at the rate of three-eighths in stock and five-eighths in cash, the stock to be taken at 50 cents on the dollar?—A. I recollect that it was continuing the rates that had been paid under the contract. It is my impression that the rate appears somewhere upon the minute books of the company.

Q. Are they the same rates stated in these estimates which you produced to-day?—A. I think so, but I am not sure.

Q. Will you produce or furnish us to-day with the proof of the rates agreed upon as they appear upon the books of the company?—A. I will, if possible. I will hunt for them.

RATES SUBSTANTIALLY THE SAME AS THOSE STATED IN THE ESTIMATES.

Q. Is it your judgment that they are substantially the same as stated in the estimates?—A. Yes, sir; substantially the same. I would w

like to have it appear that I say this positively, because I am not clear about it. I will endeavor to ascertain, however.

Q. In whose handwriting is this report of June 6, 1865?—A. In that of E. B. Crocker.

Q. Was he a brother of Charles Crocker?—A. Yes, sir.

Q. Do you know why it was not signed by Governor Stanford, who was on this committee who signed this other report?—A. I know of no reason, unless he was absent.

RELATIONS OF CROCKER & CO. AND CONTRACT AND FINANCE COMPANY.

Q. At the time this report was made, did you or did you not know that, so far as there were any profits under the Crocker contract and stock, they were to be divided equally between Charles Crocker, Mark Hopkins, Leland Stanford, and C. P. Huntington?—A. At the time of that contract I did not know; in fact, at no future time.

Q. Did you know at the time of this report?—A. At the time of this report I did not know; and, in fact, I supposed that the profits were to belong to Charles Crocker or to Charles Crocker & Co. whoever the Company may have been.

Q. You do know now, do you not, from Governor Stanford's statement, that the surplus Crocker stock was carried into the books of the Contract and Finance Company?—A. Yes, sir; I understand so. I understand that whatever loss or profit Crocker & Co. made was turned over and formed a part of the assets and liabilities of the Contract and Finance Company.

Commissioner ANDERSON. I will now read the report of January 5, 1867.

REPORT UPON THE PROGRESS OF WORK OF CONSTRUCTION.

The paper was marked "Exhibit No. 7, August 8, 1887," and is as follows:

OFFICE OF THE CENTRAL PACIFIC RAILROAD COMPANY,
Sacramento, Cal., January 5, 1867.

To the Board of Directors of the Central Pacific Railroad Company of California:

The commencement of a new year renders it proper that we should make you an official report of the progress of the work of construction of your road during the past year and the prospects for the year on which we have just entered.

During the year 1866 39 miles of additional track have been laid up the western slope of the Sierra Nevadas, making in all 93 miles of completed line. Cisco, the present terminus, is within 12 miles of the summit of the Sierras, and has an altitude of 5,811 feet above tide water. The portion of the line constructed during the past year is conceded by all to be the most difficult ever yet surmounted by any railroad in the United States, if not in Europe. It has been a herculean task, and has fully taxed the means and energies of the company and its officers. The result has, however, demonstrated the fact that a railroad with practicable curves and grades can be constructed and operated over the mountains—a matter which has been doubted by many.

The obstacles with which we have had to contend have been great. The country over which the track has been laid is rugged and rocky, upon a steep mountain side, and up by deep ravines, requiring a continued succession of deep cuts and high embankments, many of which had to be protected by heavy stone walls, and requiring large and long culverts of stone to pass the torrents of water which fall in the mountains. The material has been almost entirely rock, much of it being the hardest kind.

The work has been carried on with the greatest vigor during the past season, and the necessity of completing it within a short space of time has entailed a largely increased expenditure upon the company. Heavy rock excavations that, to work economically, should have taken eighteen months to complete, have been pushed through in from four to five months, of course requiring a greatly increased outlay of money to accomplish it. Besides this, we have been compelled, from the commencement of

the work, to pay gold for all labor and materials procured in this State. As all our money has to be obtained in the Atlantic States, where paper money is the sole currency, the loss in exchanging this currency for gold has been very great. This loss has been a serious item in the expense of carrying on the work, an item which does not appear on the books of Eastern railroads. We have confidently expected from year to year that this item would be reduced to a small figure, if not entirely disappear, but it still exists as a large item of the expenses of the company. The result is that the road and equipments from Sacramento to Cisco, including the work done east of the latter point, has cost over \$14,500,000.

We have not made as much progress during the last year as we hoped at its commencement. This was caused by the scarcity of powder on the Pacific coast, and our inability to procure as many laborers as we wished and expected. We confidently calculated on a full supply of powder, and at least 15,000 men, but were disappointed in both. We were only able to procure about 10,000 men, who were kept constantly at work during the spring, summer, and fall months. This force has been reduced to about 6,000 since the winter storms set in. A great portion of this body of men is now lodged in comfortable camps at and near the summit of the Sierra Nevada, and employed in excavating the numerous tunnels in that part of the line, it being impossible to work them in open cuts. The remainder are at work in the Upper Canon of the Truckee, just below the snow line, and about 30 miles east of the summit of the mountains.

The employment of so large a force during the inclemencies of the winter season adds largely to the cost of the work, and this increased expenditure caused by pressing the work forward so rapidly has and will increase the total cost of the work fully 50 per cent. And it is an important matter for your consideration whether the company is able or ought in justice to bear this increase of cost.

The national as well as State Governments and the people demand the speedy construction of this great national highway, and the public impatience, for its completion at the earliest day practicable seems to grow the more rapidly the work is done, and the nearer it approaches a union across the continent. This public demand we have endeavored to meet, though it has been a costly effort to the company, and it is for you to determine whether the same policy of rushing on regardless of expense is to be pursued in our future operations. While the speedy completion of the road across the continent is important to the public, or to the company, it is very doubtful whether the means of the company will justify us in pursuing a policy so expensive in its results, or whether the benefits derived compensate for the loss.

We still have a large amount of heavy and expensive work to do before the road is completed over the mountains, the greater part of which is in the hardest of granite, ironstone, and trap. The season for laboring on open-air work is so very short at the summit that it necessitates the employment of a large force, probably twenty thousand, during the coming season, to insure its completion before the fall of next winter's snow. To meet this necessity we have made arrangements which will probably, if successful, enable us to obtain that number. To have this large body properly organized under competent foremen by early spring, orders have been issued to rapidly increase the force now at work in the cañon, and as fast as the work there is finished, and the snow will permit, keep them moving on the line towards the summit, finishing the grading as they go, while a similar force is working from Cisco to the same point, then all to unite in the heavy rock work, and press it vigorously until completed. In order to expedite the completion of the road by working a larger force in winter, as well as to insure safety and ease of operation, numerous tunnels, fourteen in all, have been laid out between Alta and the State line. These are of the aggregate length of 6,170 feet, the longest being at the summit, 1,650 feet long. The excavation of so many tunnels adds largely to the cost, but is justified by the considerations above referred to.

We believe that by forcing the work regardless of expense, your road can be completed to Great Salt Lake by the 1st of January, 1870, but by taking one or two years more time a great saving of cost can be effected, and the reasonable expectations of the public fully met.

LELAND STANFORD,
President.
E. H. MILLER, JR.,
Secretary.
SAM. S. MONTAGUE,
Acting Chief Engineer.

Commissioner ANDERSON. State whether the prices named in Exhibits 3 and 4 are stated in dollars and cents, or how.

The WITNESS. They are stated in dollars and cents.

By Commissioner LITTLER:

Q. In what column?—A. In the price column; the left-side division is dollars and the right side cents.

Commissioner ANDERSON. Grubbing and clearing; that was preparatory work, as I understand it.

The WITNESS. Yes, sir.

GRUBBING AND CLEARING.

By Commissioner ANDERSON:

Q. What do you know about the ordinary price for grubbing and clearing? What did you know at that time?—A. I only knew what I learned generally from the engineers. As regards the grubbing and clearing, however, on the mountains, I was over the line several times in advance of grading, and I saw that a large portion of it was very heavily timbered. First, they had to cut down the timber and get it out of the way, and then they had to dig up the stumps, the reason for which was explained to me by the chief engineer. I said to him, "It seems to me to be going to an enormous expense for nothing." He said that it would not do to leave any stumps in the road-bed at all, that they would decay finally and upset the line very materially. They were therefore all dug up very much below the bed of the road, even where they were to be filled over. They were dug up and grubbed out and got out of the way.

Q. For what distance or quantity is this price of \$2,000?—A. One mile, I think.

\$2,000 A MILE.

Q. Do you mean \$2,000 per mile?—A. Yes, sir.

Q. Have you stated substantially all the knowledge that you had on which you base your report that \$2,000 per mile was a reasonable charge for grubbing and clearing, under the Crocker contract?—A. I had known of the grubbing and clearing previously up to those sections. I knew something of the cost of grubbing and clearing up to section 34 or 35 under other contractors. The cost was very light in the valleys, but as soon as they got into the mountains it was very heavy. Up to Rockland, 22 miles from Sacramento, there was very little grubbing and clearing, but from there on it was very heavy.

Q. Had any efforts been made to procure other bids so far as this grubbing and clearing were concerned?—A. No, sir; not that I know of.

Q. Had any reports of your engineers as to what would be a fair price for grubbing and clearing been made to you?—A. I do not know that they had given us any written reports, but we were in consultation with them.

FIRST-CLASS EXCAVATION.

Q. What is meant by first-class excavation?—A. I hardly know. That is the engineer's classification of the work to be done.

Q. Forty-five cents per yard appears to be the price for first-class excavation. What can you tell us about that?—A. I do not suppose that I ever knew anything about this arrangement until I saw Mr. Judah's specification for the first contract, and the first work to be done. Then I absorbed information from that time on, from the first contracts. I am not an engineer, and I have no practical knowledge of that matter.

DIFFERENT CLASSES OF EXCAVATION

Q. Then you do not know the difference between the several classes of excavation?—A. Yes, I do know practically something about it. Excavations of the first and second class are mostly earth. The third class would be powder work and probably cement gravel. The fourth class and the fifth class, and the sixth class, were undoubtedly alike, but I suppose that the engineers have different methods of classifying.

Q. Do you mean the fourth and fifth classes?—A. Yes, sir; and the sixth class, which appears here for \$8 a yard.

Q. Is there a sixth class on your report?—A. Yes, sir.

Q. Who was the engineer who checked these estimates?—A. I think S. S. Montague. It was either T. D. Judah or S. S. Montague.

Mr. BERGIN. This was after the death of Mr. Judah?

The WITNESS. That is so; these were Montague's.

Q. What is the difference between the several classes of masonry?—

THE SEVERAL CLASSES OF MASONRY.

A. I really do not understand much about that. One, I suppose, is rough rock masonry, and the other is, perhaps, better rock, requiring more labor.

Q. From what sources did you derive knowledge that \$25 per yard for masonry was a reasonable charge?—A. From the same source that I derived knowledge in relation to any other of the prices—from the engineer's estimates.

Q. First-class masonry is \$35 a yard. Have you any knowledge now on which you can assert that that would be a reasonable price?—A. No, sir; I have not. I wish to say what would be a reasonable price now is a very different affair from what it was then.

Q. I am talking of what was then a reasonable price—in 1846 and 1867. Have you any such knowledge?—A. No, sir; I have not.

RIPRAP WALL.

Q. How about riprap wall? Did you know anything then, or do you know anything now, as to what would have been a reasonable price for anything of that kind?—A. No, sir; if I had riprap walls now to construct, I would endeavor to get from experts what would be a reasonable price.

Q. Brick is charged at the rate of \$30. For how much brick is that?—A. Thirty dollars a thousand, I presume; it does not specify.

Q. Thirty dollars a thousand?—A. Yes, sir.

Q. Was that rough brick that was used, or what kind of brick was it?—A. I suppose that it was the ordinary commercial brick.

Q. Have you any means of knowing whether that was a reasonable price then?—A. Only from my remembrance of work that I did in building for myself.

TIMBER AND TRUSS BRIDGES.

Q. Timber and truss bridges, \$90; for how much was that?—A. Ninety dollars a thousand, I presume.

Q. Will you look at the entry?—A. Timber and truss bridges I take to be board measure.

Q. Ninety dollars for how much?—A. For a thousand feet. Trestle was \$75 a thousand. That timber is measured in the bridges after they are constructed.

By Mr. COHEN :

Q. Is that with the labor added?—A. Yes, sir; it is like measuring timber in the house when the house is finished. You measure the timber and that takes everything.

By Commissioner ANDERSON :

Q. What was your answer to my other question?—A. The price was \$90 a thousand in the bridge.

Commissioner ANDERSON. Please explain how this total is carried out. It seems to foot up 221,000.

The WITNESS. That means 221,000 feet.

Q. And you multiply that by 90?—A. Yes, sir; and that gives the price.

Q. Have you any knowledge whether that price, or any of the other prices stated on this estimate, were reasonable prices at the time that you made your report?—A. I believe that those were all reasonable prices at that time.

Q. The question is, if you had any knowledge of that class of work, or otherwise, so as to know whether they were reasonable or not?—A. No, sir; I have not now.

TRACK-LAYING.

Q. For laying the track, the price charged is \$800 per mile. Had you any experience as to that price, or have you any knowledge derived since which will enable you to state whether \$800 per mile is a reasonable price to charge?—A. I have no experience. If the Commission will look through the report it will gain all the knowledge that I have. I would like to furnish a list of prices and materials about those times.

Commissioner ANDERSON. We shall certainly be very glad to get any light upon the subject.

The WITNESS. I will get this information from books and bills.

Q. Have you given all the information that you can as to the nature of the country between sections 55 and 92, so as to inform the Commission of the reason for the great excess in the cost of that part of the route?

The WITNESS. 55 to 92.

Commissioner ANDERSON. Yes; 12 miles from the summit.

WORK ENTIRELY IN ROCK ON A STEEP SIDE HILL.

The WITNESS. Twelve miles this side of the summit—I know that for several miles on this side of the mountain, near Bear River, the work was entirely in rock, and on a very steep side hill. It cost an immense deal of work to grade it out. There were many ravines to cross with high trestling, &c.; but that is immaterial.

Q. Will you please look at the final estimates of amounts now shown you and state what it is?—A. This is an estimate for building sections 93 to 138, combining the whole. They are in two separate columns. They are gotten up the same as the other estimates that I have spoken of. This is practically to the State line, section 138 being practically or absolutely the State line between California and Nevada.

By Commissioner LITTLER :

Q. How many miles of construction does that estimate embrace?—A. Forty-six miles.

CHARACTER OF THE COUNTRY.

By Commissioner ANDERSON:

Q. Please describe the character of the country embraced in that 46 miles.—A. It is from 12 miles this side of the summit of the Sierra Nevada Mountains to the State line down the Truckee River. It includes several tunnels, some of which were through what was called iron-stone rock, into which it was almost impossible to drill a hole. After passing the summit of the Sierra Nevada Mountains through the tunnel, the road skirts Donner Lake at a great elevation. Personally, I went around from Summit tunnel down to near Truckee on foot. It was impossible for a horse to be taken along, and we were all completely used up in making about 15 miles that day, starting out early in the morning. It is a very steep side hill, most of the way. The tunnel is on a curve going from Donner Lake side around into Strong's Cañon. It then seemed to me to be absolutely impossible to build a road on that line; but we had with us Colonel Gray and S. S. Montague, both engineers, and they seemed to have no question about it, except the cost. From Summit tunnel, in going from 93 to Summit tunnel, it is on an up-grade. After going out of the Summit tunnel, it is on the down grade, I believe, or 116 feet to the mile most of the way.

CLEARING AWAY THE SNOW TO GET AT THE EARTH.

At this point, I would like to say, and I will say in this connection, that from about the 105th mile to the 138th mile, the grading was done in the winter when the snow banks were any number of feet in depth and the snow had to be cleared away and was cleared away in order to get at the earth to grade. There were snow banks from 30 to 100 feet deep. The object in doing that was to connect the road with 40 miles of road which had been built down the Truckee, and to do so as early in the spring as possible, so as to enable the company to go beyond the 138th mile as fast as possible. In that same connection, I wish to say that the iron, engines, rails, and everything of that kind were carried over the summit by teams from Cisco to Truckee to build that 40 miles beyond Truckee, and at an enormously high price for freight.

Q. Is that included in the estimate, where you carried engines or iron?—A. That class of work was done by the company, and is something in addition to the cost under this contract.

MOST DIFFICULT WORK ON EAST SIDE OF THE SUMMIT.

Q. I am inquiring only as to the cost contained in the estimate. Is the work from the Summit down, on the other side, the same in character as the work on this side of the Summit?—A. It is more difficult for the first 10 miles, I think, than it is on this side of the Summit.

Q. So that the character of this work was as difficult as any work that you had to do, from your description?—A. For 10 miles of it, from the Summit over.

Q. After you got beyond that 10 miles, that would be about section 115, how was the work to section 138?—A. From 115 down it became lighter.

ESTIMATES ON NORTH AND SOUTH SIDES OF DONNER LAKE.

Commissioner ANDERSON. I have here a document which I have not read (estimates for lines on the north and south sides of Donner Lake), which at this stage it might be proper to put in.

By Commissioner LITTLER :

Q. By whom was this estimate made, Mr. Miller?—A. I think it was made by S. S. Montague.

By Commissioner ANDERSON :

Q. Whose handwriting is this?—A. S. S. Montague's.

(Witness produces approximate estimate of the cost of constructing a road on the south line, 14,000 feet from the Summit east, and also an approximate estimate of the cost of constructing a road on the north line, 14,000 feet on the north, from the Summit east.)

Q. That is about 6 miles in all, is it not?—A. No, sir; 14,000 feet would be less than 3 miles.

Q. It is 14,000 feet on each side, east and west, is it not?—A. This estimate was made to show what would be the cost of building either one line or the other. The estimate on the south line was \$692,224, and on the north line \$967,799. This was simply for excavation.

By Commissioner LITTLER :

Q. Which line was adopted by the company?—A. The south line.

By Commissioner ANDERSON :

Q. This estimate shows the cost to have been estimated at about \$200,000 per mile in the smaller estimate?—A. Yes, sir; more than that. The smaller estimate is over \$300,000 a mile.

Q. Is it not about 3 miles in all?—A. It is 14,000 feet, considerably less than 3 miles.

Commissioner ANDERSON. Say 2½ miles, then, for \$600,000.

The WITNESS. It is \$692,000, or nearly \$700,000.

The estimate was received in evidence, was marked "Exhibit 8, August 8, 1887," and is as follows :

Approximate estimate of the cost of constructing road on north line (14,000 feet) from Summit (east), including cost of Summit tunnel.

[Grade, 105.6 per mile.]

	Quantity.	Price.	Total.
Rock excavation.....cubic yards..	61,657	\$3. 00	\$184,971.00
Embankment (to borrow).....do.....	172,600	0. 90	110,340.00
Do.....do.....	16,060	0. 30	4,818.00
Retaining wall.....do.....	20,860	3. 00	119,580.00
Tunneling.....lineal feet..	1,400	120. 00	168,000.00
Do.....do.....	300	85. 00	25,500.00
Do.....do.....	255	90. 00	22,950.00
Do.....do.....	575	100. 00	57,500.00
Truss bridging.....do.....	1,410	40. 00	56,400.00
Bridge masonry.....cubic yards..	6,730	20. 00	134,600.00
Arch culvert, masonry.....do.....	2,770	16. 00	44,320.00
Do.....do.....	390	10. 00	3,900.00
Snow protection.....lineal feet..	3,500	12. 50	43,750.00
Total.....			\$67,799.00

Approximate estimate of the cost of constructing road on south line (14,000 feet) from Summit (east), including cost of Summit tunnel. Tunnel at lower end of Donner Lake, and 2½ miles of increased distance.

[Grade, 90 feet per mile.]

	Quantity.	Price.	Total.
Earth excavation cubic yards.....	1,660	\$0.30	\$498.00
Rock excavation do.....	85,000	3.00	105,000.00
Cement excavation do.....	15,000	2.00	31,200.00
Retaining wall do.....	7,970	3.00	23,910.00
Tunneling wall lineal feet.....	1,660	120.00	199,200.00
Do do.....	183	85.00	15,725.00
Tunneling (cement) do.....	1,300	80.00	104,000.00
Bridging span 35 feet.....	1	15.00	15.00
Do span 200 feet.....	1	40.00	40.00
Bridge masonry cubic yards.....	1,520	20.00	30,400.00
Arch culvert masonry do.....	626	16.00	10,016.00
Box culvert masonry do.....	500	10.00	5,000.00
Snow protection lineal feet.....	4,300	12.50	53,750.00
Extra protection for snow slides do.....	600		30,000.00
Add for increased length of line, about 2½ miles, \$25,000.....			25,000.00
			62,224.00
			697,799.00
North line, including, Summit tunnel.....			907,799.00
South line, including, Summit tunnel.....			697,799.00
Donner Lake tunnel and 2½ miles increased distance.....			697,799.00
Difference in cost in favor of south line.....			275,575.00

By Commissioner LITTLE :

Q. Does that estimate only include the cost of excavation and the preparation of the road-bed ready for the ties and not the ties and rails? Is that all?—A. It explains itself.

By Commissioner ANDERSON :

Q. Does it give the figures per yard?—A. Yes; I think it does. I did not read it, however.

"SNOW PROTECTION."

Q. What is meant by this expression, "Twelve and one-half dollars per lineal foot for snow protection"?—A. I suppose that it was the snow sheds. Mr. Montague knew that neither side of that line beyond the summit could be operated without snow sheds. Without snow sheds, it could not be operated more than six months in the year.

By Commissioner LITTLE :

Q. The construction of snow sheds was no part of the cost of construction under these contracts, was it?—A. No, sir. They were built by the company afterwards.

Q. Built by the company itself afterwards?—A. Yes, sir.

Q. I want to know whether this company, as a part of original construction, constructed any snow sheds?

The WITNESS. Do you mean the Contract and Finance Company?

Commissioner LITTLE. Yes; or any other company.

CENTRAL PACIFIC CONSTRUCTED ITS OWN SHEDS.

The WITNESS. The Central Pacific Railroad Company constructed its own snow sheds, except that it constructed them, or a portion of them, through the Contract and Finance Company.

By the CHAIRMAN:

Q. To that extent, did they go into the cost of original construction?—A. No, sir.

Q. I mean as regards the Contract and Finance Company?—A. The Contract and Finance Company made this contract, and afterwards it constructed some snow sheds and charged us at the rate of cost and 10 per cent. added, just the same as if anybody else had done it.

CONTRACT WITH WESTERN DEVELOPMENT AND CONTRACT AND FINANCE COMPANY.

By Commission LITTLE:

Q. Was it under the contract by which the Central Pacific contracted with the Contract and Finance Company to repair the road after it was constructed and to add betterments?—A. No, sir; we never had a contract with it for that purpose.

Commissioner ANDERSON. That was the Western Development Company.

The WITNESS. The Contract and Finance Company had contracts with the Central Pacific, as also did the Western Development Company. Whatever work they did for the company, they charged the actual cost of materials and labor and 10 per cent. to cover the use of tools, superintendence and clerk hire, and all that sort of thing. The usual practice in order to arrive at the cost of anything of this nature is to add 10 per cent. for the use of tools, &c., to the labor and cost of materials.

By Commissioner ANDERSON:

Q. We have not reached any portion of the work done by the Contract and Finance Company as yet, have we?—A. No, sir.

PENCIL MARKS ON THE EXHIBITS.

Q. In whose writing are the pencil marks on these exhibits, stating prices?—A. They are mine.

Q. When did you make them?—A. I made them at the time.

Q. At the time that the estimate was placed before you?—A. They were made at the time that the amount of the estimate was credited up.

Q. You made them from what prior estimates?—A. I made them the same as I made previous estimates.

Q. Was the price always entered by you?—A. Yes, sir.

Q. Was it in every case, individually?—A. I think so, in every case of these estimates.

Commissioner ANDERSON. Please run your eye over these prices and see if they are the same contained in the estimates for the other sections.

The WITNESS. As far as I can see now, they are the same. [After comparison.] Yes, sir; they are the same prices.

ESTIMATE FOR SECTIONS 93 TO 138.

The estimate as to sections ninety-three to one hundred and thirty-eight was then marked "Exhibit 9, August 8, 1887," and is as follows:

No. —.]

C. P. R. R. OF CAL.

— subdivision of — division, final estimate returned December 14, 1888, —
—, contractor.

Description.	Sections No. 93 to 119.	Sections No. 120 to 138.	Total sections No. 93 to 138.		
	Quantities.	Quantities.	Quantities.	Price.	Amount.
Grubbing and clearing.....miles..	27	19	46	\$2,000.00	\$92,000.00
Excavation:					
1st class.....cubic yards..	290,201	170,336.38	460,537.38	.45	211,291.82
2d class.....do.....	190,733	123,132.18	313,865.18	.65	204,012.37
3d class.....do.....	188,909	90,731.80	279,640.80	1.47	412,479.18
4th class.....do.....	170,237	146,784.70	317,021.70	2.50	792,554.25
5th class.....do.....	83,319	11,080.38	94,399.88	5.00	471,996.90
6th class.....do.....	22,825		22,825	8.00	182,600.00
In tunnels.....do.....	60,278.5	2,995.7	63,274.2	20.00	1,265,484.00
In foundations:					
1st class.....do.....	13,904	14,802.07	28,506.07	1.50	42,759.10
4th class.....do.....	2,068	1,051.15	3,117.15	1.50	5,575.73
Masonry:					
1st class.....do.....	538.52	1,149.59	1,688.11	25.00	59,083.83
2d class.....do.....	2,106.18	2,981.72	5,087.91	25.00	127,197.75
4th class.....do.....	14,580.29	4,510.02	19,090.31	20.00	381,806.20
5th class.....do.....	5,658.33	2,705.70	8,364.03	18.00	150,552.54
Cement mortar.....do.....	1,274.78		1,274.78	5.00	6,373.90
kip-rap wall.....do.....	91	856.7	946.70	3.00	2,840.10
Retaining wall.....do.....	4,522.86	1,170.47	5,693.33	19.00	108,173.27
Retaining wall, 2d class.....do.....		70.00	70.00		1,330.00
Surface ditches.....do.....	4,114		4,114	.45	1,851.30
Excavation in foundations:					
2d class.....do.....		2,942.63	2,942.63		14,713.15
3d class.....do.....		2,286.45	2,286.45	1.50	3,429.68
5th class.....do.....		143	143		2,145.00
Timber:					
In truss bridges.....feet B. M.	608,881	345,531	954,412	90.00	85,897.08
Tunnels.....do.....	430,709		430,709	90.00	38,763.81
Lagging.....do.....	85,105		85,105	90.00	7,659.45
Culverts.....do.....	9,327	22,710	32,037	50.00	1,601.85
Delivered for.....do.....			92,060	50.00	4,603.00
In foundations.....do.....		93,080	93,080		4,654.00
Wrought iron.....pounds..	143,761	64,073	207,833	.15	31,174.95
Cast iron.....do.....	108,016	52,902	159,918	.11	17,490.98
Spikes and nails, ties in track.....do.....	71,457	42,940	114,397	.83	94,940.51
Track laid.....miles.....	27	19	46	800.00	36,800.00
Side track laid.....do.....	1.25	.50			
Total.....					4,725,115.00

Abstract of monthly estimate for —, 186—.

* Total estimate of section.

Total estimate to date.....	\$4,725,115.00
Deduct former estimate.....	3,534,587.31
Estimate for the month.....	1,190,527.69
Five-eighths cash.....	744,079.81+17.83
Less per cent. three-eighths stock.....	446,447.88—17.83
Amount due.....	1,190,527.69
I certify the above estimate to be correct.	

ENGINEERS' REPORTS SHOW WORK DONE BEYOND SECTION 138.

By Commissioner ANDERSON:

Q. Have you anything that will show the quantity of work which was done from section 138 on?—A. No, sir. Do you mean the amount of work done?

Commissioner ANDERSON. Yes, sir.

The WITNESS. No, sir. Some of the engineers' reports will show it.

Q. Have you the engineers' reports?—A. Yes, sir; I brought them this morning.

Q. I want to get something to test the work done by the Contract and Finance Company as to its value, and as to the amount between section 138 and the end. You have given us something quite direct as to what Crocker & Co. did. Can you furnish it to us?—A. My information comes almost entirely now from the books of the Central Pacific. Their books contain nothing from that time on as to the amount of work done by the Contract and Finance Company, except as to the number of miles.

CHARACTER OF THE COUNTRY.

Q. You know the character of the country, do you not? At any rate, you know whether there are fewer mountains, do you not?—A. Not so well as the engineers who have traveled over it. I think that you want to examine Mr. Strobbridge on this subject.

Q. Can Mr. Strobbridge give us any useful information upon this subject?—A. Yes, sir.

Q. Is he in the employ of your company?—A. No, sir. He is in the employ of the Pacific Improvement Company.

Mr. COHEN. Mr. Clement can give you better information than any man living. He was the assistant to Mr. Montague.

Q. Can your company secure the attendance of Mr. Strobbridge?—A. I do not know. He is here as often as once or twice a month, in this city. I have no doubt that we can get him or that you can get him, if you ask somebody. I do not know that I have any authority over him. In fact, I know that I have not.

E. H. MILLER, JR.

PALACE HOTEL,
San Francisco, Cal., August 8, 1887.

Afternoon session.

EDWARD H. MILLER, JR., being further examined, testified as follows:

By Commissioner ANDERSON:

Question. Please look at the estimates I now show you, being estimates running from section 32 to section 68, and say by whom they were made.—Answer. They are in the handwriting of S. S. Montague, chief engineer of the company.

WAS COST OF GRUBBING AND CLEARING \$2,000 OR \$200 A MILE?

Q. I call your attention to the fact that they run quite a distance into the division applicable to sections 54 to 92, and that the suggested estimate for grubbing and clearing nowhere exceeds \$200 a mile. Have

you any explanation to make as to the price of \$2,000 a mile in the awards for 54 to 92?—A. No; unless the engineer classified the work differently; I do not understand it.

By Commissioner LITTLE:

Q. Does that embrace any portion of the prairie region?—A. This estimate reads to section 68 only.

By Commissioner ANDERSON:

Q. What do you understand by grubbing and clearing; simply clearing away the trunks or roots of trees, and loose stones or other obstructions?—A. That would not cover loose stones, unless there were bowlders which came above the surface of the place where the track should be.

Q. You cannot explain, then, the difference between the figures contained in Mr. Montague's estimate and the price actually awarded?—A. This is an estimate of what it would cost. It is an approximate estimate, made before the work was done, and I cannot explain that. However, this only runs to section 68, which reaches the heavy timbered country, but does not penetrate it. As it appears now, that country is very lightly timbered compared to what it was when the railroad first went through it. The timber has all been cut off.

Q. Have you Mr. Montague's estimates from 68 to 92?—A. Not unless they are here. It is possible that I may have them, but I hunted these papers out of a great lot of old papers that were laid away, which were supposed to be valueless. This is all I can find, so far.

WORK EAST OF STATE LINE DONE BY CONTRACT AND FINANCE COMPANY.

Q. In regard to the work east of the State line, that was done by the Contract and Finance Company, I believe?—A. Yes, sir.

Q. Have you any knowledge of the cost of that work to the Contract and Finance Company?—A. No, sir.

Q. Did you make no investigation whatsoever while they were doing this work as to what it was costing them?—A. No, sir.

Q. Was no examination made by any member of the board?—A. During the construction, not that I remember.

Q. Either before the construction or during the construction?—A. What was done before the construction in letting that contract I do not remember.

A. Well, what do you know about it? Some steps must have been taken to ascertain what contract would be desirable, I suppose.—A. I do not remember anything. My recollection does not tell me anything; though, of course, I suppose there was something.

Q. Do you recollect any proposition coming before the board from the Contract and Finance Company?—A. At present I do not. I have an impression, however, that there was one made.

WHO OWNED THE STOCK OF THE CONTRACT AND FINANCE COMPANY?

Q. At the time that the contract was acted on, did you understand who owned all the stock of the Contract and Finance Company?—A. No, sir; I did not.

Q. It was not stated at the board, then, by any of the stockholders in that company who were also directors in the Central Pacific, that they held the two relations?—A. No, sir.

Q. Who were the members of the board when that contract was voted on?—A. That is fixing dates, which I cannot fix from memory.

Q. It was in December, 1867?—A. I could tell only by looking at the list of directors; in that way alone could I remember.

Q. Who were on the board of directors at that time?—A. That is shown by the list of directors that I furnished you.

Commissioner ANDERSON. It was December 3, 1867. I should like to know who were present at that meeting.

Mr. COHEN. On December 3, 1867, there were present at that meeting, Leland Stanford, E. B. Crocker, Mark Hopkins, E. H. Miller, jr. Do you want any more?

Commissioner ANDERSON. If there were any others present.

PROCEEDINGS OF BOARD OF DIRECTORS OF CENTRAL PACIFIC.

Mr. COHEN. There were no others present. I will give you the entire proceedings. They are very short. President Leland Stanford in the chair called the meeting to order. The president reported that he had made an arrangement with the Contract and Finance Company for the construction and equipment of the railroad and telegraph lines of this company lying east of the eastern boundary line of California, and presented a draft of such contract. The same having been read and considered, the following resolution and order was unanimously adopted, to wit:

Resolved and ordered, That this company hereby consents and agrees with the Contract and Finance Company to the terms, stipulations, and conditions of the articles of agreement submitted by the president to this board, and the president and secretary are hereby authorized and directed to execute the said contract on behalf of this company, and to attach the corporate seal thereto.

That is all there is on that subject.

Q. Now, Mr. Miller, after having heard the record of the proceedings read to you, I ask you again was any explanation made at that meeting that the other three directors who were present were stockholders in the Contract and Finance Company?—A. I do not remember that any such explanation was made.

Q. Had such explanation been made to you at any time before that time?—A. No, sir.

TERMS OF CONTRACT WITH CONTRACT AND FINANCE COMPANY.

Q. What is your recollection of the terms of this contract?—A. My recollection, as I get it from the books now, is that the contract was to build and equip a line of railroad and telegraph from the State line eastwardly for \$86,000 per mile; one-half payable in cash and the other half payable in stock; that the Contract and Finance Company was to complete the road; build all depots, station-houses, turn-tables, round-houses, and furnish all the equipment, such as cars, locomotives, machine-shops, freight-shops, machinery in the shops, and everything necessary to the running of the road.

Q. Did the contract include the purchasing and laying of the rails?—A. It did; only the contract evidently, from the books and from my recollection, was that the Central Pacific Railroad Company, as a company, agreed to provide the equipment, certainly, and the iron itself, certainly, charging the Contract and Finance Company with the cost thereof.

Q. Do you derive these terms solely from an inspection of your books, or from your memory somewhat?—A. Well, my memory has been refreshed somewhat by the books, but almost solely from the books.

Q. Are you positive that the stock was to be delivered at par?—A. Yes, sir; it was so delivered.

Q. It was so delivered as appears from the books?—A. Yes, sir.

CHARACTER OF THE COUNTRY.

Q. Please describe, as well as you can, the general character of the country to which this contract applied.—A. I know very little of it; I never traveled it at all until the road was completed.

Q. Had it any engineering difficulties compared to the mountainous portion?—A. Compared to the mountainous portion the difficulties were very slight. Of course there were grades and curves and some difficult work, but the character of it I cannot tell.

Q. To whom can you refer us as the best witnesses relating to the subject of the actual cost of this construction to the Contract and Finance Company?—A. J. H. Strobbridge for one, Arthur Brown for another. I do not know any one else, unless Charles Crocker himself, and William E. Brown.

Q. Mr. Clement was referred to.—A. Mr. Clement was referred to more as an engineer, and probably would not know as much about the cost to the Contract and Finance Company.

Q. Would he not know as to the quantity of work that was to be done, and what a fair charge would be for it?—A. Well, generally, yes.

Mr. COHEN. Mr. Clement does not know the prices, perhaps.

The WITNESS. No.

PERSONNEL AND PRACTICE OF THE AUDITING COMMITTEE.

Q. It appears from the minutes of July 5, 1865, at page 18 of the minute-book, that a resolution was passed directing that none of the regular warrants drawn upon the treasurer should be allowed, except through an auditing committee appointed by the board; who was the auditing committee?—A. I think the auditing committee must have been formed just about that time.

Q. Who served as an auditing committee through the period of the Crocker contract and the contract of the Contract and Finance Company?—A. I was one of the members all the time, and Mark Hopkins was one part of the time. I do not remember who the other one was; there were various persons at various times.

Q. Please describe what the practice of the auditing committee was; what you did.—A. When any vouchers came in as claims against the company the auditing committee examined them and if they found no objections to them they were allowed and paid.

Q. What, if anything, was done to verify the report? For instance, if an engineer's estimate came in, did you take any further steps?—A. No, sir; not in those cases.

Q. You accepted the report?—A. We accepted the report of the engineer. We had an engineer whose report could be accepted if that of any living man could be accepted.

Q. Did you all sign the report?—A. I do not think so, in all cases; only in very important cases.

Q. Who signed the report generally?—A. I did during all the time. I was the active member of the auditing committee.

MR. CROCKER'S BILL FOR EXTRA WORK.

Q. From the minutes of January 3, 1868, page 65, I find that a bill of Mr. Crocker's for extra work was rendered, amounting to \$173,785.27

and was allowed. Do you remember that there was a bill for extra work connected with the Crocker contract?—A. I remember that there were several bills paid to Crocker & Co. and the Contract and Finance Company for work done outside of their contract.

Q. Were those bills in addition to the statement that you furnished here this morning?—A. Certainly. They were work entirely outside of the contract.

Q. Then the statement that you furnished this morning does not include all the payments made to Crocker & Co. for work done by them?—A. All the payments for work done under this contract. They built some wagon roads, and some one of them built the snow-sheds. That was outside of the contract.

Q. But work forming an integral part of the railroad itself?—A. Not necessarily, but some things that were necessary for the railroad. For instance, they built wagon roads to some stations so that travel could come to the station.

Q. Can you furnish an approximate statement of the amount of this extra work?—A. I cannot from memory; I can by looking at the books.

Q. Do you know, from memory, whether it exceeded \$1,000,000, for instance?—A. I am inclined to think that the total extra work, or payment for extra work done, was in excess of \$1,000,000.

Q. On each contract or on the two?—A. On the total contract from the State line to Promontory Point.

RESOLUTION TO INCREASE CENTRAL PACIFIC STOCK.

Q. I find in the minutes of July 13, 1868, at page 60, a report made by Mr. E. B. Crocker that the stock of the company as it stood at that date, \$20,000,000, was less than was necessary for the construction, completion, and equipment of the road when it should be extended to a connection with the Union Pacific. The entry continues:

And whereas an increase of said capital stock of not less than \$80,000,000, making the whole amount \$100,000,000, is necessary for such completion, resolved that the capital stock be increased to \$100,000,000.

The resolution further provides for the submission of said increase to the stockholders. Will you explain in what respect, under the circumstances that existed with the Contract and Finance Company, the increased stock gave them any additional capacity for the completion of the road?—A. None at all, as I understand it. The increase was occasioned, as I supposed, because the laws of the State required that no indebtedness should be incurred by any company over and above the amount of its capital stock; and as they wanted to issue more bonds they must necessarily issue more than \$20,000,000 worth, so they had to increase the capital stock on paper in order to get themselves into a position to incur the additional indebtedness.

QUESTION OF INCREASE SUBMITTED TO STOCKHOLDERS AND APPROVED.

Mr. COHEN. There is another resolution at page 62 which ought to be inserted in this connection.

Commissioner ANDERSON. You may put it in if it sheds any light on the subject.

Mr. COHEN. By the proceedings of July 18, 1868 (page 62 of the minute book), it is shown that the increase of the capital stock was submitted to a vote of the stockholders of the company at the annual meet-

ing held on the 14th day of July, 1868. I merely wished to show that the stockholders voted on it and approved it.

RESOLUTION RATIFYING ACTS OF THE BOARD.

Q. From the minutes of July 10, 1869, at page 73 of the minute book, it appears that a resolution was passed that the question of ratifying and approving the acts and proceedings of the board of directors during the past four years be submitted to a vote of the stockholders at the next annual meeting in the following form: "Ratifying the acts of the board of directors; yes or no." Do you remember that circumstance in July, 1869?—A. No; I do not remember that specifically. It was a common thing, at meetings of stockholders, to submit resolutions ratifying the acts of various officers, but I did not recollect specially that they ratified the acts of the board of directors.

Q. Do you remember what particular acts were thought to require ratification?—A. No, sir; I do not remember that there were any. I suppose it was a mere general ratification.

Q. Was there any question made at that time in regard to contracts made with Crocker & Co. or with the Contract and Finance Company?—A. I do not remember that there was at that time or at any other by the stockholders.

Q. In July, 1869?—A. No.

Q. You certainly remember that such questions were raised and discussed in 1870?—A. Not at the meeting of the stockholders. Outside I remember having heard it.

Q. I am not confining my inquiry to the meeting of stockholders. I ask what circumstances had occurred which made the directors think this proceeding necessary?—A. I understood that, and I said I did not consider that there were any. Then I understood you to go on further and ask what discussion was had at that meeting.

Commissioner ANDERSON. Mr. Cohen, you have the minutes of this meeting of stockholders. Will you kindly examine those minutes as to whether this question of ratifying the proceedings of the board of directors was submitted?

Mr. COHEN. Yes, sir.

CONTRACT AND FINANCE BILL FOR BUILDING SNOW SHEDS.

Q. On the 7th of August, 1869, it appears from the minutes, at page 75 of the minute book, that a bill of the Contract and Finance Company for expenditure by them in building snow sheds, purchasing wood, &c., and other matters, amounting to \$1,021,712.05, was allowed. Do you remember that bill?—A. I do not remember it now.

Q. Do you remember that there was a large extra bill?—A. Yes; I remember that they built the snow sheds and were paid for building them.

Q. But that item is not embraced in estimates of the cost of the road, as submitted by you this morning?—A. I did not intend to represent that as the cost of the road entirely.

Commissioner ANDERSON. I understand that.

Mr. COHEN. And that bill was for other purposes than purchases of wood and building snow sheds. It included artesian wells, prospecting for coal, &c. If you will admit the proceedings of that meeting as they were, that will save us the trouble of referring to them again.

Commissioner ANDERSON. You may put them in.

PROCEEDINGS OF BOARD OF DIRECTORS APPROVING SAME.

Mr. COHEN. On page 75 of the minutes, August 7, 1869, the following appears:

SACRAMENTO, August 7, 1869.

Meeting of the board of directors held at the office of the company in Sacramento, pursuant to a call of the president.

Present, Leland Stanford, E. B. Crocker, Mark Hopkins, and E. H. Miller, jr.

President Stanford called the meeting to order.

The bill of the Contract and Finance Company heretofore presented, for expenditures by them in building snow sheds and in purchases of wood, &c., amounting to \$1,021,712.05, was taken up, and on motion of E. B. Crocker, seconded by Mark Hopkins, the following resolution, offered by E. B. Crocker, was adopted, to wit:

Resolved and ordered, That the bill presented by the Contract and Finance Company for \$1,021,712.05 for expenditures in building snow sheds, artesian wells, prospecting for coal, and in purchases of wood, &c., be, and the same is hereby, allowed.

A statement of account was now presented by the Contract and Finance Company, showing \$11,038,630.13 to be due them on final settlement of contract of December 3, 1867, for building the railway and telegraph line of the company east of the boundary line of the State of California. E. B. Crocker offered the following resolution, which was adopted, to wit:

Resolved and ordered, That the account of the Contract and Finance Company as represented, showing \$11,038,630.13 due the said Contract and Finance Company on final settlement under their contract of December 3, 1867, be, and the same is hereby, allowed and ordered paid in accordance with the terms of the said contract.

RESOLUTION ADOPTED RATIFYING TWO CONTRACTS WITH TELEGRAPH COMPANY.

Q. From the minutes of April 30, 1870, at page 89 of the minute book, it appears that a resolution was adopted ratifying the two contracts entered into by Leland Stanford on the 22d of April, 1870, with the Atlantic and Pacific Telegraph Company. Do you remember what those contracts were?—A. No, sir; I do not remember them at all.

Q. Have you them on file?—A. I do not think so, though they may be on file. Do you want me to look for them?

Commissioner ANDERSON. Not unless we tell you. Do you know whether they relate to telegraph business?

The WITNESS. I do not remember a thing about them, except what appears in what you have just read.

ARRANGEMENTS AS TO TELEGRAPH BUSINESS.

Q. Do you remember whether the telegraph business of the road or part of the road was carried on by the Atlantic and Pacific Telegraph Company, instead of being done by your own line?—A. I do not remember now. I had forgotten entirely that there was such a company.

Q. What is the present arrangement of the company in regard to the transmission of telegraphic messages?—A. The Western Union Company has a contract with the Central Pacific Company.

Q. The Western Union does the whole business?—A. Yes, sir.

Q. Under a contract with the Central Pacific?—A. Yes.

By the CHAIRMAN:

Q. What is the date of the contract?—A. I do not remember; it was made several years since.

Commissioner ANDERSON. We will call for a copy of that contract.

TELEGRAPHING PRIOR TO CONTRACT DONE BY CENTRAL PACIFIC.

Q. What was the arrangement prior to that contract?—A. The Central Pacific did its own telegraphing prior to that time, on its own lines;

but the Central Pacific had but very little connections, and, so, could get but very little commercial business to do.

Q. You say they did their own business prior to that?—A. Yes, sir; they did their own business as to running trains, &c., and attempted to do a commercial business, but could not get much, because our lines only extended along the line of our road and large towns did not happen to be on our line. We got the commercial business of little towns only.

By Commissioner ANDERSON:

Q. Then this contract with the Western Union is the first contract that you remember by which that company did this particular business?—A. I think there were two contracts. I think there was one previous to the one in existence at the present time.

Q. And as to the contracts with the Atlantic and Pacific, you do not recall those?—A. I do not remember anything at all about them.

RESOLUTIONS APPROVING EXPENDITURES AS JUDICIOUS.

Q. The minutes of July 9, 1872, page 82 of the minute book, show that at a stockholders' meeting a resolution was introduced reading as follows:

That all disbursements and expenditures of moneys of the company by its vice-president, C. P. Huntington, heretofore made at the East, have been judiciously made in the interests of the company and are hereby approved.

Also,

Resolved, that the directors of the company be and they are hereby authorized to allow the account of said Huntington for moneys so as aforesaid disbursed and expended.

Also,

Resolved, that all disbursements and expenditures of the moneys of the company by its president, Leland Stanford, heretofore made, have been judiciously made in the interests of the company.

And such disbursements and expenditures are by said resolution approved.

Also,

Resolved, That the directors of the company be authorized to allow the account of said Stanford so as aforesaid disbursed and expended.

Do you remember those resolutions of the stockholders' meeting in 1872?—A. I remember the first one, but since that I do not remember any one distinctly. But there were several of them, from time to time.

Q. Did you introduce some of them?—A. Very likely I did, if it is so put down on the minutes. They were handed to me to take into the room.

DISBURSEMENTS AND EXPENDITURES AS APPEARING UPON BOOKS.

Q. What did you know in regard to the disbursements and expenditures?—A. I knew all about the disbursements and expenditures as they appeared on the books.

Q. These particular ones that were ratified by the stockholders?—A. All the disbursements and expenditures made by either of them.

Q. Well, did these particular disbursements and expenditures appear in detail on the books?—A. If there is any mention there of them they did. Whatever are mentioned did.

Commissioner ANDERSON. They are not mentioned in detail. The entry states that "all disbursements and expenditures of the money of

this company by its vice-president, C. P. Huntington, heretofore made at the East have been judiciously made."

The WITNESS. "All disbursements and expenditures heretofore made at the East" had been entered upon the books, and I knew all about them if the other directors did not.

RESOLUTION RATIFYING ALL ACTS OF HUNTINGTON AS AGENT.

Q. In what respect did these disbursements differ from any others that they should require a vote of this character?—A. The resolution ratified all the acts of Mr. Huntington as agent and attorney of the company.

Q. Why did Mr. Huntington want any more ratification than you did?—A. I do not know. He wanted it; that is all I know. I suppose, if I acted as an agent, I should be very glad to have my acts ratified by my principal. I intend, when Mr. Huntington comes here again, to get his ratification of all my acts done as his agent.

Q. Did you say that your books show the detailed purposes to which all the expenditures and disbursements made by Mr. Huntington at the East were applied?—A. In detail, no.

Q. Do they show the names of the persons to whom they were paid, or the purposes for which they were incurred?—A. The purposes for which they were incurred, yes, but not always the names of the persons to whom they were paid.

Q. When you say they show the purposes to which they were applied, how definitely do you mean to say that?—A. I mean to say that they show those purposes from Mr. Huntington's statements.

Q. Do you mean to say that they purport to show whether they were used for buying rails or other material, or for moneys expended in explaining matters at Washington or for educational purposes? Is it not true that in a great many cases they do not define the purpose?—A. Very likely.

Mr. COHEN. I think the vouchers themselves will probably be the best evidence.

Commissioner ANDERSON. The trouble with this resolution is that it does not tell exactly what it refers to.

The WITNESS. As I understand that resolution it referred to all his expenditures of every nature and kind.

Q. Now, I ask you whether you understood what all his disbursements had been? I mean their character?—A. I did not. He spent the money, and charged "Expenses by C. P. Huntington," not always giving a detail of what the expenses were for.

"THIS IS FOR THE BENEFIT OF THE COMPANY."

Q. Referring to those in general, and not to any disbursements in particular, did you accept Mr. Huntington's statement when he said to you, "I tell you this is for the benefit of the company," and make no further inquiry?—A. I never made any inquiry in regard to his statements as they were sent out to me for disbursements that he made, because I understood that he was acting with as full power as the board of directors would have if they were in his place. So his statements of account were accepted without question by me.

Q. Assuming, for the sake of illustration, that some portion of that money had been used in influencing members of the legislature, would you know anything about it from the form or face of the explanation that Mr. Huntington might make to you?—A. Nothing at all.

Q. And you would accept his explanation without any further comment?—A. Yes.

Q. Did Mr. Huntington ever tell you that portions of this money referred to in these resolutions had been used for the purpose of furthering or defeating legislation at Washington or elsewhere?—A. He never did.

Q. Did he ever refer to moneys expended at Washington at all?—A. No, sir.

Q. Or at Sacramento?—A. No.

Q. Were you aware, from any source (if it be true), that moneys of this company were used for such purposes?—A. For the purpose of influencing legislation? No, sir.

Q. Or for explaining to members of the legislature, or to friends of the members of the legislature, what the company desired to have done or not to have done?—A. I never knew anything of the kind.

Q. Did you ever read Mr. Huntington's letters in the Colton case?—A. No, sir; I did not. I had too much to do. Life is too short. I was as busy in the Colton case as I am in this. I had my own business to attend to.

AUTHORIZATION TO PURCHASE INTEREST OF CALIFORNIA PACIFIC IN CERTAIN STEAMERS.

Q. On December 14, 1872, at page 92 of the minutes, it appears that Mr. Leland Stanford was authorized to purchase the interest of the California Pacific Railroad Company in certain steamers for \$786,000. Do you remember that purchase?—A. Yes, sir.

Q. Did you vote for that resolution?—A. I presume I did; I do not remember the fact.

Q. Were either of the four directors, Mr. Stanford, Mr. Hopkins, Mr. Huntington, or Mr. Crocker personally interested in the California Pacific at the time?—A. Yes, sir; they were all owners of stock.

Q. At that time did they not practically own all of the stock?—A. I think they did.

Mr. COHEN. No.

Commissioner ANDERSON. Well, if you do not know you may answer that you are not sure.

THE CONTROLLING STOCKHOLDERS.

The WITNESS. Well, I am not sure, but I think that they did. They had the control. I do not think they ever owned anything like all of it, now that I come to refresh my memory.

Q. Did you know that they had that interest in that company at the time that this resolution was passed?—A. Yes, sir.

Q. What did you know about the value of the property bought for this sum of money?—A. I remember I thought it was a good purchase for the Central Pacific to make.

Q. Had you ever seen these steamboats?—A. Yes, sir; I traveled upon them frequently.

Q. How many of them were there?—A. I do not remember exactly, but I think four or five good boats and a lot of barges, besides some poor boats.

Q. Did you know what they were worth?—A. No, sir; I did not know.

Q. Did you vote for this because in your judgment you were convinced that it was a good vote, or because you were requested to do

so?—A. Neither; but because I heard that President Stanford had made negotiations, and he reported his negotiations, and I voted for it because I supposed he had investigated it and understood it to be good.

SUBSEQUENT HISTORY OF THE STEAMERS.

Q. What was the subsequent history of those steamers?—A. They were used on the Sacramento River. They kept off opposition and kept up prices, which was for the benefit of the Central Pacific and its leased road, the California Pacific. They are diminishing and growing less and less, some of them going out of service. Some of them have been sold, and some of them have been condemned.

Q. Have they paid operating expenses?—A. I do not think they have altogether; no, sir. They have indirectly, though, paid the Central Pacific very large operating expenses.

Q. By keeping off competition?—A. Yes, sir; and having practical control of all the business between Sacramento and San Francisco.

Q. All the water business?—A. They had control of the rail routes, too.

Q. You mean the Central Pacific controlled the roads?—A. Yes, sir; the Central Pacific controlled both roads and the steamers, and that of course avoided any cutting of rates between those points.

Q. Have there been any opposition steamers put on since that purchase?—A. There has been no active opposition. There may have been steamers put on for a short time, but the opposition soon wound itself up.

EXTRACT FROM MINUTES CONCERNING CHARGES MADE IN BRANNAN SUIT.

Q. I refer you now to the proceedings of the stockholders of July 8, 1873, at page 99 of the minute book. Reference is there made to the charges that had been made against the company in the Brannan suit and other similar suits, and the recital is made that—

In view of the matters aforesaid we have considered it incumbent upon us for our own security and the security of all others having any claims upon or against the company to inquire into these alleged abuses.

And whereas we have investigated and now know and understand all the transactions of the president and directors of the company in and about the construction of said road and the general management of the affairs of the company, and are fully satisfied therewith;

And whereas it is just to them that our opinion of their administration of the affairs of the company should be formally and publicly expressed; Now, therefore,

Resolved, That we do hereby, with full knowledge of the matters hereinbefore referred to, approve and indorse the plans, measures, and contracts adopted and made by our president and directors in relation to the construction of said road as affording in our judgment the only practicable and available mode under the embarrassing and trying circumstances in which they were placed and as being more expeditious and equally as economical as any other course that could be adopted.

Resolved further, That we approve the action of the president and directors in guaranteeing the payment of 600 of the 20-years 6 per cent. mortgage bonds for \$1,000 each of the California Pacific Railroad Company as being highly advantageous to the annual interests of the company.

Resolved further, That we wholly condemn and disapprove the course pursued by Brannan in the county of Placer in instituting the suits hereinbefore referred to.

you remember the proceedings at that meeting of stockholders?—do not think there were any special proceedings except to vote those resolutions.

Well, do you remember that?—A. I cannot say that I remember except as my attention is called to it now.

Q. Were you present on the occasion?—A. I think I was; that is, I have not any doubt that I was.

PROCEEDINGS OF ANTI-BRANNAN MEETING OF STOCKHOLDERS.

Commissioner ANDERSON. Does that book show the proceedings of the meeting at which the anti-Brannan resolutions were passed?

Mr. COHEN. Yes; at page 99.

Commissioner ANDERSON. Does it contain the list of the persons present?

The WITNESS. I was present at that annual meeting.

Q. Do you know who else was present at that particular meeting?—A. I do not remember.

Q. Do you know what stockholders voted for the resolution?—A. I do not remember.

Mr. COHEN. There were 625,640 shares present.

Commissioner ANDERSON. Who were the holders of the shares? Does the book show?

Mr. COHEN. It does not say, but merely states that there were that number of shares present, and that number of votes cast.

Q. Who were the principal stockholders of the Central Pacific in 1873?—A. Leland Stanford, O. P. Huntington, Mark Hopkins, and Charles Crocker. E. B. Crocker had drawn out then, I think.

Q. That represents substantially all the stockholders?—A. A very large majority.

WHO WERE PRESENT.

Q. Do you remember whether anybody else was present at this meeting when these resolutions were passed?—A. Yes, sir; there have been always some others present besides them.

Q. Can you give us the name of anybody else who was present at that meeting?—A. I cannot remember now. Governor Stanford was present, but he was, of course, in the chair.

Q. What examination had you made, which was referred to in this resolution?—A. It did not require any special examination from me; I knew all about it beforehand without any examination.

Q. Who was present at that meeting to whom these remarks could possibly apply?—A. I suppose any outside stockholders that happened to be present; outside, I mean, of those few that you have mentioned. There were always some.

Q. But you cannot refer to the name of any person who was present, and of whom it can be said that he had examined into the matter, and now fully understood the whole circumstances?—A. I do not remember now who else was present except those I have named.

Q. Do you know whether this meeting was held before or after the division between those gentlemen of the stock held by the Contract and Finance Company?—A. I do not know.

RESOLUTION NOT THE ACT OF THE CONTRACT AND FINANCE COMPANY.

Q. Was this resolution anything more than the act of these four gentlemen, and of the Contract and Finance Company, ratifying their own acts, and saying that they were good boys?—A. Yes, sir; it was, so far as my vote was concerned.

Mr. COHEN. Mr. Albert Gallatin was also present. I presume so because he was a judge of election at that time.

Q. What Albert Gallatin is that; do you know?—A. He was a resident of Sacramento.

Q. Do you know how many shares of stock he had?—A. No, sir; I do not remember.

Q. Has he ever been a stockholder of any note in your company?—A. Yes; he has held considerable stock.

Mr. COHEN. I think he was the plaintiff in that suit, to test the constitutionality of the "Thurman act."

Q. You cannot tell us how much stock he had at that time?—A. No, sir; but my impression is that he had 5,000 shares.

Q. In 1873?—A. Yes, sir.

Q. The stock-transfer books will show?—A. Yes, sir. You have a copy of the stock-list here; that will show.

Commissioner LITTLE. It is not finished yet.

Q. Is Mr. Gallatin living?—A. Yes, sir.

Q. Do you think that he had made any examination into these matters which satisfied him that they were entirely right?—A. I do not know whether he had or not.

RESOLUTIONS RATIFYING ACTS OF PRESIDENT STANFORD.

Q. According to the minutes of July 30, 1878, at page 293 of the minutes of stockholders' meetings, a resolution was passed ratifying the acts of Leland Stanford as president, done and performed within the States of Nevada and California and in the Territories of Utah and Arizona and the District of Columbia with a direction that a release be executed, releasing him from all liability. Do you know what matters were referred to in that resolution?—A. I do not know that any specific matter was referred to.

The CHAIRMAN. That resolution was called for, and it had better be entered now in full on our minutes.

Mr. COHEN. Yes, you called on Mr. Crocker for that. I will read the resolution now. It is as follows:

Resolved, That we, the stockholders of the Central Pacific Railroad Company now assembled in a stockholders' meeting, having been fully informed and advised of all the acts and doings of Leland Stanford as president of said company, heretofore done and performed within the States of Nevada and California and in the Territories of Utah and Arizona and the District of Columbia, and having full and perfect confidence in said Leland Stanford and believing that all said acts and doings have been for the best interests of said company and of the stockholders thereof, do hereby remise, release, and forever discharge said Leland Stanford of and from any and all liability and all, and all manner of, action and actions, cause and causes of action, suits, debts, dues, sums of money, claims and demands whatsoever which said company or we as stockholders thereof have had, or now have, or which said company, its successors or assigns, or we as such stockholders thereof, our heirs, executors, administrators or assigns can, shall, or may have by reason of any of said acts or doings of said Leland Stanford as president of said company or of any matter or thing arising or growing out of any such acts or doings.

Resolved further, That the board of directors of said company are hereby authorized, empowered, and directed to execute by its vice-president and secretary on behalf of said company to said Leland Stanford, and to cause the corporate seal of said company to be thereunto affixed, as its act and deed, a release in the following form, to wit:

Know all men by these presents, that the Central Pacific Railroad Company has remised, released, and forever discharged and by these presents does for itself, its successors and assigns, remise, release, and forever discharge Leland Stanford of the city and county of San Francisco and State of California of and from any and all liability and all, and all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, claims, and demands whatsoever which said Central Pacific Railroad Company ever had or has, or which it or its successor can, shall, or may have by reason of any of said acts or doings of said Leland Stanford as president of said company, or of any matter or thing arising or growing out of any of such acts

or doings; or by reason of any matter, cause, or thing whatsoever prior to the date of these presents.

In testimony whereof, the said Central Pacific Railroad Company has caused these presents to be signed by its vice-president and secretary and its corporate seal to be hereunto affixed, and its acts and deed, this — day of — A. D. 1878.

Q. Was such a release given and executed subsequently?—A. Yes, sir.

Mr. COHEN (to Commissioner Anderson). You asked for the stockholders who voted at the previous meeting. They are set out here, all of them who voted on this proposition; perhaps you had better get them down.

Commissioner LITTLER. Read the names and number of shares.

Mr. COHEN read as follows:

LIST OF STOCKHOLDERS AND NUMBER OF SHARES VOTING ON THE PROPOSITION.

Names.	Number of shares.	Names.	Number of shares.
Charles Crocker, in person.....	94,028	C. P. Huntington, in person.....	10,510
E. B. Crocker, by Charles Crocker, trustee.....	103,851	W. A. Tompkins, by C. P. Huntington, proxy.....	1,300
E. H. Miller, Jr., in person.....	10,083	S. B. Dodd, by C. P. Huntington, proxy.....	480
Leland Stanford, in person.....	44,083	I. E. Galea, by C. P. Huntington, proxy.....	800
Moses Hopkins, in person.....	2,500	R. J. Phillips, by C. P. Huntington, proxy.....	1,300
S. T. Gage, in person.....	4,500	E. E. Adams, by C. P. Huntington, proxy.....	920
C. H. Cummins, by Leland Stanford, proxy.....	10,829	E. H. Pardee, by C. P. Huntington, proxy.....	1,255
E. W. Hopkins, in person.....	2,500	C. A. Van Deeren, by C. P. Huntington, proxy.....	1,820
A. E. Preece, by E. W. Hopkins, proxy.....	5,000	E. St. John, by C. P. Huntington, proxy.....	210
H. H. Seaton, same proxy.....	3,000	W. R. Curtis, by C. P. Huntington, proxy.....	2,000
William C., same proxy.....	3,000	W. C. McKean, by C. P. Huntington, proxy.....	900
Charles Zeitler, same proxy.....	1,000	William Porter, by C. P. Huntington, proxy.....	1,000
William Ingraham, Jr., same proxy.....	1,500	D. D. Colton, in person.....	20,024
F. L. Anderson, same proxy.....	2,000	E. M. Dunbar, by C. P. Huntington, proxy.....	2,645
Robert H. Hall, same proxy.....	2,800	Jerome Madden, by L. Stanford, proxy.....	6,000
Albert Gallatin, same proxy.....	4,500	A. N. Towne, in person.....	6,197
W. R. S. Foey, same proxy.....	4,500	John Corning, by L. Stanford, proxy.....	7,000
Charles A. Bailey, same proxy.....	1,500	William E. Brown, by L. Stanford, proxy.....	1,721
G. W. Sather, same proxy.....	1,500	E. S. Miller, in person.....	7,000
L. D. Folsom, same proxy.....	2,000	Robert Robinson, in person.....	10,010
J. R. Watson, same proxy.....	1,500		
Benjamin Welch, same proxy.....	1,000	Total votes.....	457,490
Ansel B. Cheney, same proxy.....	1,500		
J. A. Seaman, same proxy.....	1,000		
Thomas Dunworth, same proxy.....	2,000		
C. J. Torbert, same proxy.....	1,500		
Mark Hopkins, Mrs. M. F. S. Hopkins, administrator, by E. W. Hopkins, proxy.....	52,804		
George Crocker, by Charles Crocker, proxy.....	100		
E. D. W. McCullough, in person.....	5,000		
D. T. Phillips, in person.....	3,488		
Charles F. Crocker, in person.....	100		

VOTING ON PROXIES AT THE MEETING.

Q. Mr. Miller, you voted on something over ten thousand shares?—A. Yes, sir.

Q. Did they belong to you?—A. No, sir.

Q. Whose stock was that?—A. Mark Hopkins'.

Q. You voted as he requested, I suppose?—A. No, sir; I voted some of my own with them.

Q. Did you vote on his stock without his request?—A. Yes, sir.

Q. He was present, was he?—A. Well, he was present, and I voted the same way that he did. If I had not voted the same way as he did probably I would not have voted as I did.

Q. Did you see any of the proxies that were used at that meeting ?—

A. I saw them all.

Q. Were they the same form ?—A. Yes, sir.

Q. Did they contain anything relating to this particular matter ?—A. No, sir.

By Commissioner LITTLER :

Q. How much stock was not represented at that meeting ?

Mr. COHEN. There were four hundred and fifty-seven thousand shares. That would be about forty-five and three-quarter million dollars, and there was probably outstanding at that time \$54,000,000 of stock.

The WITNESS. The annual reports will show, if you care to see.

LARGE STOCKHOLDERS PRESENT.

Q. What large stockholder was present and voted on his own stock ?—

A. Mr. McCullough was one. He had five thousand shares. I have no means of knowing who were actual stockholders except myself.

Q. The book before you will show who voted without proxies, will it not ?—A. Mr. McCullough voted five thousand shares, D. T. Phillips three thousand four hundred and eight-six; Charles F. Crocker and O. P. Huntington—

By Commissioner ANDERSON :

Q. Were not all of the other votes cast by proxy or else by the officers of the company personally ?—A. As I understand, those three were in person and all the rest were by an officer of the company. No; there is one other. Moses Hopkins, two thousand five hundred, in person. He was not an officer of the company.

Q. Are there any other exceptions ?—A. No, sir; that is all.

Q. Was the person exercising a proxy in all cases an officer of the company ?—A. Yes.

THE TRANSACTIONS AS TO WHICH RELEASE WAS GIVEN.

Q. What were these transactions as to which this release was to be given, and which referred to acts in the States of Nevada and California and the Territories of Utah, Arizona, and the District of Columbia ?—A. I do not remember now any particular transaction that it related to, but all his transactions.

Q. Had you had any conversation with Mr. Stanford about this intended transaction ?—A. Yes, sir; I think I had. I think I had notification of it rather, that he intended to have such a resolution presented, and perhaps I drew it up.

Q. Did he converse with you about what the subject-matters were from which he desired release, as for instance such as were applicable to the District of Columbia ?—A. No, sir; in fact, I did not know before that it applied to the District of Columbia; at least, I had forgotten that it did.

Q. Do you know of any acts of Mr. Stanford, in the District of Columbia, as to which he had reported vouchers which did not state the persons to whom the money had been paid, and as to which this operated as a release ?—A. I do not know of any, and I do not believe there ever were any.

Q. You do not believe that he ever spent any money for the company in the District of Columbia, at all ?—A. Not that I know of.

INVESTMENT OF SINKING FUND OF CENTRAL PACIFIC IN SOUTHERN PACIFIC BONDS.

Q. On January 21, 1880 (page 413 of the minute book), a resolution was passed authorizing the investment of the sinking fund of the Central Pacific Railroad Company in Southern Pacific Railroad bonds. Do you remember that action?—A. Yes, sir.

Q. What was done under it?

Mr. COHEN. It says, "Southern Pacific Railroad bonds or other good securities."

Q. What was done under it?—A. I do not remember the action exactly, but the minutes within a few days of that time will show. I have no doubt the president reported.

Commissioner ANDERSON. You will find the report at page 574.

The WITNESS. This does not relate to the same thing, though it relates to a similar transaction. This was in 1882, while the other was in 1880.

Q. You will find at page 542 further authority given for the investment of the sinking-fund moneys of the Central Pacific Railroad in Southern Pacific Railroad bonds, and then at page 574 the report upon the bonds and sinking funds.

Mr. COHEN. That report at page 574 simply says what was in the sinking fund.

NUMBER OF SOUTHERN PACIFIC BONDS IN CENTRAL PACIFIC SINKING FUND.

Q. Does the report disclose how many bonds of the Southern Pacific were held in the sinking fund at that time?—A. Yes, sir.

Q. How many were there?—A. 4,271; the date is September 20, 1882.

By Commissioner LITTLER:

Q. What was their denomination?—A. \$1,000 each.

By Commissioner ANDERSON:

Q. As security for what loan?—A. As security for a loan from the sinking fund.

Q. For what amount?—A. It does not show that.

Q. Do you know at what rate they were taken?—A. I think they were taken at 90; that is my recollection; all that were invested in the sinking fund of the Southern Pacific of California were taken, I think, at 90. There were 4,271 Southern Pacific bonds.

Commissioner LITTLER. Colonel Crocker has agreed to furnish a full list of those.

The WITNESS. Ninety-eight were of the Southern Pacific of Arizona; 80 of the California and Oregon; 22 of the Central Pacific first mortgage; 2 of the San Joaquin Valley. This is simply a report of a committee, after having examined them, showing that they find these bonds in the sinking fund.

By Mr. COHEN:

Q. There is nothing said about their cost?—A. No.

CONTRACT WITH PULLMAN PALACE CAR COMPANY.

By Commissioner ANDERSON:

Q. On May 23, 1883 (page 612 of the minute book), there appears to be a contract with the Pullman Palace Car Company?—A. Yes, sir.

Q. What was that contract, substantially?—A. In substance, the contract was that the Central Pacific sold to the Pullman Palace Car Company one-fourth interest of the cars that it had on its lines. The Central Pacific then leased the other three-fourths to the Pullman Palace Car Company, they to operate the line and to pay to the Central Pacific three-fourths of the net earnings. There was also in that contract an agreement by the Central Pacific to buy any further sleeping-cars that may be wanted from the Pullman Company, paying to them the cost of building them, with 10 per cent. additional.

Q. Do you know whether at this time any of the officers of the Central Pacific were either officers or stockholders in the Pullman Palace Car Company?—A. I think there was one of the officers that held a little stock in the Pullman Palace Car Company.

Q. Which officer?—A. Well, since I do not know anything further than my belief, I will have to decline to answer. It was no one connected with the board of directors.

By Commissioner ANDERSON:

Q. It was not either of the "S. H. H. and C." people?—A. No, sir. I would like to strike that out, if you have no objection.

Commissioner LITTLER. Very well. But you have not told us anything, and it would not do any harm.

By Commissioner LITTLER:

Q. What was the result of that contract, as to whether it was a good or a bad contract?—A. It was an unfavorable contract to the railroad company, in my judgment.

PURCHASE OF CONSTRUCTION OUTFIT OF PACIFIC IMPROVEMENT COMPANY.

Q. On August 1, 1883, at page 643 of the minute book, it appears that on motion of E. H. Miller, jr., a resolution was passed to purchase the construction outfit of the Pacific Improvement Company. What was the object of that purchase?—A. I cannot remember now what it was.

Q. How much did it amount to?—A. It amounted to \$164,000. I see by the purchase that J. H. Strobbridge, the superintendent of the Improvement Company, and B. R. Crocker, acting on behalf of this company, fixed the prices, but what the object was in buying it I do not at present remember.

Q. Please look at the minutes of the stockholders' meeting of April 14, 1885, pages 43, 44, and 45 of the minute book. Do you find a very voluminous and complete set of resolutions there?—A. Yes, sir.

Q. By whom were those resolutions prepared; do you know?—A. I think they were prepared in our own law department.

Q. Did you know anything of them before they were offered at the meeting?—A. Yes, sir; they were in my possession before they were offered at the meeting.

Q. Who directed their preparation?—A. Personally, I do not know, but some one of the directors undoubtedly, possibly C. Crocker.

RESOLUTION RELEASING STANFORD, HUNTINGTON, AND CROCKER FOR EXPENDITURES FOR WHICH THERE WERE NO VOUCHERS.

Q. Please look at the third resolution, reciting that Leland Stanford, C. P. Huntington, and Charles F. Crocker had "made various payments of money in the interests of the company for which they have given

their individual receipts, but no vouchers have been received from the parties to whom the sums were paid"; also reciting that "the nature and amount thereof have been exhibited and fully made known and explained to us"; and, continuing: "Therefore, resolved, That the stockholders waive the filing of vouchers and authorize the delivery of releases." Do you find that resolution?—A. The resolution does not seem to follow in the form that you have there exactly, but I have it. It reads as follows:

[Central Pacific Railroad Company.—Resolution adopted at stockholders meeting of April 14, 1885.

Whereas the president of this company, Leland Stanford, the first vice-president of this company, Collis P. Huntington, Charles Crocker, the second vice-president of this company, and Charles F. Crocker, a director of this company, have made various payments of money in the interest of and for the benefit of this company, for which they have their individual receipts, but no vouchers have been received from the parties to whom the same were paid; and

Whereas the nature and amount thereof have been exhibited and fully made known and explained to us: Now, therefore,

Resolved, That the stockholders of said company do hereby ratify and approve all such payments made by said officers, and do hereby expressly waive the production or filing of vouchers therefor, and the secretary of this company is empowered and directed to execute releases under the seal of the company to said Stanford, Huntington, and Crocker, and C. F. Crocker, and deliver the same to the respective parties. Said releases to be substantially as follows:

Know all men by these presents, that the Central Pacific Railroad Company, for value received, remises, releases, and forever discharges, and by these presents does, for itself, its successors, and assigns remise, release, and forever discharge (here insert the name of the party) of and from any and all liability and all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, claims and demands whatsoever which said Central Pacific Railroad Company ever had or now has, or which it or its successors or assigns can, shall, or may have by reason of any acts or doings of said ——— as (here insert the office) or director of said company, or of any matter or thing arising or growing out of any such acts or doings.

In witness whereof the said Central Pacific Railroad Company, by an order of its board of directors and by an order of its stockholders, has caused these presents to be signed by its secretary and its corporate seal to be hereunto affixed as its act and deed this — day of —, 1885.

RELEASES IN PRIOR CASES.

Q. Now, my question is: Was not this action taken with reference substantially to the same class of matters as have been referred to in the other resolutions to which you had your attention called?—A. Precisely the same.

Q. You notice that in this case a reason for the release is given, and the reason, as given, is that the parties had given their receipts, but do not themselves hold sufficient vouchers?—A. Yes.

Q. I want to know if that was substantially the reason for giving the releases in the prior cases?—A. I do not know that it was. I do not think it was. I was going to explain that the prior resolution related to all disbursements made, while these resolutions refer and are confined to such as they had not furnished a detailed voucher for.

Q. The resolution states that "the nature and amount of these payments have been exhibited and fully made known and explained" to the stockholders. Was the nature and amount of the payments which had been made by these gentlemen explained to you?—A. They did not need any explanation to me, because I knew more about them than anybody else.

CLASS OF EXPENDITURES COVERED BY RELEASE.

Q. Well, what amounts are referred to and what payments?—A. Such amounts as I have already referred to. Amounts that Mr. Huntington

had returned as expenses without giving any names, or the nature thereof, and the same with the others.

Q. The same as to Mr. Stanford?—A. Yes, sir.

Q. And the same as to Mr. Charles Crocker?—A. Yes, sir.

Q. And the same as to Mr. Charles F. Crocker?—A. Yes, sir.

Q. They had all made returns of amounts expended by them without filing any voucher therefor?—A. Without filing any voucher except their own receipts.

Q. When you state that you knew all about it, do you mean to be understood as saying that you knew exactly what these gentlemen had done with the money?—A. Not at all. I did not know anything at all about what they did with the money.

Q. Did you know the amount of each of the several payments made by them?—A. I had the means of knowing, if I did not know exactly, because it was entered on the books of the company.

NATURE OF PAYMENTS.

Q. Do you mean to say that each entry on the books of the company represents a separate payment made by Mr. Stanford or by Mr. Crocker or Mr. Huntington, or that it represents an aggregate amount?—A. It represents a separate payment. I will explain that. Possibly Governor Stanford may make a voucher for \$10,000, chargeable to expenses, which is paid by the treasurer and comes to my books and is charged to expenses. That is the nature of those payments.

Q. How would you know from that (unless the name of the person were disclosed) that Governor Stanford did not gather together four or five payments that he had made, aggregating them all at \$10,000, and so report to you?—A. I think he did.

Q. Then you do not know what each specific payment made by either of these parties might be?—A. No, sir.

Q. Why, then, do you state in the resolution here that the nature and amounts of these payments made by them to other persons had been disclosed to you?—A. The amount had been fully made known, but the nature of them I could know nothing of further than what appeared on the face—that they were chargeable to expenses. That is all the information about the nature of them that I had.

Q. That is all the explanation that you can give as to these unvouched items?—A. Yes, sir.

Q. Do you know what their gross aggregate is in the last twenty years?—A. I should think a million and a half of dollars at a guess.

STATEMENTS AND VOUCHERS NOT QUESTIONED BY WITNESS.

Q. And as secretary or director of this company you have not considered it your duty to make any further inquiry than simply to accept the statement of these gentlemen that they were acting for the interests of the company?—A. As secretary of the company I had no occasion to inquire as to the statements given to me, but as a member of the committee on accounts I did not question a voucher of that kind that came to me from any of those gentlemen. As I explained before, if Governor Stanford should make a voucher or certify to a voucher that called for \$10,000 I would not question it, neither did I those of any of the others who were members of the executive committee.

EXPLANATION OF HUNTINGTON'S REPORT OF STOCK SALES.

Q. I now refer you to the minutes of May 5, 1887, at page 204 of the minute book. A report of C. P. Huntington is there set forth as to the

disposition made of 83,331 shares of Central Pacific stock, of which he reports sales as follows :

January 29, 1880.	35,000 shares sold at 72.....	\$2,520,000
January 30, 1880.	15,000 shares at 72.....	1,080,000
Total 50,000 shares.....		3,600,000

He also reports the issue of different certificates, and the balance of the shares returned by him to the company (26,088 shares), and that he, as trustee of the company, still holds 7,245 shares. How was it that that transaction was not reported for six or seven years? What is the explanation of that?—A. The explanation of it is that Mr. Huntington still retained 83,330 shares in his hands, as trustee of the company, unissued, except that certificates had been issued for that purpose. At my suggestion (I think in answer to a letter from me) he made this statement. I suggested that he had better send back that which was not going to be issued and have it canceled and retain just sufficient to leave \$68,000,000 outstanding. He returned the balance and had it canceled—the unsold balance—and instead of retaining 33,333 shares in New York unissued he retained 7,245 shares.

Q. Which makes up just the 680,000 shares?—A. Yes, sir; that leaves sixty-eight millions outstanding.

LEASES OF THE NORTHERN RAILWAY.

Q. Have you been familiar with the various leases that have been made from time to time with the auxiliary lines as they were constructed?—A. Yes, sir.

Q. Who had charge of that subject-matter generally?—A. I think that there was no special charge of it. The various members of the board of directors. Mr. Charles F. Crocker and Timothy Hopkins, I think, lately; but formerly Governor Stanford and Mr. Hopkins and Mr. Crocker and Mr. Colton from time to time.

Q. Take the different leases of the Northern Railway for instance. Who determined the rates that should be charged and what leases should be made?—A. I think that was done mainly, if not always, by what I call "our people." I mean Governor Stanford, Mr. Crocker, or Mr. Hopkins.

Q. Take the lease of the Northern Railway, dated September 4, 1879—the operative lease—the lease that was made at so much a mile for different classes of cars. Please state the terms of that lease in brief. How many miles of road are operated and how many miles of road are conveyed; the lease of the Oakland Branch, and the Benicia Branch, and the San Pablo and Tulare?—A. Commencing in Oakland, in the county of Alameda, and ending at Martinez, in the county of Contra Costa, thence commencing with the Tulare and San Pablo Railroad, a length of 21 miles.

Q. That is one part. Then there is another; in all about 93 miles, is it not?—A. Yes, sir.

RENT PAID AND ALLOWANCE FOR REPAIRS.

Q. What was the rent provided for?—A. Twenty-five cents per mile for locomotives passing over the line.

Q. And 20 cents for passenger cars and 8 cents for freight cars?—A. Yes, sir.

Q. And then an allowance of \$100 a month to the Central Pacific for repair?—A. Yes, sir; \$100 a month per mile.

By Mr. COHEN:

Q. For what repairs?—A. For repairing the track.

Q. For what length?—A. The whole 93 miles, or whatever it was.

LEASE PROFITABLE TO THE NORTHERN ROAD.

By Commissioner ANDERSON:

Q. Do you know what the result of that operation was for the first year after it went into effect?—A. I do not know exactly what it was, but it was very profitable to the Central Pacific.

Q. Do you know how much it produced for the lessee, in the first year?—A. I beg your pardon; I meant to say that it was very profitable to the Northern road.

Q. Who negotiated that lease, as to its terms?—A. I think Mr. Towne suggested it and advocated that that was a good way to lease that piece of road. It was difficult to fix the terms.

Commissioner ANDERSON. Perhaps it will shorten this if I make you out a statement of the terms of the leases and you can look over them and state if they are correct.

The WITNESS. Very well, sir.

Q. In regard to the lease of the Southern Pacific and its various departments to the Central Pacific, do you remember who conducted that negotiation?—A. Those were all by Governor Stanford or our people—"S. H. H. & Co."

OPERATION OF CENTRAL PACIFIC BEFORE AND AFTER ITS LEASE.

Q. Have you prepared a statement showing the operation of the Central Pacific before the lease of April, 1885, as compared with the operation under the lease of 1885, so as to determine under which operation the earnings would be largest?—A. I cannot see that it would possibly make any difference, because the Central Pacific now receives all its earnings.

Q. North of Goshen?—A. All the earnings of its line.

Q. North of Goshen, you mean?—A. Yes; but before the lease of 1885 it included the earnings south of Goshen. It included the earnings of the roads leased to it.

Q. I want to know whether it made more money when it operated the Southern Pacific of Arizona and of New Mexico, and the other lines south of Goshen, than it does now?

Mr. COHEN. You can get that from the books.

A. I think the annual reports will show very clearly.

Commissioner ANDERSON. I asked Mr. Wright to make up such a statement from the books, and he said he would, and I did not know but that he had turned it over to you.

The WITNESS. It is very difficult to make up such a statement as you want from the books. In making up those statements a man does not clearly comprehend what you want. If you want to know whether those leases were profitable or not to the Central Pacific, it is easily determined.

SOUTHERN PACIFIC OF ARIZONA AND NEW MEXICO LEASE.

Commissioner ANDERSON. The lease of the Southern Pacific of Arizona and of New Mexico?

THE WITNESS. That is shown in our annual reports. The Southern Pacific of California at first was a loss, and afterwards became a profit. There is one item I think you have not got, and that is that the Southern Pacific Railroad Company returned to the Central Pacific the loss it made on the Colorado division of some \$300,000 under the lease.

Commissioner ANDERSON. I have a memorandum of it. It was \$304,000.

THE WITNESS. Something like that.

Q. Was that because of the failure of the Atlantic and Pacific to connect?—**A.** Because some circumstances did not turn out as they supposed they would at the time the lease was made.

Q. In 1885, how long had those leases to run which the Central Pacific held? How long had they to run when the alteration was made?—**A.** I think various times. The leases show for themselves. Some were for five years from their dates, and some for ten, and a certain time had run on each. It would require an examination of the lease to show.

HOW THE CENTRAL PACIFIC RENTAL WAS FIXED.

Q. Was there any general statement made in writing showing the estimated figures of these operations, from which the conclusion was reached that the actual net rent as charged of \$1,200,000 was a fair and just figure?—**A.** I do not understand that there is any such clause in the lease. I understand this to be the fact, in relation to that lease, that the Central Pacific was to have for itself and for its own treasury all the net earnings that it makes up to 6 per cent. Then the Southern Pacific guarantees that those earnings shall not be less than a million two hundred thousand dollars, and for the sake of that guarantee it also gets a counter-agreement that if it makes in excess of \$3,600,000 it shall have the excess for itself. I think that was a very fair agreement on the part of the Southern Pacific. They are liable to have something to pay on the \$1,200,000 and they are not very likely ever to receive any income in excess of \$3,600,000.

By Mr. COHEN:

Q. You say it was an advantageous lease for the Central Pacific?—**A.** Yes, sir.

By Commissioner ANDERSON:

Q. My question was whether there was prepared a statement showing just how these various lines operated which would facilitate the Commission in reaching the conclusion whether this was a fair lease for both sides or not.—**A.** I cannot remember any statement being made, but the matter was under discussion by Governor Stanford with everybody for months before this lease was made.

LEASING OF BRIDGE OVER COLORADO RIVER.

Q. Do you remember the arrangement made with the Southern Pacific in regard to the bridge over the Colorado River?

THE WITNESS. There are two Southern Pacific companies.

Commissioner ANDERSON. I refer to the Southern Pacific Railroad Company, and not to the Kentucky corporation.

THE WITNESS. The Southern Pacific made no arrangement with the Central Pacific, I think.

Q. What I want to know is whether you remember the leasing of that bridge to the Southern Pacific at \$15,000 a year.—**A.** That lease was directed to the Central Pacific, as I remember it.

Commissioner ANDERSON. Well, state it as you remember it. I have been informed it was to the Southern Pacific.

The WITNESS. It may have been to the Southern Pacific, but my remembrance is now that it was \$12,000 a year to the Central Pacific.

Q. Have you the lease?—A. No, sir; I do not believe I have. I think, however, that the books will show the rate paid.

Q. Your recollection of the rate is \$12,000 a year?—A. That is my recollection now; yes.

Q. Do you know what it cost to build the bridge?—A. No, sir.

Q. Does that appear on the books of the Pacific Improvement Company, or whatever company built it?—A. I think so.

Q. Who are the owners of the bridge?—A. I do not know. I think the Pacific Improvement Company. That is my impression.

Q. They are still the owners of the bridge?—A. I think they are.

Q. Who negotiated that lease and determined what the rate should be?—A. The same people.

Q. Are you still paying that rent for the bridge?—A. I think we are. The details of the operating I have very little to do with now, and I do not know anything about it.

Q. Do you remember the operation of the steamships on the Colorado River above Yuma?—A. Yes, sir; something.

DIVISION OF RATES BETWEEN STEAMERS AND SOUTHERN PACIFIC.

Q. Who would know about the division of the freight rates as between merchandise going from San Francisco or any other point upon the Southern Pacific, delivered on the river by steamers, and merchandise coming the other way?—A. Mr. Stubbs.

Q. Do you know what the prorates have been?—A. No, sir.

Q. You refer us to Mr. Stubbs for that information?—A. Yes, sir.

Q. Do you know who fixed the rates at which the Rocky Mountain coal was sold to the Central Pacific?—A. I think that the owners of the coal practically fixed the rate.

Q. Who were the owners of the coal, these same gentlemen?—A. No; there were a great many other gentlemen. Mr. Towne had something to say about the rates.

RATES ON ROCKY MOUNTAIN COAL.

Q. What was the rate generally, between what limits?—A. The highest rate paid was \$2.25 at the mine, and the lowest rate I think is \$1.35 now.

Q. Did you buy it at the mine?—A. Yes, sir.

Q. The Central Pacific generally bought it at the mine?—A. Generally at the mine, and paid the Union Pacific \$2 a ton freight. Now I think it is \$1.50.

Q. The Union Pacific freight is \$1.50?—A. Yes, sir; to get it to Ogden. The Union Pacific rather had us in a corner.

Q. Did you say Mr. Colton had anything to do with fixing the rate at which the coal was sold?—A. Mr. Colton was an owner in the mine and I do not know but that he controlled it before he became connected with the company.

RATE FIXED BY GENERAL MANAGER.

Q. What I want to know is: Who fixed, or who agreed to, the rate on behalf of the Central Pacific?—A. Mr. Towne, general manager, agreed

to the rate, but our people generally, of course, had something to say about it.

Q. Your chief directors had to sanction Mr. Towne's acceptance of the rate?—A. Yes, sir.

Q. Is it not true that the directors of the Central Pacific Railroad were also large stockholders in the Rocky Mountain Coal Company?—A. Yes, sir.

ROCKY MOUNTAIN COAL COMPANY HAD A MONOPOLY.

Q. And about the Carbon Hill Coal Company. How was that?—A. As to that Rocky Mountain Coal Company I may as well state that the Union Pacific had a coal mine nearer to Ogden than the Rocky Mountain coal, and one not very much further, and they sold their coal in Ogden at a considerably higher price than the price we paid for it at any time. They sold their coal at about \$5 and \$5.50 I think.

Q. At the mine?—A. No; at Ogden. Ours cost at the highest \$4.85 in Ogden when we were paying \$2.85 and \$2 freight, and they were selling at the same time their coal at over \$5. As the price went down I think they reduced their rates a little. Their sales are the only means I have of ascertaining the market price in Ogden. The Rocky Mountain Coal Company had a monopoly of all the trade.

Q. As to the Carbon Hill coal, what were the arrangements about that?—A. The same, generally, as relates to the Rocky Mountain; in fixing prices I mean.

Q. And is it also true in regard to this company that the directors of the Central Pacific were also large stockholders in the Coal Company?—A. So I understand.

EXPRESS BUSINESS CONTROLLED BY WELLS, FARGO & CO.

Q. Do you know how the Express Company of Wells, Fargo & Co. came to obtain the control of the express business over the Central Pacific?—A. No; excepting that they gave to the Central Pacific, I think, \$825,000 of stock at the par value at the time of making that contract.

Q. What is their total capital?—A. I do not know.

Q. Do you know whether it was increased at the time they made this arrangement with the Central Pacific?—A. No sir; I do not know.

Q. Do you know whether they gave any of their stock to the directors of the Central Pacific?—A. Never that I knew of. I did not get any.

Q. Do you not know that a million and a half were issued to Mr. Stanford and Mr. Hopkins and others?—A. I do not know. They had some of Wells, Fargo & Co.'s stock, but I never knew how they obtained it.

SAN FRANCISCO AND BAY RAILROAD STOCK.

Q. Do you know anything about the San Francisco Bay Railroad before its consolidation with the Western Pacific?—A. I know pretty nearly all there is to know about it, I think.

Q. Well, do you know that the stock was issued without consideration, or is that the fact?—A. I do not know that; no, sir.

Q. Do you know anything about how the stock came to be issued?—A. That I do not know.

Q. Do you know whether it was issued under one of these exhaustive contracts or not?—A. I do not recollect how it was.

RELATIONS BETWEEN CENTRAL PACIFIC AND GOVERNMENT.

Q. Have you given much consideration to the subject of the relations between the United States Government and the Central Pacific?—A. Yes, sir; to the details of the relation I have given a great deal of thought and attention, and about them I have had a great deal of trouble.

Q. Who has conducted the negotiations with the Commissioner of Railroads?—A. I have.

Q. For the purpose of settling the amounts due?—A. I have entirely.

Q. Do you and the Commissioner of Railroads agree as to the amount standing in the United States sinking fund to which you are entitled?—A. Yes, sir; I think we do, practically; I do not think there is any question about that.

SINKING FUND.

Q. Can you state the amount in that sinking fund from your report of 1886?—A. No, sir; not from any report we have—we can only state it from the reports received from the Government; I have received one within a month. The report from the Treasury Department will give some information.

Q. Does it show here [handing a paper to witness]?—A. I have had a copy of that; I cannot make anything out of that.

Q. The statement presented to you is the result, as I understand it, of the half transportation, and of the payments which have been made by you?—A. Under the Thurman bill; yes, sir.

Q. My question to you is whether the company's accounts agree with the statements of the United States Treasury as to that particular fund?—A. As to this particular fund, it would if we put the account upon our books, but we do not; we pay no attention to this, and cannot. Our accounts with the Government are in such an unsettled condition that it is impossible for anybody to tell how it does stand; we certainly have not anything in this fund like the amount we ought to have.

WITNESS DISAGREES WITH GOVERNMENT OFFICIALS.

Q. Will you please present to us the amount that you claim should be in the sinking fund belonging to you?—A. I think that will appear clearly in our last annual report; the Government officials put into that fund an amount that should not be there.

Q. Do you not know how much you have paid in cash?—A. Yes, sir; we know that, but the Government treats the account very differently from what we do; they put things into the sinking fund which we claim they have no right to do, such for example as earnings for transportation on leased lines and on non-aided lines.

Commissioner LITTLE. We shall want a statement of the condition of your account with the Government.

The WITNESS. There is no possibility of your getting that except through your accountant. I will give him all the facilities and all the help that I can.

Q. Please indicate from your balance sheet of 1886 how you can ascertain the amount which you claim ought to be in the sinking fund?—A. It cannot be done from that.

CANNOT EXPLAIN GOVERNMENT ACCOUNT.

Q. That contains all of the claimed funds together, and the balance due you and all the payments?—A. Yes; and amounts bearing on con-

solidated roads. The fact of it is, it is impossible for me to explain a thing I do not understand myself, and I do not understand the Government account. I understand our account, and that is all I do understand. We cannot get anything from the Government department that will explain it.

Commissioner ANDERSON. I suggest, as to that, that if you give me a couple of hours some morning I will go over that with you. I went over it with the Union Pacific secretary and we agreed.

THE GOVERNMENT OVERPAID \$500,000.

The WITNESS. If you will come to the office some time and sit down at the books I will be very glad to do so. While we are on this subject, I might as well say that, while I have settled with the Railroad Commissioner and the auditor of railroad accounts, I have settled on the basis that they have claimed, and not on any basis that I claim is just and right. I believe that, on a just basis, such as I have no doubt you gentlemen would fix, after proper examination, the Government has been overpaid lately \$500,000, and I believe over a million of dollars altogether, under the Thurman bill.

By Commissioner LITTLER:

Q. Have you made these payments under protest, reserving all rights?—A. Yes; one or two; but there is no use protesting against the United States Government; we cannot get anything out of them under any circumstances.

Commissioner LITTLER. It makes no difference, except so far as the use of the money is concerned.

SETTLEMENT WITH RAILROAD COMMISSIONER UNSATISFACTORY TO WITNESS.

The WITNESS. Yes, it does; the reason that I at first went on, and why I was so affable in settling on any basis that they determined, was that we supposed the money was going into the Treasury for our benefit and for our interest. If I had supposed, at the time of settling with him, that it was a final settlement of so much money, dollars and cents, I never would have settled with him on the basis that he insisted on at all; I thought it was simply putting so much money into the Treasury of the United States for our benefit.

Commissioner LITTLER. We understood from Governor Stanford that you claim the amount now due you from the United States Government to be \$1,800,000.

The WITNESS. In cash; yes.

Commissioner LITTLER. In this report you have it entered "Amount due from the United States, in cash, above all requirements, \$756,000." Please explain that difference.

The WITNESS. It would take some figuring and examination of the accounts to make that explanation. My assistant who made this up is very much more familiar with it than I am. I quit about four years ago having anything to do with Government accounts at all, and I hope I may live long enough to see it settled some time. If I do, I will be a very old man.

PLAN OF SETTLEMENT.

Q. In regard to the plan of adjustment between the company and the Government, what have you to suggest?—A. I would suggest that the Government ought in justice to the company, and in justice to the

people, to wipe out the debt clean, from to-day, or if they do not do that, they should require nothing more than the payment of the principal, without any interest, extending over a period of certainly fifty years. I believe it is a thing I would do, as a business man, if I were in the Government's place.

COMPANY CANNOT PAY OVER \$600,000 OR \$700,000 YEARLY.

Q. Speaking with reference to the earning capacity of your company, how much, in your belief, can your company pay per annum without being crippled in its operations?—A. It is very difficult to tell what they can pay in future years, but I do not think they can pay over \$600,000 or \$700,000 a year; and that, you see, carries out my idea that they ought to wipe out the debt, because almost any rate of interest that the Government would be asked to fix would amount to that, and the debt would never be paid. The interest would amount to six or seven hundred thousand dollars a year.

EARNING POWER OF AIDED BRANCH.

Q. What, in your judgment, is the earning power of the aided branch?—A. It will earn not more in my judgment than a million and a half in any future years, net, and probably a great deal less.

Q. What do you refer to when you say "it"?—A. The aided branch of the Central Pacific Railroad.

Q. A million and a half, you think, will be as much as it will earn?—A. Yes, sir; a million and a half will be its maximum, net, in any future year, in my judgment, and it is liable to fall to less than a million at any time. I judge that because the through business was formerly profitable. There is no profit in it now at all. When I said "net earnings," I meant net profits, not net earnings. Net profits are one thing; net earnings are entirely another.

Q. You mean by "net profits" what is left after paying all requirements?—A. Yes.

Q. Including fixed charges?—A. Yes, and interest, taxes, &c. Net earnings are simply gross earnings after deducting operating expenses—the cost to keep the road up to its standard.

By Commissioner ANDERSON:

Q. Have you individually any personal interest in any companies or corporations which have any financial relations with the Central Pacific?—A. No, sir, and never had—not a dollar.

I desire for myself to come before the Commission some day, and furnish some information which we have not been asked for.

Commissioner LITTLER. We will assign next week as the time in which you gentlemen will have your hearing.

Mr. COHEN. There are a good many questions I would like to ask Mr. Miller about this company and its relations to the Government.

DIFFICULTY WITH THE GOVERNMENT.

The WITNESS. You will understand something of our difficulty with the Government when I tell you that after we presented our first account for \$100,000, we received payments of it from the Treasury \$1,000 at a time, or \$2,000 at a time, without a word of statement or explanation as to what the money should be applied to, and until we sent men to Washington we never could ascertain their account of that \$100,000,

and we do not know until this day; and that account rendered over twenty years ago is not yet fully settled.

By Commissioner LITTLER:

Q. Your books show the amount of services you performed for the United States Government, to start on, do they not?—A. Yes, sir.

Q. And your books, I presume, show the amount of money you have paid the United States Government?—A. Yes, sir.

Commissioner LITTLER. I should think that by taking those sums and comparing them with the statement of the Government, the difference between you would at least be developed.

WITNESS ILLUSTRATES TROUBLE WITH THE GOVERNMENT.

The WITNESS. Yes, the difference; but I will give you an illustration of the trouble we had with the Government. We rendered a bill for \$105,000, for transportation services that went into the Government archives, and from time to time we received warrants without any explanation—at one time a warrant of \$10,000, and at another of \$5,000, and at another of \$1,000, and we could not fit them. We presented bills from that time on, but we could not fit the warrant to any bill which we had rendered, and now we do not know what they have cut out of our bill or what they have not. We have got some very long statements.

GOVERNMENT ACCOUNTS NOT KEPT ON ANY CORRECT PRINCIPLE.

Commissioner LITTLER. By the terms of this act of Congress, we are required to state the accounts between the Government and the company, and we want to hear your side of it.

The WITNESS. Well, the very best thing you can do is to come over to the office and take our side of the account; you will find that the Government's accounts have not been kept on any correct principle. That statement before you is about the clearest statement I ever saw from the Government, and that is not worth the paper it is written on, as a statement of account between us and the Government. It is not the fault of any particular one, but it is hung up in various Departments, and if a clerk finds a mistake he shoves the whole thing into a pigeon hole. What we get from the Treasury is always right, and has always been correct. There is no difficulty in keeping an account with the Treasury, but our accounts do not go to the Treasury Department.

E. H. MILLER, JR.

Mr. COHEN. I desire an opportunity to examine Mr. Miller on various subjects, and among others the relations between the Contract and Finance Company and the Central Pacific. I think if we have an opportunity to present the books of the Central Pacific to you, you will find information that will supply the loss of the contracts, and the missing books of the Contract and Finance Company so far as concerns the cost of construction of that portion of the road which was constructed by the Contract and Finance Company from the State line to Promontory, and there are various other matters in those books.

Commissioner LITTLER. We will set apart next week for you.

CALLS MADE UPON AUDITOR FOR INFORMATION.

The CHAIRMAN. We have made several calls upon the auditor for information and statements that have not yet been supplied. For example, we asked for rebate contracts.

Mr. COVELL: He was here.

The CHAIRMAN: We asked for copies of the papers which the Department has a lot of the books under the cover of the law.

Mr. COVELL: I think he gave that in his testimony.

The CHAIRMAN: We called for a statement of the gross receipts of the Central Pacific from 1868 to 1884. I think another statement showing the amount of passengers carried during the year, and a statement showing the business and the amount of direct business. We want that information as to the business and receipts if we can get it. How much has been received from the arrangements and how much from the ordinary business of the carrier after the year.

Mr. COVELL: That would be the difference between the gross and through traffic.

The CHAIRMAN: We want the aggregate amount of passengers carried in the year, and freight and passenger traffic, which the Central Pacific has done passing arrangements, and also a statement of how much is done without passing.

The Commission then adjourned to Tuesday, August 1, 1887, at 2 p. m.