

## New Orleans, Mobile and Texas Railroad.

(Continued from last week.)

In September, 1871, the above named securities were offered at the North and in New Orleans for fifty cents on the dollar, with equal amounts in the shape of eight per cent. income bonds and full paid (2) stock thrown in as a gift to each subscriber. A subscription of \$1,000,000 was actually made in New Orleans, but the whole scheme failed, because, among other reasons, the company did not have the securities to dispose of, according to agreement. Even had they been in possession of Mr. Bushnell and the full amount at the rate they were offered had been realized, the proceeds, \$3,709,500, would have been entirely insufficient to complete the road without equipment from Donaldsonville to Houston, Texas, 270 miles, and there would have been \$5,501,000 of first mortgage bonds in the hands of other parties, who would have the right at any time after six months default in the payment of interest on their bonds to foreclose and sell the property. This, your committee believe, was contemplated as a final result by the holders of said bonds.

Mr. Bushnell, through his sub-contractors, to whom, on an average, he paid about ten per cent. on the work done by them respectively, laid ten miles of track beyond Donaldsonville, and partially constructed, in a very cheap and inferior manner, however, some few miles of roadway to and along Upper Grand river. All work ceased in March, 1873, and nothing has been done since.

On or about the 11th of March, 1873, \$125,000 of second mortgage bonds were endorsed by the Governor on the ten miles of track laid beyond Donaldsonville; but as the final limit of time, January 18, 1873, for the completion of the whole road to the Sabine river had expired nearly two months previously, and the law itself provided that "none of said second mortgage bonds, for or upon that portion of the said main line of railroad not constructed within the time limited, shall be guaranteed by the State of Louisiana," it is manifest that said bonds should not have been so endorsed.

To date, therefore, on the sixth seven miles of track laid west of Westwego, or with only so much road built, the State had contributed \$4,245,000, with no security for the amount, except a second mortgage for \$875,000 on seventy miles of road beyond Westwego, subject to a first mortgage lien for the same amount.

The road beyond Donaldsonville has not been operated since the track was laid, and the liens of all the contractors—who yet remain unpaid, including the constructor of the drawbridge across bayou Lafourche—have been recorded in the respective parishes within which their work was done, and the drawbridge was turned off so that it could not be used.

On the sixth of June, 1873, all of the roads and property belonging to this company was sold by the trustees of the Mobile division second mortgage bonds, which was a third mortgage on the road west, and it was all bid in by them for their principals. On the twenty-sixth of August, 1873, the said Mobile division second mortgage bondholders, who are believed to be also the first mortgage bondholders with the name of the New Orleans and Texas Railroad Company (No. 2 in effect), and trustees Gardner and Butler transferred to them in consideration of the sum of \$1, but without guarantee as to title, on the second day of October, 1873, all of the property from Mobile to Houston, and from Brashar to Vermilionville, purchased by them at the sixth of June sale.

Prior to the sale on the sixth of June, 1873, the Legislature of that year had passed a bill to allow the company one year more time to complete the road to the Sabine river, or to January 18, 1874, for the guarantee of bonds, and until May 22, 1874, for the "subsidy" bonds, but said bill was vetoed and returned in January, 1874, to the Legislature, which sustained the veto.

On the thirty-first of October,

1873, an agreement was concluded in New York, to form among the Western division first mortgage bondholders another company, for the purpose of acquiring a valid and perfect title to, with a view to complete said railroad west to Houston, Texas. Capital stock to consist of the Western division a bonded debt; \$7,550,000 first mortgage and \$875,000 second mortgage, or \$8,425,000 in shares of \$100 each. This company was to apply to the Legislature of Louisiana for a recognition of itself as the successor of the New Orleans, Mobile and Texas Railroad Company west of the Mississippi river, with a continuation in its favor of all the rights, franchises, aids, benefits, co-operation, etc., granted to the old company, including the guarantee of bonds, subsidies, etc.

The scheme was worthy of the projectors and managers of the old company, but the situation had changed. In 1869-70 and '71, before the State had been despoiled, while yet the people could pay taxes, our State securities were worth stealing; but now they are fallen too low to be worthy of the intrigues of those who planned and so successfully managed the famous "Credit Mobilier" enterprise, and there is not corn enough left in the crib for home consumption and the encouragement of local industry.

The last Legislature passed an act recognizing the new company, on condition that it should complete the road to Grand river by July 1, 1874, to Vermilionville March 1, 1875, and to the Sabine river and Shreveport by March 1, 1876; and this act was approved and promulgated.

As the new company did not really have a "valid and perfect title" to the road west, and such could not be acquired without a judicial sale after a foreclosure of the first mortgage, or proceedings in bankruptcy, they did not attempt to proceed. The act, therefore, by its own limitation, will become null and void on the first day of July next.

It is believed that the main object was to procure a revival of the acts guaranteeing second mortgage bonds, and granting a subsidy. As this failed—a committee of citizens appointed to consider the question having declined to recommend a renewal of State aid—there was nothing left but foreclosure of the Western division first mortgage, according to proceedings initiated by Frank M. Ames, trustee for the Western division first mortgage bondholders, by a bill of complaint filed in the United States Circuit Court, November 29, 1873.

The trustee averred that the "association of bondholders," styled the New Orleans, Mobile and Texas Railroad Company, (No. 2) had "come under obligations" to a new association of bondholders, styled the New Orleans and Texas Railroad Company, and he prayed for the protection of the court in the work of completing the road to Grand river, twenty-one miles west of Donaldsonville, and for a decree of sale of the roads west. It was authoritatively stated also at the time, and thence forward, until recently, that about \$350,000 in money had been raised and was on hand to complete the road to Grand river; but it has since transpired that the money put up consisted of interest coupons detached from the fraudulent issue of Shreveport branch stock bonds, the payment of which is enjoined.

On the twenty-third of May, 1874, Judge Woods, of the United States Circuit Court, rendered a decree providing for the sale of the road and property west of New Orleans, by the first mortgage trustee, on or before the first day of December next, after six weeks advertisement of sale in New Orleans, New York and Houston. Sale for cash, and the first seventy miles west of Westwego to be sold separately, subject to the prior lien of the first mortgage to the extent of \$12,500 per mile or \$875,000, and accrued interest thereon; the balance, if any, to be applied to the payment of the mortgage bonds indorsed by the State, \$875,000, on said seventy miles of road. Balance of road, west, to be sold as Trustee Ames

may deem best, either separately or in one parcel.

The trustees, Ames for the first and the Governor of Louisiana for the second mortgage bondholders, only, to be allowed to bid in the property for their respective bondholders, or the State, on payment in cash of the amount due on the bonds not represented by the trustee purchasing; that is to say, if the Governor of the State of Louisiana bids in the property, he must pay \$765,000, and the accrued interest thereon, in cash, for the first seventy miles of road, and all in cash for the remaining portion of the road. A third party must pay cash for the whole amount of his bid for both sections. It is obvious that the first mortgage bondholders, who hold \$7,250,000 of bonds, have command of the situation, and that they always had it from the first.

On the 27th day of May, 1874, a petition in bankruptcy against this company was filed in the United States District Court by one of the sub-contractors, to whom a large amount is due for work done west of Donaldsonville. The order to show cause why the prayer of the petitioner should not be granted, was made returnable on the 8th of July, 1874.

Your committee respectfully submit that the above review of the history of this corporation, which has barred the way since 1869, and still obstructs the building of a railway to Texas, is sufficient to warrant them in declaring as their firm conviction that there is no hope of relief from them, and that the only chance of securing a railway to Texas is a speedy sale for cash, whereby this property, unincumbered, may pass into entirely new hands at the earliest possible moment.

The association of bondholders styled the New Orleans, Mobile and Chattanooga Railroad Company, wrongfully and by means of corrupt legislation, as we believe, despoiled our State of about \$4,250,000 in bonds and back interest not due, and we consider that any "association" of these bondholders, by whatever names they may style themselves, will be in the future, as in the past, unreliable. We recommend the State authorities by every means in their power to resist the payment of the fraudulent and unconstitutional issue of Shreveport branch bonds, and the interest thereon, and to favor the formation of an entirely new and trustworthy company to construct our much needed railway to Texas, as well as the transfer to such a company of the seventy miles of road west of Westwego.

**VERMILIONVILLE HOTEL,**  
**B. A. SALLES,**  
Proprietor.

May 4, '72—1y.

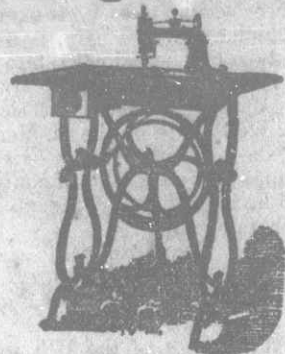
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April 4, 1874. n4y