

RAILROAD MANAGEMENT

The Wholesale Bribery of the Entire Government of Wisconsin.

Tarif of Prices—Governors Quoted at \$50,000; Senators \$10,000; Assemblymen \$5,000.

The General Plunder, Robbery, and Miscellaneous Swindling of the La Crosse and Milwaukee Railroad.

Report of the Special Committee of the Wisconsin Legislature.

MADISON, Wisconsin, May 13, 1858. The Committee appointed under Joint Resolution No. 7, and whose duty it was to inquire...

BAIRD, JOSEPH TURNER, WILLIAM STOUT and JULIUS WITTE, the general manager of the La Crosse and Milwaukee Railroad...

The following persons who were State officers in 1856, also received bonds as follows: Arthur McArthur, Lt. Governor, ten bonds, \$10,000...

In the outset, it is proper to remark that a few of the witnesses have evinced a disposition to throw suspicion on the conduct of particular individuals...

Before proceeding to a detail of facts, it may be amiss to suggest that the duty imposed was of a very different character, owing to the delicacy of the subject and the doubly crafty and secret manner in which black deeds were perpetrated...

The bribery, or "buying up" a great majority of the Legislature of 1856, is discovered in the background as a time fact, while the ingenuity displayed in the attempt to veil the transaction beyond the possibility of detection...

Table listing Senators and their bond amounts: S. W. Barnes, \$10,000; C. Clement, \$10,000; Ed. Gernon, \$10,000; W. J. Gibson, \$10,000; Jackson Badley, \$10,000; E. B. Kelsey, \$10,000; J. C. Mills, \$10,000; S. L. Rose, \$10,000; B. S. Well, \$10,000; Total, \$175,000.

Table listing Assembly members and their bond amounts: R. Aiken, \$5,000; B. F. Barney, \$5,000; C. A. Barger, \$5,000; A. A. Bird, \$5,000; Louis Bostedo, \$5,000; A. Briggs, \$5,000; C. B. Brown, \$5,000; H. Butterfield, \$5,000; D. D. Cameron, \$5,000; W. J. Chapman, \$5,000; Wm. Cheever, \$5,000; Wm. Chipman, \$5,000; Wm. C. Clegg, \$5,000; L. Connor, \$5,000; E. Cran, \$5,000; J. Crammond, \$5,000; C. C. Deane, \$5,000; H. C. Drake, \$5,000; Thomas Falvey, \$5,000; Wm. Gardner, \$5,000; D. Fletcher, \$5,000; M. Flood, \$5,000; A. D. Gray, \$5,000; Wm. Hill, \$5,000; C. Hann, \$5,000; Wm. A. Hawkins, \$5,000; Charles S. Hawley, \$5,000; C. Hays, \$5,000; O. C. Howe, \$5,000; A. A. Huntington, \$5,000; C. H. Johnson, \$5,000; H. Johnson, \$5,000; P. Johnson, \$5,000; E. Knoutson, \$5,000; C. K. Knoutson, \$5,000; P. Lavis, \$5,000; A. McCormick, \$5,000; W. C. Morrison, \$5,000; M. Murphy, \$5,000; J. Noon, \$5,000; J. C. O'Brien, \$5,000; George W. Frazier, \$5,000; J. Sell, \$5,000; F. S. Seymour, \$5,000; H. S. Thomas, \$5,000; George P. Thompson, \$5,000; John Toole, \$5,000; J. W. Towner, \$5,000; J. Warner, \$5,000; James H. Walker, \$5,000; J. W. Weaver, \$5,000; William Whipple, \$5,000; J. Wood, \$5,000; Wm. Woodman, \$5,000; Total, \$100,000.

Total amount at par to Assemblymen... \$255,000. Those who voted in favor of its passage, and to whom no stock or bonds were assigned, were Charles Burdick, M. M. Davis, J. F. Potter, and Joshua Seward.

From the testimony, it appears that some members who voted for the bill had no stock or bonds assigned, and were in fact, not paid. This was understood or supposed that they would be compensated by the interest which they would have in the Northern Wisconsin State line.

Reference to the testimony of J. D. Doty, August 27, to the persons whose names were written on the list of persons who were to receive the bonds...

Person respectively. Of the persons to whom the bonds were assigned, the names of JOHN BIRDS, ROBERT CARLIN and EDWARD KNOWLTON...

Company were indebted to these gentlemen, or any others, in the sum received; inasmuch as these debts are included in the return which was made...

As President of the La Crosse Company, and by direction of the Executive Committee, the names of Mr. HADLEY, in the months of January and February, all to the amount of \$200,000, in the bonds of that company...

He has positively denied that anything ever occurred in connection with the La Crosse Company, or that any person was claimed or set up by Mr. K. as stated by the witness, WILLIAM A. BARSTOW, in his substance...

It has been already stated that bonds to the amount of \$1,000,000 were issued by the La Crosse and Milwaukee Railroad Company in 1857...

When the list work was completed, the parties went to Milwaukee, and there, between the 15th and 25th days of October, 1857, the names of the persons...

All the packages in which I suppose the question referred to in the preceding paragraph, were delivered to the persons whose names were written on them, respectively...

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Chicago Company, in order to make certain the amount of the stock held by the La Crosse Company. Upon the 15th of January, 1858, the names of the persons...

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Under such a statement of the affairs of the Company, it is not difficult to see how the La Crosse and Milwaukee Railroad Company, under the management of...

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more than a passing notice, from the general character of the items and quantities set forth, such as

Extra hauling.....	\$500
Solid rock excavation, 6,500 yards at 75.....	4,175
Roadway and cattle pass, extra.....	450
Extra hauling.....	1,500
Solid rock excavation, 9,500 yards at 75.....	7,125
Same, 16,700 at 100.....	16,700
Bank wall 500 yards 300.....	1,500

A glance through these estimates will excite surprise at the numerous items of this kind set forth in round numbers, so essentially different from other documents of the same kind which were examined, of work performed for the Company at an earlier day.

It appears that as early as May, 1857, the subscribers to the land grant bonds, began to suspend the payment of their instalments, and the stock of the Company commenced a decline, while the contractor was pushing the work forward and requiring heavy payments.

In June, the Board of Directors declared a dividend of six per cent., payable on 1st July, 1857.

**HEAVY LOANS.**  
*Then commenced the necessity of making loans at a high rate of interest, upon the pledge of the stock and bonds of the Company, resulting in sacrifices that could scarcely be credited, did not the books of the Company and other testimony establish the facts.* Of these loans we will particularize the three largest.

S. R. Foster, July 10, two notes.....	\$60,000
S. R. Foster, July 25, one note.....	50,000
At various times.....	73,250
	<hr/> \$163,250

Upon collaterals as follows:  
 Stock of the Company, 7,800 shares..... 780,000  
 8 per cent. second mortgage bonds..... 100,000  
 Total collaterals..... \$880,000  
 Alfred Noxon, sundry notes, July and Aug.. 60,000  
 Deduct the amount paid, about..... 11,000  
 \$49,000

Upon collaterals as follows:  
 Stock of the Company..... 150,000  
 Third mortgage land grant bonds..... 50,000  
 Farm mortgage bonds..... 10,000  
 Total collaterals..... \$210,000  
 Stephen H. Alden, note July 9..... 25,000  
 Stephen H. Alden, note July 23..... 25,000  
 \$50,000

Upon collaterals as follows:  
 Stock of the Company..... \$150,000  
 We may as well add here the final settlement of these loans made by the committees of the new Board early in the month of November, as shown by the books of the Company.

S. R. Foster, additional first mortgage land grant bonds.....	\$40,000
Alfred Noxon, additional 8 per cent. second mortgage bonds.....	25,000
Stephen H. Alden, additional 8 per cent. second mortgage bonds.....	21,000
First mortgage land grant bonds.....	25,000

**A SHAM INVESTIGATION.**  
 As early as the month of July a general distrust had arisen in regard to all Western Railroad securities, and the integrity of their management. Rumor had been busy through the whole season with charges of fraud, bribery of the Legislature in obtaining the land grant, and general mismanagement of the La Crosse Railroad Company. The President of the Company brought out during that month a Committee of two gentlemen from the East to investigate its affairs, with a view of allaying the fears which had been aroused.

This Committee returned with such a report as might reasonably have been expected from an examination of a day or two, and it had no favorable effect upon the credit of the Company or its securities, which continued rapidly to decline. This report is embodied with other matter in a "Statement of the Company of its condition on the 1st of July, 1857."

There are some details in this statement which have an important bearing upon the management of the Company.

1st. In the statement of liabilities.  
 Page 6, the issue of one million of construction bonds is set forth as follows:  
 Construction 5 years 7 per cent. bonds, whole issue..... \$1,000,000  
 Less amount on hand and unexpended.... 240,000  
 Total amt of construction bonds expended.. \$760,000

Of the \$240,000 then reported as on hand and unexpended, at least \$200,000 had been during the Winter previous, placed in the hands of JACKSON HADLEY by BYRON KILBOURN, President, to be used at Washington in aid of the efforts to obtain the grants of lands for railroads in Minnesota.

On the same page in that "Statement" will also be found the following:

"In addition to the foregoing bonded debt, there was issued in settlement with the St. Croix and Lake Superior Railroad Company, in pursuance of the requirements of the act making the grant of land to the Company, one million of dollars in its unsecured bonds, payable in ten years from the 1st day of April, 1857, with 7 per cent. per annum interest, which, however, is not included in the indebtedness of the Company, for the reason that the St. Croix and Lake Superior Railroad Company, under its new organization, became responsible for the same amount, by an issue to this Company of its first mortgage bonds, payable at the same period, with interest at the same rate per centum, whereby the Company is guaranteed against loss, and the means provided for the ultimate liquidation of the entire issue."

It is asserted in this extract that this million of bonds was issued "in pursuance of the requirements of the act making the grant of land to this Company." A very careful examination of that act has satisfied the Committee that no requirements of this kind, either express or implied, is to be found therein. It is also said that the St. Croix and Lake Superior Railroad Company "became responsible for the same amount by an issue to this Company of its first mortgage bonds," &c. It does not appear, from any testimony before the Committee, that any such issue was ever made, or that any consideration has ever been received from the St. Croix and Lake Superior Railroad Company on this account, but the very reverse is proved. It is obvious, however, that some such engagements as herein set forth existed, or a most strange misunderstanding on the part of the President of the La Crosse Railroad Company had occurred. As he was one of the contracting parties, and interested in every movement of the St. Croix and Lake Superior Railroad Company. It appears certain that it was the intention of this bargain to compensate the La Crosse Company for its expenditures in extinguishing the rights of the former stockholders of the other Company.

The testimony of MOSES KNEELAND shows that such was the fact.

These are some of the disclosures in this July statement, worthy of note, as bearing upon the actual expenditures of the Company on those divisions.

The Chief Engineer's report, page 11, states the work then done in grading, bridging, &c., on the northwestern Division, between Portage City and the point of junction with the western Division, a distance of sixty-one miles, amounted to \$522,000. Estimated cost of completing the grading and bridging and laying the tracks on the 61 miles of the northwestern Division \$225,000, making \$747,000. This Division, northwestern, stands charged in the report, Jan. 1, 1857..... \$679,700 92  
 Selah Chamberlain's estimate of work and materials on 43 miles to New-Lisbon, and work east and west..... 1,076,450 00  
 Land Grant Bonds paid to S. Chamberlain for completing the road to the point of junction by contract of last December..... 350,000 00  
 Total..... \$2,106,150 92  
 Deduct work done west of the junction and east of Portage City, included above, as near as can be ascertained... 200,000 00  
 Cost of 43 miles exclusive of iron rails.. \$1,906,150 92

Again, it is stated in this report of the Engineer that the work done on the Portage Division, from Madison to Portage City, is \$25,000, while the amount charged to that Division, the January previous, was \$136,034 77.

These statements are set forth simply to show the unreliable character of the books and reports of the Company as to the cost of the work and expenditures for various objects.

Soon after Mr. CHAMBERLAIN's judgment was confessed, another was obtained against the Company for some \$112,000 in favor of NEWCOMB CLEVELAND. At the East suits had been commenced upon claims of various kinds, and the alarm became general, as detailed in the testimony of Mr. Dow.

These difficulties finally resulted in the transfer of power to the East, by the resignation of Western and substitution of Eastern names to the extent of a majority of the Board, under the Presidency of the Hon. STEPHEN CLARK of Albany, who had associated with him D. E. WHEELER, of New-York; JAMES B. BREWSTER, of New-York; ALFRED NOXON, of Fresco; D. V. N. RADCLIFFE, ELI PERRY and ARTHUR FISU, of Albany. The new Board met at Albany and organized for business on the 5th November, 1857, and it appears by the books of the Company and other statements, that something over six hundred thousand dollars of the Bonds of the Company were placed in the hands of the President.

It further appears by the records of the Executive Committee and the statements of Mr. CLARK to Mr. Dow, that at an early day in November they proceeded to make settlements with various parties for loans made during the Summer, upon the pledge of Stock and Bonds.

These settlements, some of which have been already particularized, involved the disposition of more than \$115,000 of the securities of the Company, which were not under the injunction, which had been placed upon the Company in New-York, as detailed in the testimony of Mr. Dow, leaving the November interest on the first mortgages of the Company unprovided for, as the lease of Mr. CHAMBERLAIN only bound him to pay the interest on this mortgage accruing subsequent to that date. It appears that by a resolution of the Executive Committee, adopted Nov. 27, 1857, in view of the necessity of providing for this interest, an issue of bonds was authorized to the extent of \$500,000. These bonds were payable in twenty years, bore interest at the rate of two per cent. per annum, and were convertible into the capital stock of the Company, and were so converted and returned cancelled on the 31st day of December, 1857. The books show that these bonds were sold at ten cents on the dollar, realizing to the Company \$50,000 for the half million issued. At a later period a further issue of the same kind of Bonds was authorized by the Executive Committee, and as it appears by the abstracts in the appendix there was issued a further sum of \$1,500,000, which were in like manner sold at ten cents on the dollar, and in this mode has been raised what money has been disbursed in paying interest and other pressing engagements of the Company.

The Sixth annual Report of the Company gives a gloomy picture of the condition of the Company's finances, but one that seems to afford the most correct detail of the liabilities of the Company which we have been able to obtain.

**THE NORTH-EASTERN GRANT.**  
 In relation to the North-Eastern Grant, a short space should be occupied, with a few special facts not yet detailed.

Some have necessarily been given, because intimately blended with the transactions of the La Crosse Company.

It appears from the testimony, that the law partner

of Senator TAYLOR, viz: CYRUS P. HILLER, was named a director in the act incorporating the Wisconsin and Superior Railroad Company; ANSON BALLARD, law partner of PERRY H. SMITH, was in like manner named a director by Mr. SMITH, then also a Senator; while B. F. MOORE and ALFRED LAMBERSON were named by their late partners in business, Senators FITZGERALD and GILL respectively. "These appointments," says J. D. DOTY, in his testimony, (appendix, page 174,) "were insisted upon by the Senators named, and as they held the balance of power, were conceded as a matter of necessity, and in the full belief that two of them from position, and one from the repeated assertions of his principal, Senator SMITH, were reliable friend of Wisconsin interests, and would be true to the expressed will of the Legislature."

Through P. H. SMITH, a sufficient number of the directors of the Wisconsin and Superior Company resigned to transfer the control of the Company to the Chicago, St. Paul and Fond du Lac Company.

The resigned places were filled with men of the last named Company. The Chicago Company were informed by Mr. SMITH that it would have to issue \$175,000 of stock. The Company issued \$100,000, and gave conditional agreements for the \$75,000; and by subsequent arrangement issued \$2,500 more, so that the whole amount actually issued was \$102,000.

The stock issued appears to have been handed to Mr. SMITH, for distribution in amounts to each, as directed by him as follows:

To G. F. Wright.....	\$5,000
B. G. Gill, (place of Lamberson,).....	10,000
J. W. Weed.....	10,000
Cyrus P. Hiller (received and now held by him,).....	10,000
Julius White.....	6,800
H. Haertel.....	4,200
J. D. Doty.....	4,200
Charles Kuehn.....	4,200
William Scott.....	4,200
C. R. Alton.....	4,200
Bertine Pinkney.....	5,000
Total.....	\$67,800
Balance in hands of Smith.....	34,700

These resignations by directors, after having accepted the office and undertaken the trust confided to them, was a breach of good faith. It was a violation of duty when done for a personal pecuniary consideration. Resignation without demand of compensation therefor, would have been some evidence of an honest belief, that the newly organized Company could not build the road; but the demand of compensation, is strongly tinged with a desire to make money.

While this is so, as to the directors, it is supposed that the officers of the Chicago Company, were justifiable in the course pursued by them. If the facts were, that the strong probability was that the company represented by them would be largely benefited beyond what they paid out: duty perhaps required that they should get control of the land granted to the new Company. Two other companies (one the La Crosse and Milwaukee) were at that time endeavoring to get the like control. MOSES KNEELAND, it appears, offered one hundred thousand dollars in bonds and intimated something better, for resignations, so that the control of the new Company should pass to the La Crosse Company. To allow this was permitting a strong, and lately proved potent rival, to get in its hands an additional weapon. This is the view, throwing aside State pride, and special State interests, and considering the question between the two companies as rivals, having no special interest in either. The moral of the transaction will undoubtedly be determined by each reader of the testimony for himself.

The testimony presents a strong probability that the control of the Wisconsin Company would not have passed into the hands of any other Company but for the action of P. H. SMITH and the representative directors, named by Senators, as already stated.

**GENERAL CONCLUSION—WHICH, UNDER THE CIRCUMSTANCES, SEEMS TO BE JUSTIFIED.**

*The evidence taken establishes the fact that the managers of the La Crosse and Milwaukee Railroad Company have been guilty of numerous and unparalleled acts of mismanagement, gross violations of duty, fraud and plunder. In fact, corruption and wholesale plundering are common features.*

How far other Corporations have managed in the same way, is not known. Indemnity for the past and security for the future should, as to all, however, be considered of the first importance by the Legislature. To that end, your Committee have prepared a bill to meet such cases, as the testimony demonstrates the necessity of, which is herewith submitted and its passage recommended.

D. WORTHINGTON,  
 P. B. SIMPSON,  
 EDWIN WHEELER,  
 Committee on the part of the Senate.  
 JAMES H. KNOWLTON,  
 ZEBULON P. MASON,  
 J. W. EARLE,  
 JAMES E. VINTON,  
 ALEXANDER COTZHAUSEN,  
 Committee on the part of the Assembly.