

# HOUSE...No. 127.

## Commonwealth of Massachusetts.

HOUSE OF REPRESENTATIVES, March 10, 1858.

The Committee on Finance, to whom was referred the communication of the Treasurer of the Commonwealth with the Report of the Commissioners of the Sinking Fund of the Western Railroad Corporation of their doings for the year 1857, and of the condition of said fund, made in compliance with the Act of March 19, 18 , have considered the same, and have examined in detail the condition of the investments, and submit the following

### REPORT:

The amount of the sinking fund of the Western Railroad Corporation, on the 31st December, 1856, was, . . . . .	\$1,142,882 94
To which has been added, during the past year, derived from	
Income of the fund for 1857, . . . . .	\$67,537 46
Annual contribution from Western Railroad Company, . . . . .	40,000 00
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	\$107,537 46
Total amount of fund, 31st Dec., 1857,	<hr/>
	\$1,250,420 40

Invested as follows:—

Mortgage notes, . . . . .	\$392,441 91
Other notes, . . . . .	286,639 06
Railroad bonds, . . . . .	468,500 00
Railroad stocks, . . . . .	96,734 48
Massachusetts sterling bonds, . . . . .	5,760 00
Cash on hand, . . . . .	344 95
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Total, . . . . .	\$1,250,420 40

*Mortgage Notes.*

27 mortgages on estates in Boston, amounting to	\$343,706 23
4 mortgages on estates in Springfield, amounting to . . . . .	14,285 68
2 mortgages on estates in Adams, amounting to . . . . .	4,500 00
1 mortgage on estates in North Adams, amounting to . . . . .	6,000 00
1 mortgage on estates in Palmer, amounting to . . . . .	4,000 00
1 mortgage on estates in Auburndale, amounting to . . . . .	10,000 00
1 mortgage on estates in Haverhill, amounting to . . . . .	1,000 00
2 mortgages on estates in Newton, amounting to . . . . .	2,950 00
1 mortgage on estates in Waltham, amounting to . . . . .	4,000 00
1 mortgage on estates in Brookline, amounting to . . . . .	2,000 00
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Total, . . . . .	\$392,441 91

The interest on these mortgages appears to be paid promptly, with the exception of one from Charles Stearns, on an estate in Springfield, for \$2,000, which is said to be unproductive of income, and of doubtful value. It is probable that all these mortgages, with the exception of the one referred to, can be eventually collected without loss. Many of them, however, of small amounts, have been overdue for many years; and in regard to some of them, the parties who signed the notes have been long dead, and their estates administered upon.

*Other Notes.*

1 note on the city of Charlestown, due January 1, 1860, . . . . .	\$12,000 00
5 notes with collateral security, payable on demand, . . . . .	24,000 00
1 note with collateral security, due March 18, 1855, . . . . .	4,874 06
1 note with endorser's security, due July 1, 1859, . . . . .	10,000 00
1 note S. Lawrence, Treasurer Bay State Mills, endorsed by Lawrence, Stone & Co., due December 6, 1858, . . . . .	25,000 00
1 note S. Lawrence, Treasurer Middlesex Manufacturing Company, endorsed by Lawrence, Stone & Co., due December 31, 1858, . . . . .	25,000 00
Loan to Boston and Hudson Railroad Company, . . . . .	\$250,000 00
Less amount not yet paid, . . . . .	64,235 00
	185,765 00
Total, . . . . .	\$286,639 06

All these notes are considered good, with the exception of the two signed by S. Lawrence, Treasurer, amounting to \$50,000, which it is thought may be eventually good. The object of the loan to the Boston and Hudson Railroad Company for \$250,000, which is secured by the mortgage of that road, and the guaranty of the Western Railroad Company, was to pay back advances made by the Western Railroad Company, by transferring the amount to the sinking fund. The Committee doubt the propriety of this loan, as it seems to them that no part of this fund which is provided to secure and to pay at maturity a debt of the Western Railroad Company, should be loaned directly or indirectly to the Western Railroad Company. It is obvious that when any portion is so invested, and the reliance for the payment is on the Western Railroad Company, the sinking fund so far loses its character of security, as it becomes in reality no addition to the security of the original obligation.

*Railroad Bonds.*

Boston and Worcester railroad bonds, due in 1860, . . . . .	\$221,000 00
Connecticut River railroad bonds, due in 1863, .	200,000 00
Hartford and New Haven railroad bonds, due in 1873, . . . . .	47,500 00
Total, . . . . .	<u>\$468,500 00</u>

All of which are now considered good, though it may be objected to the bonds of the Connecticut River Railroad Company that they are the single debt of that corporation not secured by any mortgage.

*Railroad Stocks.*

145 shares Boston and Providence Railroad Com- pany, cost . . . . .	\$14,437 00
44 shares Boston and Lowell Railroad Company, cost . . . . .	26,298 75
341 shares Boston and Worcester Railroad Com- pany, cost . . . . .	35,953 23
205 shares Pittsfield and North Adams Railroad Company, cost . . . . .	20,045 50
Total, . . . . .	<u>\$96,734 48</u>

This has proved an unprofitable investment; and if sold at their present market value, a loss would be sustained of at least \$25,000. At the time these investments were made, railroad stocks were generally considered safe and productive investments.

The objects of this sinking fund were the security of the Commonwealth, and to supply the funds to pay at maturity the bonds of the State, which were loaned to the Western Railroad Company, falling due as follows:—

In 1868, . . . . .	£472,500,	or	\$2,268,000 00
1869, . . . . .	90,000,	or	432,000 00
1870, . . . . .	180,000,	or	864,000 00
1871, . . . . .	157,400,	or	755,520 00
	<u>£899,900</u>		<u>\$4,319,520 00</u>

Many of the investments, though they may be secure, do not appear to the Committee to be of a character to meet the two objects, of security and of availability for prompt payment of the bonds at maturity.

In regard to the mortgage loans, the difficulty of ascertaining the true value of property in different parts of the State imposes much trouble on the commissioners in their care, particularly when in small amounts; and even when the security is ample, the law allows three years to redeem the mortgage; and at the end of that period, if the mortgagor wishes still farther to postpone the payment, he can do so by objecting to the account of the bailiff, and bringing a suit in chancery. It is evident that all of these mortgages cannot be relied upon with confidence to furnish promptly the funds to pay a large amount of debt due from the Commonwealth at stated periods, and which must be promptly met at maturity.

With regard to the other notes, the only reliance for the prompt payment of the loan of \$250,000 to the Boston and Hudson Railroad Company would be in the Western Railroad Company, who owe the debt to the Commonwealth, for which this loan is held as security; and \$50,000 due from two manufacturing corporations, which have failed with the endorsers, may take some years to collect.

Considering the recent condition of feeling in regard to railroad securities, it is doubtful whether the money could be realized from the railroad bonds at this time, without some sacrifice; and the railroad stock could not be realized now in money without great loss.

The Committee are of opinion that security and convenience should be the leading objects in selecting investments for this fund, and that the investments should be only in securities which are sure to yield income, and are not exposed to the hazards of business. If public stocks bear a less rate of interest, or command a higher price, it is because they are deemed, for investments on long time, more secure and more convenient. There can be nothing so secure for the investments of this fund, as the very bonds of the State that are to be paid at maturity by the fund; and next to them in security would be any other bonds of the Commonwealth. When neither of these can be obtained, the commissioners may be authorized to invest in

bonds of the United States, of the State of New York, of any New England States, or of the cities and towns of this Commonwealth.

The sinking fund must augment rapidly now from year to year, and as it increases in amount, the objections to the present character of the investments will increase in force. The Commonwealth and the Western Railroad Company are both interested in having every thing done that is possible, to give additional security to, and to impose all salutary checks upon its management. The fund was instituted for a public object, viz.: to secure and to meet at maturity, a large debt of the State; and the investments of such a fund should be of a public character.

The Committee recommend that hereafter, the investments be confined to bonds of this State, of the United States, of the State of New York, of any New England States, or of any cities or towns of this Commonwealth; and that the Commissioners be required to collect all loans which are overdue or become due, and reinvest the amounts in conformity with this recommendation.

The Committee submit the following Bill.

For the Committee,

STEPHEN A. CHASE.

## Commonwealth of Massachusetts.

In the Year One Thousand Eight Hundred and Fifty-  
Eight.

### AN ACT

Respecting the Western Railroad Sinking Fund.

*Be it enacted by the Senate and House of Representatives, in General Court assembled, and by the authority of the same, as follows:—*

1    SECT. 1. All future investments of moneys belong-  
2    ing to the Western Railroad sinking fund shall be  
3    made in the following securities, to wit:—

4    The bonds of the commonwealth, for the redemp-  
5    tion of which said sinking fund is provided.

6    Other bonds of the commonwealth.

7    The public securities of the United States.

8    The public securities of the state of New York.

9    The public securities of either of the states of New  
10   England.

11   The public securities of the cities or towns of this  
12   commonwealth.

1    SECT. 2. The commissioners of the Western Rail-  
2 road sinking fund are hereby required to collect, as  
3 soon as may be, all loans which are overdue, or shall  
4 hereafter become due, and reinvest the same in con-  
5 formity with the first section of this act.

1    SECT. 3. This act shall take effect from and after  
2 its passage.