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OFFICE OF
THE STATE AUDITOR
AUSTIN, TEXAS

AUDIT REPORT

BOARD OF MANAGERS
OF THE
TEXAS STATE RAILROAD

August 31st, 1950

1943-1950

From Texas State Railroad Board of Managers and Audit Papers 2004:014o Folder 4

C. H. CAVNESS. C.P.A.

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AUDIT REPORT

BOARD OF MANAGERS OF THE TEXAS STATE RAILROAD

September 1st, 1943 to August 31st, 1950

C. H. CAVNESS, C.P.A.
STATE AUDITOR

From Texas State Railroad Board of Managers and Audit Papers 2004:014o Folder 4

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INDEX

	Page
Letter of Transmittal	1
Board of Managers of the Texas State Railroad:	
Outline of Organization	7
Members of the Board, August 31st, 1950	8
Schedules of Operations as reported by the Texas and New Orleans Railroad Company, Lessee:	
Consolidated Statement of Cash Receipts and Disbursements, March 12th, 1921 to August 31st, 1950	9
Condensed Income and Expense Statement - January 1st, 1943 to August 31st, 1950	10
Operating Revenues - January 1st, 1943 to August 31st, 1950	12
Maintenance of Way and Structures - January 1st, 1943 to August 31st, 1950	14
Maintenance of Equipment - January 1st, 1943 to August 31st, 1950	16
Transportation Expenditures - January 1st, 1943 to August 31st, 1950	18
Miscellaneous:	
Copy of Contract with Texas and New Orleans Railroad Company, January 1st, 1929	20
Division Sheet No. 759-C	28

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C. H. CAVNESS, C. P. A.
STATE AUDITOR

WM. A. HARRISON, C. P. A.
FIRST ASSISTANT

THE STATE AUDITOR

STATE CAPITOL
AUSTIN, TEXAS

December 21st, 1950

Honorable Allan Shivers, Governor
Members of the Legislature
and
Board of Managers, Texas State Railroad

Gentlemen:

We have contacted the Members of the Board of Managers of

THE TEXAS STATE RAILROAD
Rusk to Palestine, Texas

concerning administrative actions taken by them in the period from September 1st, 1943 to August 31st, 1950 - and the Texas and New Orleans Railroad Company at its General Office in Houston, Texas, concerning its operation of this Railroad during that period.

Under date of October 15th, 1943, we released an audit report on the accounts and status of this State-owned railroad to August 31st, 1943. We quote from that report:

> "Construction of the Texas State Railroad was begun in 1894 by the State Prison System as a plant facility of the Penitentiary then at North Rusk, Texas, to serve an iron furnace and other industries. By 1896, 4.73 miles were completed, extending to the Penitentiary lands lying toward the City of Palestine; by 1906, 10.2 miles were completed to the town of Maydelle; and by 1909, 32.7 miles were completed to Palestine, this being the present length of the road. Operation of regular freight and passenger service was authorized by Act of Legislature approved April 5th, 1907, the same act authorizing extension of the road from Maydelle to Palestine. The road was originally built by convict labor, and it is stated that, figuring 50¢ per day for this labor, the cost of the first 10.2 miles was $43,431.00. The cost of the remaining 22.5 miles was shown by the Penitentiary Investigating Committee of 1913 to have been $530,383.00. Losses from operation for the fiscal year 1907-08 are stated at $11,282.00; and the Investigating Committee reported losses during the four years 1909 to 1912, at approximately $45,000.00.

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An Act of the Texas Legislature dated March 18th, 1929, contains the statement that 'the Texas State Railroad during the period of its operation by the State continually lost for the State large sums of money'.

"Money needed in the construction and maintenance of the Texas State Railroad was furnished partly by Penitentiary funds at Huntsville and Rusk, partly by the sale of $200,000.00 in bonds to the State Permanent School Fund, and partly by legislative appropriations. The State Prison System later paid part of these bonds but $100,000.00 (first mortgage 5% 20-year bonds) are still unpaid. To 1921 the Legislature had appropriated for the State Railroad a total of $527,382.00 out of funds provided for the State Prison System. At that time the Railroad also owed $5,305.00 in traffic and car-service balances, $6,777.00 in wages, $1,866.00 in miscellaneous accounts, and $35,417.00 in unpaid bond interest. Most of these items, including the interest, were subsequently paid by the Prison System. Total investment in road and equipment on December 31st, 1921 was shown to be $658,576.00.

"Originally the Texas State Railroad was controlled by the Governor and the Prison Commission, but by Act of Legislature it was placed under a Board of Managers, effective March 12th, 1921. In 1917 the iron furnace for which the road had been originally built was sold and the plant at North Rusk was converted into an Insane Asylum. After that time only intermittent service was furnished by the road, and on May 1st, 1921, all regular train service was discontinued by order of the newly-created Board of Managers, which forthwith proceeded to rehabilitate the road to the extent necessary to assure operating safety and as an inducement to prospective purchasers or lessees of the road, for which purpose the Legislature appropriated $25,000.00 and directed the Prison System to supply 50 convict laborers to the Board of Managers for a period of one year. Various conditions, however, rendered the use of such convict labor a negligible factor in the rehabilitation operations.

"The Texas and New Orleans Railroad Company offered to lease the Texas State Railroad for a period of five years, and the offer was accepted and ratified by an Act of the State Legislature on August 23rd, 1921. The lease provided that expenditures by lessee for betterment of the Texas State Railroad be considered as operating expenses; that the lessee make no charge for overhead or general office expense, but charge for division superintendence and expenses below that rank on a mileage basis, being about 80% of the operating expense from Gallatin to Palestine; the lessee to bear all deficits; and any net railway operating income in any year to be divided equally between lessee and lessor . . .

"In the rehabilitation work the Board of Managers, through the State Highway Department, obtained from the Federal Government sufficient new steel rail and fittings to re-lay the entire line, only cost being freight charges for transportation via water-rail route from Camp Kearney, New Jersey, to Rusk, Texas, amounting to $7.50 per ton on the approximately 4,500 tons of steel which was valued at not less than $35.00 per ton. Additionally, the Board of Managers purchased necessary switch sets, nut locks, spikes, etc.,

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complimenting the new steel rail which was of 80-pound weight, whereas the old rail, fittings, turnouts, etc., varied in weight - all of it considerably lighter than the new steel donated by the Federal Government from surplus stocks remaining after World War 1. The cost of appurtenances purchased by the Board of Managers and expense of contracted labor in the relaying operations, as well as freight expense on the donated steel, was financed by sales of the old steel and other obsolete equipment, which sales netted the State a substantial sum in addition to paying all such costs and expenses.

"Additional rehabilitation and improvement of the properties was effected by lessee until the road was classed as a first-class branch line railroad.

"The aforesaid lease expired in November 1926, and was renewed for a period of six months, after which operations were continued by agreement on a month-to-month basis until January 1st, 1929, on which date a new lease contract for a term of 20 years with the same lessee became effective, this lease being ratified by the Legislature in March 1929.

"According to information supplied by the Texas Railroad Commission, it was officially stated in 1929 that during the period from November 5th, 1921, to March 31st, 1929, the net operating deficit apportioned to the Texas State Railroad was $264,051.00, but that the traffic transported by the lessee (a part of the Southern Pacific System) increased the System revenues $652,425.00 because of operation over the Texas State Railroad, and that approximately $176,000.00 of operating expenses charged against the Texas State Railroad would have been incurred by the lessee through operation of the 8.29 miles of their Gallatin-Rusk line. The Interstate Commerce Commission placed a valuation of $750,000.00 on the Texas State Railroad as of December 31st, 1931. The last such valuation was $769,171.00 in 1939.

"Annual operating deficits have been reported by lessee throughout the period of leased operations, although there were three months under the original lease in which net operating income was realized and divided with the State - total thus paid the State was $3,116.82. . .

"With a view of acquiring property sites which could be made available to prospective industries, the Board of Managers (. . .) obtained approximately 170 acres of land formerly belonging to the State Asylum at Rusk, the transfer being enacted by the Forty-eighth Legislature.

"At the time of creating the Board of Managers, March 12th, 1921, the Legislature appropriated $25,000.00 to the Board for the purposes specified in the Act. In effect this appropriation was refunded to the State Treasury as of August 31st, 1929, when the Board's appropriation balance in the Treasury, amounting to $28,296.69, automatically went back into the State General Fund, since which time no funds have been appropriated to the Board. From March 12th, 1921 to August 31st, 1943, a total of $145,564.86 (including that appropriation) was received by the Board; a total of $116,768.17 was disbursed; a total of $28,396.69 had been 'lapsed' to the State and $400.00 was on hand in the East Texas National Bank, Palestine, Texas."

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At August 31st, 1950, $325.60 was on hand, the $100,000.00 of "Penitentiary Railroad Bonds" were still outstanding, and delinquent interest on these bonds amounted to $85,000.00 (all due the State's Permanent School Fund which owns the bonds).

OPERATIONS UNDER THE LEASE AGREEMENT

The January 1st, 1929 lease provides that it "shall continue in full force until December 31st, 1948, and thereafter until either party gives to the other one years' written notice of its desire to terminate same." This lease is still in effect, and the Texas and New Orleans Railroad has continued to report substantial losses for each year of its operation of the Texas State Railroad. We have underlined "to report" for the reason that we can not understand just why they would continue operating the line after the date on which they could cancel the contract if it is actually a losing deal in their over-all operations. (Copy of this lease is included as a part of this report.)

Divisions of revenues between the lessee and the Texas State Railroad are still applied at rates effective August 26th, 1920, no revision having been made for increased freight rates since that time. In our earlier report we recommended such adjustments be made in accordance with the terms of the lease, but this has not been done.

The General Manager of a Railway Interline Audit System (office in Dallas, Texas) has long been interested in the operations of the Texas State Railroad - it is his expressed opinion that the division of revenues shown in the T. and N. O. Railroad reports contains many errors operating to the advantage of the lessee, and that the allocation of expenses is inequitable, also to their advantage. We have not been in a position to go deeply enough into these operations to prove or disprove his contentions.

Allocation of joint expenses between the Texas and New Orleans Railroad Company

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and the Texas State Railroad appear to us to have been made in accordance with the terms of the lease with these exceptions:

1. Wages of train and enginemen, fuel, train and locomotive supplies and expenses, and enginehouse expense are charged to the Texas State Railroad proportionately to the relation that the number of road miles from Rusk to Palestine bears to the total road miles from Jacksonville to Palestine. The lease requires that "the salaries, wages, costs and expenses of all officers and employees, including and below the rank of Division Superintendent, and all train and engine crews, and other persons operating in part upon the line of the Company and in part upon the properties of the Texas State Railroad, shall be prorated on a train mileage basis between the two and so charged to the joint operating account of The Texas State Railroad."

2. A portion of the expense of train dispatching at Houston is now prorated to the Texas State Railroad on a train mileage basis. The lease specificly excludes train dispatching expense at Houston from the joint operating account. At the time the lease contract was made, the Texas and New Orleans Railroad Company had dispatchers located at Jacksonville. These dispatchers have since been moved to Houston. The lease has not been amended to meet this changing condition.

The schedules of Income, Operating Revenues and Expenses, and Additions and Betterments included herein, have been prepared from reports issued by the Accounting Department of the Texas and New Orleans Railroad. We simply quote from these reports, and have not traced them into the underlying records of the Company.

We did not make a current inspection of the physical condition of the properties of the Texas State Railroad and do not know whether or not the Lessee is maintaining it in the condition required by the lease.

THE BOARD OF MANAGERS

The Board of Managers has not met since the completion of our last audit (1943) and has taken no administrative action since that time. There have been no cash receipts, and only $74.40 has been expended from its funds. Its $325.60 was on deposit to its credit in the East Texas National Bank, Palestine, Texas, at August 31st, 1950.

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Although the Texas and New Orleans Railroad renders operating reports to the Board annually, one member says that he has never seen any of them.

Included in our report issued October 15th, 1943, were these recommendations:

"Under the contract with the Texas & New Orleans Railroad Company the Board of Managers is entitled to make any audits or investigations they may feel necessary to determine the correctness of the operating reports submitted by the lessee. . . we feel that periodic checks and investigations should be made hereafter. . . it is directly the responsibility of the Board to see that the present contract is carried out by the lessee in every particular. . .

"An appraisal of the State Railroad properties by competent appraisal engineers might be worth its cost. Certainly the Board of Managers and the Legislature would be in much better position to know the actual possibilities of a sale or perhaps another lease after the expiration of the present one."

Mr. E. R. Gregg, Chairman of the Board of Managers, tells us he would like to have an audit made of the Texas State Railroad accounts maintained by the Texas and New Orleans Railroad Company, and proposes that the Board of Managers meet with the Lieutenant Governor during the present Session of the Legislature to discuss future policies of the Board (by statute the Members of this Board are appointed by the Lieutenant Governor).

- - - - - - - - - - -

We wish to express our sincere appreciation to the Members of the present Board of Managers, to Mr. James I. Perkins, former Chairman of the Board, and to the officials and staff of the general office of the Southern Pacific Lines, Houston, for the courtesies and cooperation extended us during the course of this examination.

Yours very truly,

C. H. Cavness
State Auditor

C. H. Cavness:mf

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OUTLINE OF ORGANIZATION

Composition and method of Selection: Composed of a Chairman-member appointed by the Lieutenant Governor; and two members, "who are experienced in the management and practical operation of railroads" - also appointed by the Lieutenant Governor.

Term of Office: No definite term set by Act, therefore limited by the Constitution to two years - continuing thereafter, however, until successor is appointed and qualified.

Compensation: "Shall serve without pay except such actual and necessary expenses incurred while in the performance of their duties."

Statutory Provisions Relating to Creation, Selection, and Compensation: Acts 1921, 37th Leg., Reg. Ses., p. 65, Ch. 26, S. B. 267. The provisions of this Act are not included in the Revised Statutes of 1925, but Section 13 of the Final Title, R.C.S., 1925, provides that "All laws now in force affecting the State Railroad, are continued in force."

The existence of the Board is recognized in Acts 1929, 41st Legislature, Regular Session, p. 544, Ch. 267, S. B. 498, which ratifies a contract made by said Board, leasing the State Railroad to the T. & N. O. Railroad Company.

Note: Page 1184 of the Senate Journal of the Regular Session of the 37th Legislature, shows that the original appointments to the Board were announced by the Lieutenant Governor on March 12th, 1921.

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MEMBERS OF THE BOARD OF MANAGERS
August 31st, 1950

Mr. E. R. Gregg, Chairman,
President, Citizens State Bank,
Rusk, Texas

Mr. H. V. Hamilton, Member,
1001 Highland Drive,
Palestine, Texas, and

Dr. R. M. McLeod, Member,
303 South Royall Street,
Palestine, Texas.

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CONSOLIDATED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Period from March 12th, 1921 to August 31st, 1950

Receipts, March 12th, 1921, to August 31st, 1943				
Legislative Appropriation - Acts 1921			$ 25,000.00	
Operating Revenues			9,178.16	
Sales of Property and Obsolete Equipment:				
*Old Rail		$ 76,926.25		
Locomotive		12,500.00		
Rolling Stock, Machinery, Tools, etc.		3,668.60		
Office Furniture and Equipment		303.30		
Coal		439.26		
Scrap Metal		400.00		
Buildings -				
Maydelle	$ 800.00			
Palestine	300.00	1,100.00	95,337.41	
Deficit payments from U. S. Government			14,953.80	
Adjustments - Freight Charges on New Rail			220.50	
Miscellaneous Receipts			874.99	
Total Receipts				$ 145,564.86
Disbursements, to August 31st, 1943				
Administrative Expenses:				
Office Furniture Bought		78.70		
Expenses of Board Members		2,844.36		
Salary and Expenses of Board Secretary		15,712.63		
Salary and Expenses of Railroad Auditors, etc.		6,121.49	24,757.18	
Rehabilitation Costs			85,736.99	
Real Estate Costs (Palestine Lots)			6,274.00	
Total Disbursements				116,768.17
Receipts in Excess of Disbursements				28,796.69
**Net Reversion to State General Fund, 1927			100.00	
Net Reversion to State General Fund, 1929			28,296.69	
Total Reversions to General Fund				28,396.69
Cash on Hand, August 31st, 1943				400.00
Disbursements, September 1st, 1943 to August 31st, 1950				
Engineering Services				74.40
Cash on Hand, August 31st, 1950				325.60

*Includes receipts from sale of rail from dismantled Rusk furnace.

**Difference between lapsed appropriation balances at March 1st, 1927, totaling	31,509.85
and amount re-appropriated by Act of June 15th, 1927	31,409.85
Reverted to General Revenue (net)	100.00

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TEXAS AND NEW ORLEANS RAILROAD COMPANY - LESSEE

CONDENSED INCOME AND EXPENSE STATEMENT
For the Period from January 1st, 1943 to August 31st, 1950

	1-1-1950 to 8-31-1950	Year Ending December 31st, 1949	1948
	$	$	$
Railway Operating Revenues	19,784.31	40,461.51	49,900.36
Operating Expenses			
Maintenance of Way and Structures	22,734.47	35,863.65	35,201.54
Maintenance of Equipment	7,164.72	10,397.07	9,846.07
Transportation - Rail Line	20,853.90	33,311.86	35,347.01
General			
Total Railway Operating Expenses	50,753.09	79,572.58	80,394.62
Railway Operating Income			
Net Revenue from Railway Operations	30,968.78*	39,111.07*	30,494.26*
Equipment Rents	3,053.17*	5,153.40*	4,756.20*
Railway Tax Accruals	1,868.09*	3,004.25*	2,915.89*
Joint Facility Rents - Net	43.01*	138.74*	103.34*
Operating Income	35,933.05*	47,407.46*	38,269.69*
Other Income			
Miscellaneous Rent Income	155.25	172.00	223.83
Gross Income	35,777.80*	47,235.46*	38,045.86*
Deductions from Gross Income (None)	-	-	-
Net Income	35,777.80*	47,235.46*	38,045.86*
Additions and Betterments		626.37	
Net Railway Operating Income Less Additions and Betterments	35,777.80*	47,861.83*	38,045.86*

* Denotes Loss or Deduction

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Year Ending December 31st,					11-1-1921 to
1947	1946	1945	1944	1943	12-31-1942
$	$	$	$	$	$
42,917.96	42,976.45	39,064.47	37,215.00	32,071.71	898,659.64
40,561.09	48,973.90	40,935.90	38,648.97	20,023.70	617,694.28
8,499.51	8,782.97	8,447.65	6,195.72	4,552.27	172,855.08
29,794.06	26,447.27	22,331.78	21,553.35	19,515.72	582,644.23
					796.81
78,854.66	84,204.14	71,715.33	66,398.04	44,091.69	1,373,990.40
35,936.70*	41,227.69*	32,650.86*	29,183.04*	12,019.98*	475,330.76*
6,007.26	5,441.49	4,046.37	3,186.33	2,825.09	66,984.44
4,301.42	3,705.05	2,405.39	2,426.22	1,555.31	4,692.99
168.08	73.96	89.66	37.09	40.63	706.99*
46,413.46*	50,448.19*	39,192.28*	34,832.68*	16,441.01*	546,301.20*
283.99	127.00	78.93	74.60	80.00	1,809.12
46,129.47*	50,321.19*	39,113.35*	34,758.08*	16,361.01*	544,492.08*
-	-	-	-	-	-
46,129.47*	50,321.19*	39,113.35*	34,758.08*	16,361.01*	544,492.08*
508.32		986.07			40,687.50
46,637.79*	50,321.19*	40,099.42*	34,758.08*	16,361.01*	585,179.58*

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TEXAS AND NEW ORLEANS RAILROAD COMPANY - LESSEE

OPERATING REVENUES

For the Period from January 1st, 1943 to August 31st, 1950

Operating Revenues	Account Number	1-1-1950 to 8-31-1950	Year Ending December 31st, 1949	1948
		$	$	$
Freight	101	19,586.24	40,001.34	48,332.29
Passenger	102			
Storage - Freight	135	39.56	37.15	167.18
Express				
Demurrage	137	143.90	402.80	1,363.56
Rents of Buildings and other Property	142			6.00
Miscellaneous	143	14.61	20.22	31.33
Total Railway Operating Revenues		19,784.31	40,461.51	49,900.36

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Year Ending December 31st,					11-1-1921 to 12-31-
1947	1946	1945	1944	1943	1942
$	$	$	$	$	$
42,038.54	42,501.58	38,754.04	37,030.01	32,026.56	845,144.71
					41,935.10
96.83	37.99	12.86	6.67	12.55	1,917.62
					4,899.31
674.30	322.30	210.10	134.20	28.60	3,019.52
40.00	21.00	63.00	38.00	4.00	146.00
68.29	93.58	24.47	6.12		1,597.38
42,917.96	42,976.45	39,064.47	37,215.00	32,071.71	898,659.64

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TEXAS AND NEW ORLEANS RAILROAD COMPANY - LESSEE

MAINTENANCE OF WAY AND STRUCTURES
For the Period from January 1st, 1943 to August 31st, 1950

	Account Number	1-1-1950 to 8-31-1950	Year Ending December 31st, 1949	1948
		$	$	$
Superintendence	201	2,286.53	3,067.17	2,275.09
Roadway Maintenance	202	3,848.02	8,662.97	6,896.36
Bridges, Trestles and Culverts	208	387.86	2,560.49	3,362.17
Ties	212	2,781.97	3,636.92	4,292.98
Rails	214	.21		6.70
Other Track Material	216	329.50	170.54	312.83
Ballast	218			37.89
Track Laying and Surfacing	220	8,050.23	10,425.74	11,301.43
Fences, Snow Sheds and Signs	221		53.56	98.90
Station and Office Buildings	227	552.56	79.46	247.46
Roadway Buildings	229		1.07	62.30
Water Stations	231	161.57	531.22	188.72
Telegraph and Telephone Lines	247	92.92	99.04	107.70
Road Property Depreciation	266	2,046.96	3,070.42	3,069.64
Roadway Machines	269	1,631.41	2,470.01	2,108.74
Small Tools and Supplies	271	152.03	199.49	366.84
Removing Snow, Ice and Sand	272	13.59	15.52	53.61
Public Improvements - Maintenance	273	31.95	242.36	123.90
Injuries to Persons	274			
Stationery and Printing	276	12.62	22.84	18.91
Maintaining Joint Tracks, Yards and Other Facilities - Dr.	278	141.34	196.41	247.80
Right of Way Expenses	281		46.00	21.57
Crossings and Signs	225			
Insurance	275	213.20	275.40	
Signals and Interlockers	249		8.91	
Dismantling Retired Road Property	270		28.11	
Fuel Stations	233			
Shops and Engine House	235			
Other Expense				
Total Maintenance of Way and Structures		22,734.47	35,863.65	35,201.54

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Year Ending December 31st,					11-1-1921 to
1947	1946	1945	1944	1943	12-31-1942
$	$	$	$	$	$
2,126.98	2,085.54	1,752.18	1,775.60	1,412.49	37,811.25
5,168.52	3,240.91	4,136.65	1,940.08	725.99	56,537.68
8,899.59	16,491.72	15,434.82	8,477.91	46.16	83,177.35
3,355.58	3,885.30	5 493.54	8,757.91	3,711.19	187,102.11
	777.64		242.71		86.42
1,026.20	661.17	432.53	629.16	269.52	4,754.45
118.64			.09	13.41	841.58
12,986.38	15,185.74	9,581.38	11,822.31	9,134.00	179,823.96
346.11	863.56	290.40*	313.80	11.10	13,181.60
274.39	101.17	133.38	305.13	603.08	14,931.74
	375.44				751.55
333.88	224.00	61.93	133.92	55.44	2,868.43
79.17	155.97	128.11	129.21	91.03	4,819.20
3,067.39	3,070.31	2,925.78	2,897.76	3,050.97	
2,246.89	1,334.67	806.97	708.50	620.06	6,903.26
298.71	388.92	179.74	221.16	58.85	7,021.44
			3.23		116.81
22.71			24.25	.01	31.03
		11.75			4,533.55
15.37	13.62	13.19	12.87	18.81	596.13
193.87	110.55	134.02	253.37	201.59	237.82
	7.36	.33			37.84
					3,391.05
					6,068.26
.71	.31				235.25
					1,480.80
					52.43
					301.29
40,561.09	48,973.90	40,935.90	38,648.97	20,023.70	617,694.28

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TEXAS AND NEW ORLEANS RAILROAD COMPANY - LESSEE

MAINTENANCE OF EQUIPMENT
For the Period from January 1st, 1943 to August 31st, 1950

	Account Number	1-1-1950 to 8-31-1950	Year Ending December 31st, 1949	1948
		$	$	$
Superintendence	301	471.33	740.78	658.95
Steam Locomotives - Repairs	308	5,571.13	8,703.20	8,109.19
Steam Locomotives - Depreciation	331-1	227.95	303.27	397.29
Freight Train Cars - Repairs	314	422.52	388.42	466.30
Freight Train Cars - Depreciation	331-3	62.77	116.09	88.27
Passenger Train Cars - Repairs	317			
Passenger Train Cars - Depreciation	331-4			
Work Equipment - Repairs	326		81.69	70.56
Work Equipment - Depreciation	331-7		54.46	47.04
Insurance	333	205.84		
Other Locomotives - Repairs	311-1	2.78		
Other Expenses	335			
Other Locomotives - Repairs	311-2	200.40		
Stationery and Printing	334		9.16	8.47
Total Maintenance of Equipment		7,164.72	10,397.07	9,846.07

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Year Ending December 31st,					11-1-1921 to
1947	1946	1945	1944	1943	12-31-1942
$	$	$	$	$	$
613.76	539.74	405.87	407.50	300.21	8,764.24
6,783.50	6,470.38	6,771.80	4,517.10	3.580.71	112,440.31
414.16	435.41	936.90	504.91	481.75	12,437.92
243.85	326.85	220.26	186.37	153.35	8,298.68
41.22	41.58	35.36	32.37	29.51	3,255.42
					17,956.34
					4,059.39
238.77	583.10	34.49	304.34		4,044.94
159.18	379.71	36.73	239.05		1,223.05
		.99			75.65
		.02		.41	1.03
5.07	6.20	5.23	4.08	6.33	298.11
8,499.51	8,782.97	8,447.65	6,195.72	4,552.27	172,855.08

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TEXAS AND NEW ORLEANS RAILROAD COMPANY - LESSEE

TRANSPORTATION
For the Period from January 1st, 1943 to August 31st, 1950

	Account Number	1-1-1950 to 8-31-1950	Year Ending December 31st, 1949	1948
		$	$	$
Superintendence	371	619.86	938.09	868.23
Dispatching Trains	372	410.28	639.69	597.81
Station Employees	373	4,841.97	7,071.06	6,605.62
Station Supplies and Expenses	376	580.69	823.02	974.74
Train Enginemen	392	3,423.37	5,671.25	5,495.66
Fuel for Train Locomotives	394	3,003.76	5,827.61	9,126.49
Water for Train Locomotives	397	278.80	414.33	333.40
Lubricants for Train Locomotives	398	48.71	75.40	81.28
Other Supplies for Train Locomotives	399	61.67	65.32	70.14
Enginehouse Expenses - Train	400	401.02	724.13	563.37
Trainmen	401	5,819.67	8,499.69	8,163.78
Train Supplies and Expenses	402	59.17	60.49	74.02
Crossing Protection	405	10.96	20.43	19.06
Telegraph and Telephone Operations	407	83.65	117.87	88.95
Stationery and Printing	410	37.50	138.47	165.97
Other Expenses	411			
Operating Joint Tracks and Facilities	412	810.64	2,185.86	1,563.84
Insurance	414	6.46	39.15	
Clearing Wrecks	415			3.47
Damage to Property	416			
Damage to Live Stock on Right of Way	417	101.23		551.18
Loss and Damage - Freight	418			
Injuries to Persons	420			
Yard Master and Yard Clerks	377			
Train Motormen	393	254.49		
Weighing, Inspection, and Demurrage Bureau	374			
Signal and Interlocker Operation	404			
No item				
Total Transportation		20,853.90	33,311.86	35,347.01

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Year Ending December 31st,					11-1-1921 to
1947	1946	1945	1944	1943	12-31-1942
$	$	$	$	$	$
841.82	747.98	604.54	545.92	488.42	9,832.41
611.70	961.57	574.13	582.08	518.04	9,970.24
6,206.99	5,857.11	4,848.61	5,185.70	4,366.14	119,814.70
882.10	666.36	596.09	626.34	491.28	12,507.38
4,726.04	4,697.88	4,112.54	3,854.48	3,502.47	107,575.94
6,843.38	4,682.68	3,741.37	3,157.50	3,310.44	117,999.29
340.00	376.65	383.17	367.01	390.14	8,788.30
57.38	65.06	44.39	56.97	68.53	1,872.55
49.02	49.37	61.54	59.54	42.78	1,151.59
466.52	326.92	415.11	384.98	324.41	13,156.43
6,994.56	6,949.32	5,637.62	5,837.74	5,170.45	140,803.32
50.76	66.37	54.16	31.93	92.15	13,179.21
12.02	9.52	13.64	5.35	4.55	233.11
50.04	14.88	19.22	21.47	23.89	701.32
121.82	177.45	99.20	79.28	83.34	3,973.90
					477.54
1,405.47	667.40	960.95	351.18	301.56	12,156.94
				.15	.35
		9.02			1,485.41
4.68			182.30		2,002.09
129.76	130.75	156.48	215.18	336.98	1,816.47
					27.71
			3.40		2,301.96
					349.74
					458.58
					7.75
			5.00		
29,794.06	26,447.27	22,331.78	21,553.35	19,515.72	582,644.23

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GENERAL AND SPECIAL LAWS OF TEXAS - REGULAR SESSION

41st LEGISLATURE

RATIFYING CONTRACT LEASING THE STATE RAILROAD

CHAPTER 267

S. B. No. 498

AN ACT approving, ratifying and confirming a contract of date January 1, 1929 by and between the Board of Managers of the Texas State Railroad and Texas and New Orleans Railroad Company, approved by the Governor of Texas and for the maintenance and operation of the properties of said Texas State Railroad by said Texas and New Orleans Railroad Company, providing that this Act shall be cumulative of Chapter Twenty-six of the General Laws of the Regular Session of the Thirty-seventh Legislature, approved March 12, 1921, and that said contract shall, upon the same becoming effective, supersede the contract between the same parties which was confirmed and ratified by Chapter Three of the General Laws of the Second Called Session of the Thirty-seventh Legislature approved August 25, 1921, and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. That that certain contract made and entered into on the First day of January 1929, by and between the Board of Managers of the Texas State Railroad and Texas and New Orleans Railroad Company and approved by the Governor of the State of Texas, be, and the same hereby is, in all things approved, ratified and confirmed, said contract being in words and figures substantially as follows, to-wit:

THE STATE OF TEXAS }

COUNTY OF HARRIS }

THIS AGREEMENT, made and entered into this the First day of January 1929, by and between the Board of Managers of the Texas State Railroad, hereinafter for convenience referred to as "Managers" and acting herein as Party of the First Part, and the Texas and New Orleans Railroad Company, Party of the Second Part, a corporation created under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, and being hereunto duly authorized by legal corporate action, and hereinafter referred to as "COMPANY":

WITNESSETH.

WHEREAS, the Managers are vested with and empowered to exercise full and plenary control and management of the Texas State Railroad, which is a line of standard gauge railroad extending from Rusk, in Cherokee County, to Palestine, in Anderson County, Texas, with existing tracks, side tracks, spurs, switches and turnouts, stations, buildings, ways and structures, and other facilities used in the operation of said railroad, all of which jointly and severally are owned by and are the property of the State of Texas, and the Managers have

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and exercise only such authority in regard hereto as is conferred upon them by an act of the Legislature of the State of Texas, passed at the regular Session of the Thirty-seventh Legislature, and approved March 12, 1921, by the Governor of the State of Texas.

WHEREAS, the Company is the owner of a line of railway extending to the town of Rusk, at which place it connects with the Texas State Railroad, the Texas State Railroad being owner of certain right of way tracks in and near the town of Rusk, which said Company is now using under grant from the State of Texas, which said grant and the rights of the Railway Company shall be in no wise affected by this agreement, and to more fully describe the property aforesaid, a map marked Exhibit "A", showing the tracks and facilities of said Texas State Railroad in the town of Rusk and in the vicinity thereof, and of the Company, is hereto attached and made a part hereof for description. Those parts of the line's terminal at Rusk on said map marked in red being the property of the State of Texas, those parts marked in yellow being the property of the Company, and those parts marked with broken red and yellow lines being laid with heavy rail the property of the Company, in replacement of light 40 lb. rail, the property of the State of Texas, which therefore, has an equity in said heavy rail equal to the value of the light rail retained by the Company; and

WHEREAS, the Company is willing to extend the operation of its engines, trains and cars upon and over the line of said Texas State Railroad, its side tracks, spurs and industry tracks upon the granting by the Managers of the rights, and privileges of using for such purpose the line, side tracks, spurs, industry tracks, water stations, terminal facilities and ways and structures and all other facilities except the rolling stock and tools of said Texas State Railroad, all of which the Managers are w lling to grant upon the terms and conditions hereinafter set forth, so far as they may lawfully do so under the aforesaid act of the Legislature;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

ARTICLE 1. In consideration of the covenants, and agreements hereinafter set forth, and upon the terms, stipulations and conditions herein made, and upon conditions of faithful, punctual and efficient performance thereof, the Managers have granted, and by these presents do give and grant to the Company, the right, during the continuance of the term of this agreement, at its own cost and expense, to operate its engines, trains and cars on, upon and over the said Texas State Railroad at and between said town of Rusk and the said town of Palestine together with the right of using any and all the facilities and appurtenances of the Texas State Railroad at and between said stations of Rusk and Palestine, including the use of all terminal facilities, stations, buildings and grounds incident to the use of or operation of and now belonging to the Texas State Railroad.

ARTICLE 2.

(a) In consideration of the aforesaid grants, rights and privileges, the Company hereby covenants and agrees that at the times and in the manner hereinafter provided, it will pay the Managers, fifty (50%) per cent of the net railway operating income earned and received by the Company for the transportation of persons, freight, baggage, express and mail upon and over said tracks of said Texas State Railroad, including all other revenue, if any, which said Company may derive or receive from any source whatsoever, by, through or on account of the use of said Texas State Railroad property or facilities, or any part thereof, under this agreement.

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(b) The Company shall constantly maintain up to the standards of similarly situated branch lines of Company carrying a similar amount of tonnage, all the roadways, structures, buildings, bridges, terminal facilities, water stations, including the reservoir and main at Rusk full access to and control of which is hereby granted the Company and other properties of said Texas State Railroad in a good and safe condition, and shall operate thereon freight and passenger service adequate to transport all of the business offered; and such maintenance and operation shall continue for the full period of this contract. The Company shall procure and keep in effect, through its own organization or through regularly constituted insurance company, or companies, fire insurance on buildings of the Texas State Railroad with loss payable to itself and the Managers, and the premiums therefor shall be paid out of earnings as an operating expense. In case of fire loss, the insurance collected shall be paid to the company and used for renewal or replacement of the buildings damaged or destroyed, and the balance, if any, shall be paid to the Managers. In event the insurance collected for any structure destroyed by fire is insufficient to cover the cost to replace in kind, the Company shall pay the excess cost of such replacement over the amount of insurance collected, and, for the purpose of this agreement, such excess shall be treated as expenses.

(c) The Company shall make all tie replacements in said Texas State Railroad with creosoted ties treated with the customary amount of creosote, of the same class and character as may, from time to time, be used by Company in its own branch lines, similarly situated and carrying similar amount of tonnage and such tie replacements shall be kept up to the standards of Company for its said branch lines

(d) All repairs and replacements of bridges and foundation timbers for cattle guards of the Texas State Railroad shall be kept up to the same standard of Company for its own branch lines similarly situated and carrying similar amount of tonnage and the materials used in same shall be creosoted timber treated with the customary amount of creosote of the same class and character as may, from time to time, be used by Company in its said branch lines.

(e) The Company agrees to keep all ditches and cuts cleaned so as to properly drain the said cuts and agrees to maintain the fills and cuts in proper condition and up to the same standards of the Company for its own branch line similarly situated and carrying a similar amount of tonnage.

(f) The Company will maintain such train service, freight, passenger, baggage, express and mail, as will be sufficient to meet the needs of the communities served and as shall comply with the existing law with respect to such service.

(g) The Managers hereby authorize the Company to lease any of the lands or buildings of the Texas State Railroad, not required for the operation of said railroad, for industrial or other lawful purposes, provided such lease or leases shall terminate with this agreement or on a date prior thereto; all rental collected by the Company on account of said Leases shall be credited to earnings hereunder.

(h) The Company shall, upon termination of this agreement, return to the Managers, their successors or assigns, the said Texas State Railroad in its entirety in a physical condition comparable with the condition and general state of repair of Company's branch lines similarly situated and carrying a similar amount of tonnage and shall also turn over to the

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Managers, without charge, except as provided in paragraph (a) of ARTICLE 3 hereof, such additions to and betterments of the State Railroad which may have been made by the Company during the term hereof.

It is expressly understood that the Company shall maintain the said State Railroad during the latter years of the term hereof, and particularly throughout the last year, in as diligent manner as during any other period of this agreement, and shall return the Railroad in as good a state of maintenance and repair as the Company's branch lines similarly situated and carrying a similar amount of tonnage.

ARTICLE 3.

(a) In determining the amount of net railway operating income as provided in Article 2 hereof, the Company agrees that the income account and the expense account shall be kept in accordance with the rules and regulations prescribed for steam railroads by the Interstate Commerce Commission, and where not inconsistent with those prescribed from time to time by the Interstate Commerce Commission, by the Railroad Commission of the State of Texas; and the net railway operating income of the propert es shall be determined accordingly, provided that the cost of improvements made by the Company to the property of the Texas State Railroad which improvements, in the opinion of the Company, may be necessary for economical operation or to promote earnings, shall, for the purpose of this agreement, be treated and considered as expenses in making periodical settlements with the State Railroad as provided in paragraph (f) of this Article.

It is distinctly agreed and understood that the Company, except as otherwise provided in this agreement, shall not be called upon or required to participate in the cost of any improvements which, in the opinion of the Company, are not necessary for successful operations or to promote earnings.

(b) Per diem or mileage accruing, under the National Per Diem Rules Agreement, on cars while on the Texas State Railroad shall be charged to expense of operations of the Texas State Railroad properties, except that no per diem or mileage charges shall be assessed against the operation of the Texas State Railroad on any equipment owned by the several corporations comprising the Southern Pacific Texas and Louisiana Lines. Depreciation and unlocated repairs to equipment used on the Texas State Railroad will be charged as expenses of the joint operations on the Texas State Railroad, on basis of relative miles run by locomotives, passenger, freight and other equipment, on the Texas State Railroad and the Texas and New Orleans Railroad Company.

(c) The Company agrees, however, that in determining operating revenue, there shall be credited to the Managers, no division lower than the present basis of divisions to the Texas State Railroad. Where divisions are now fixed in cents per hundred pounds, they will be adjusted upward and downward from time to time to conform with any rate changes which may occur; division sheets showing divisions referred to are attached hereto marked Exhibit "B" and made a part hereof. On traffic not presently covered by division sheets, that may hereafter arise or move, the relative proportion of divisions shall not be lower than the divisions which obtain now. The State Railroad shall be credited with its due part of the revenue from all traffic originating at and destined to points on its own line at Rusk, and the present divisions of traffic of the Company into and from Rusk shall be continued, provided, however, that the foregoing shall not apply with respect to business originating at or destined to Rusk, on which said State Railroad now receives no allowance or division.

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(d) The station at Rusk has been, and during the term of this contract shall continue to be, jointly operated. Operating expenses on the State Railroad shall, during the term hereof, be charged with its due proportion of the cost of operating, and maintaining said station. Such operating and maintenance charge shall be prorated on the basis of the relative number of pounds of carload and less than carload freight received at and forwarded from said station during each calendar month by the Texas State Railroad and the Texas and New Orleans Railroad Company.

(e) The Company shall not charge to expense of operations of the Texas State Railroad properties, any portion of the Company's overhead expenses or general expense, or the expenses of general offices or general officers, their clerks or attendants, or any other officers or their clerks or attendants above the grade of Division Superintendent.

It shall only charge to the expense of the Texas State Railroad its proportionate part of the salary and expenses of the Division Superintendent and others below him in rank, connected with and actively and actually engaged in the operation or maintenance of said properties. The salaries, wages, costs and expenses of all officers and employees, including and below the rank of Division Superintendent, and all train and engine crews, and other persons operating in part upon the line of the Company and in part upon the properties of the Texas State Railroad, shall be prorated on a train mileage basis between the two and so charged to the joint operating account of the Texas State Railroad.

The foregoing paragraph includes the entire division organization of the Company's Beaumont Division or such other division of Company of which the said State Railroad may, from time to time, form a part but shall exclude and except Company's train dispatchers now located at Houston, Texas, and any and all officers above the rank of Division Superintendent.

(f) During the three year period of this contract ending December 31st, 1931, the Managers shall be furnished within thirty days (30) after the end of each calendar month, with a full report of the net railway operating income and expenses for such month, and the same shall be subject to check by such person as the Managers may designate for that purpose, and the person so designated shall be given full, free and unrestricted access to the books, papers, accounts and contracts of the Company, having any relation to the business done by it upon the properties of the Texas State Railroad.

It is understood and agreed that during the said three year period of this contract, that whenever such monthly report shall, under the terms of said contract, show any amount of money owing to the Board of Managers, payment of such amount of money shall accompany said report; the Company, however, shall have the right to charge against the earnings of any succeeding month or months during the said three year period the deficit of any previous month or months until such deficit shall have been satisfied. At the close of the three year period there shall be a full settlement of accounts between the Company and the Texas State Railroad and if under the terms of this agreement, any moneys are due by the Company to the Texas State Railroad, full settlement thereof shall be made within sixty (60) days after January 1st, 1932, but it is understood and agreed that should the earnings of the property up to and including December 31st, 1931, not be sufficient to satisfy the cost of operations, Maintenance and improvements made by the Company, such deficits shall be borne by the Company and the Company shall not have the right to liquidate same from the earnings of any succeeding period, and shall have no claim therefor against the State of Texas, or its Board of Managers.

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It is further understood and agreed that after January 1, 1932, one settlement only shall be made each year, the first annual settlement to cover period January 1, 1932, to December 31, 1932 inclusive, and subsequent settlements to be likewise made at the close of each calendar year, it being expressly understood and agreed that each year's settlement shall be complete and final and any moneys which are due by the Company to the Texas State Railroad shall be paid within sixty (60) days after January 1st, following the close of each year. It is also agreed and understood that should the earnings of the property during each calendar year after January 1, 1932, not be sufficient to satisfy the cost of operations, maintenance and improvements made by the Company, such deficits shall be borne by the Company and the Company shall not have the right to liquidate same from the earnings of any succeeding period.

It is distinctly understood that neither the State of Texas nor the Board of Managers shall be charged at any time with any deficit from operation or maintenance of said property, nor on account of any expense whatsoever in connection with said property arising from any cause whatsoever. All deficits shall be borne by the Company provided there is a deficit at the end of the said three year period and at the end of each succeeding one year periods thereafter.

(g) Neither the State of Texas nor the Managers shall be liable for any damage, loss or injury to persons or property that may in any way result from the use of said railroad properties by said Company, or its wrong or negligence, during the continuance of this contract; and full responsibility for same is assumed and shall be met by said Company, provided, however, that said Company may take such damage, loss or injury and claims and judgments paid by it in settlement thereof, into account in arriving at the net railway operating income under this contract.

ARTICLE 4.

It is agreed and understood that the Managers will not grant to any other persons, firm or corporation, or association of persons, the right to operate trains over the Texas State Railroad. If for any reason under special conditions the Managers shall desire to operate a train or an engine or cars over said property or any part thereof, for the purpose of inspection, the Managers shall have that privilege, at their own cost and expense, and wholly at their own risk, but without any payment therefor, and without being charged with any part of the cost of maintenance or other charges in connection with said properties. The Company will furnish free to the Managers and to such persons as they may designate for that purpose, such transportation as may be reasonably necessary for the purpose of inspecting said properties of the Texas State Railroad and as may not be forbidden by law. The Company shall not have the right or power, without written consent of the Managers, to grant to any other person, firm or corporation the right to operate trains or engines or cars over said tracks, except in cases of emergencies, in which event, it shall fix the revenue to be derived from such privilege and it shall be accounted a part of the earnings under this contract.

ARTICLE 5.

The Managers make no representation as to the condition of said properties nor any portion thereof. The Company shall receive the same upon its own inspection and upon its own responsibility. The Managers are acting herein solely under the Act of the Texas Legislature above referred to and they shall never be held personally liable for anything whatsoever in

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connection with the contract, or with the operation of the trains, engines or cars over the properties of the Texas State Railroad by the Company or by another acting under its authority or with its license, nor for any other matter or thing whatsoever in connection with the operation or use of said State Railroad.

ARTICLE 6.

This contract shall not include the use, possession or control by the Company of any locomotives, engines, cars, equipment, rolling stock or tools of any character whatsoever, owned by the State, all of which are expressly retained and reserved by the Managers.

ARTICLE 7.

While it is understood and agreed that, under existing laws of the State of Texas, the Managers are authorized and empowered to make and execute this agreement, on account of same being for a period of twenty (20) years, both the Managers and the Company desire ratification by the Texas Legislature before final acceptance by either party. Therefore, subject to ratification by the said Texas Legislature and approval by the Interstate Commerce Commission in so far as the Company is concerned, this agreement shall be binding upon the Board of Managers, their successors in office and upon the State of Texas and such officers and agencies of the said State as may from time to time be charged with the supervision or other duties with respect to the said Railroad, and upon the Company, its successors and assigns and shall become effective on January 1, 1929, and shall continue in full force until December 31, 1948, and thereafter until either party gives to the other one years written notice of its desire to terminate same.

IN TESTIMONY WHEREOF, the parties to this instrument have executed it in triplicate on the day and the year first above written.

BOARD OF MANAGERS, TEXAS STATE RAILROAD

LYNCH DAVIDSON, Chairman.
J. A. GLEN, Member
_____, Member.

ATTEST:

J. P. SMITH
Secretary, Board of Managers

APPROVED AS TO FORM:
BAKER, BOTTS, PARKER & GARWOOD
General Counsel, T & NO RR CO.

TEXAS AND NEW ORLEANS RAILROAD COMPANY

G. S. WAID, Vice President and
General Manager.

APPROVED, this is the 22nd day of January A. D., 1929.

ATTEST:

G. R. COTTINGHAM
Secretary, T & NO RR CO.

DAN MOODY, Governor of Texas

BY THE GOVERNOR:

MRS. JANE Y. McCALLUM
Secretary of State

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SEC. 2. That said contract shall be and become effective and binding upon the parties thereto upon the taking effect of this act and upon the approval thereof by the Interstate Commerce Commission.

SEC. 3. That this act is cumulative of Chapter Twenty-six of the General Laws passed at the Regular Session of the Thirty-seventh Legislature, the same being Senate Bill No. 267, approved March 12, 1921, and shall not be construed as in any way repealing or amending said act or any part thereof.

SEC. 4. That the contract hereby approved shall, upon the same becoming effective and binding as herein provided, supersede and take the place of that certain contract between the parties aforesaid which was confirmed and approved by Chapter Three of the General Laws passed at the Second Called Session of the Thirty-seventh Legislature and approved August 25th, 1921.

SEC. 5. The fact that the Texas State Railroad during the period of its operation by the State continually lost for the State large sums of money and that it is necessary and desirable that provision shall be made for the continued operation of said railroad without cost to the State creates an emergency and an imperative public necessity demanding the suspension of the Constitutional Rule requiring bills to be read on three days in each House, and the same is hereby suspended and this act shall take effect and be in full force and effect from and after its passage, and it is so enacted.

(Note: The Governor, in approving the above bill, wrote the following: "I notice that the bill copies the contract and shows same as executed by me and attested by the Secretary of State. This I believe to be an error.")

(Note: S. B. No. 498 passed the Senate 29 ayes, 0 nays; passed the House 114 ayes, 3 nays.)

Approved March 18, 1929.

Effective March 18, 1929

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EXHIBIT B

"SOUTHERN PACIFIC LINES"

Galveston, Harrisburg & San Antonio Railway Company
Texas and New Orleans Railroad Company
Houston and Texas Central Railroad Company
Houston, East and West Texas Railway Company
Houston and Shreveport Railroad Company

DIVISION SHEET No. 759-C

(Cancels D/S No. 759-B)

Applying on All
Traffic Interchanged with
the
TEXAS STATE RAILROAD
via
Rusk, Texas

ISSUED - September 29, 1920 EFFECTIVE - August 26, 1920

Issued under authority of Interstate Commerce Commission in
ExParte No. 74, and Case No. 11764
Proportions in Cents per 100 lbs. except as Stated

Item No.	Description	Texas State Railroad		So. Pac. & Connection
		1	2	
5	All Less Carloads - 1st Class	34.5	35	Balance
	All Less Carloads - 2nd Class	30.5	31	
	All Less Carloads - 3rd Class	26.5	27	
	All Less Carloads - 4th Class	24.	24.5	
10	All Carloads, except as below	6½	7	Balance
15	Brick, all kinds, carloads	3½	3½	Balance
20	Cement, carloads	5½	5½	Balance
25	Cement Plaster, carloads	4½	4½	Balance
30	Coal, and Coke, carloads, from beyond Texas	54¢ per ton		Balance
35	Coal and Coke, carloads (TEXAS)	73½¢ per ton		Balance
40	Cotton and Cotton Linters (any quantity)	27	27	Balance
45	Cotton Seed, carloads	5½	5½	Balance
50	Cotton Seed Cake, Meal & Hulls, carload	4	4	Balance
55	Grain and Grain Products, carloads	7	7	Balance
60	Hay, carloads	7	7	Balance
65	Lime, carloads	6	6	Balance
70	Oil, (Crude & Fuel) carloads	5½	5½	Balance
75	Oil (Coal and Gasoline) Cls. (from Texas)	10½	10½	Balance
80	Pig Iron, carloads	6½	7	Balance
85	Live Stock, carloads	$16.50 per car	$17.00 per car	Balance
90	Salt, carloads	6	6	Balance

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Item No.	Description	Texas State Railroad 1	Texas State Railroad 2	So. Pac. & Connection
	Fruits and Vegetables, viz:			
	Melons & Potatoes, carloads	10½	11	Balance
95	Vegetables (except potatoes) CL	13½	13½	Balance
	Peaches, carloads	10½	11	Balance
	Berries, carloads	20	20½	
100	Lignite, carloads	33½ ton	34 ton	Balance
105	Wood, carloads	66½	67½	Balance
		per cord		Balance
110	Sand, Stone & Gravel, carloads	2½	2½	Balance
115	Fertilizers, carloads	3½	3½	Balance
	Forest Products, Lumber, etc. - carloads			
	A To Mississippi River Crossings and points east thereof.	4		Balance
120	B To points beyond Texas - west of Mississippi River.	4½		"
	C To Texas Gulf Ports, Domestic, Export or Coastwise	4½		"
	D To other Texas points reached by the rails of I. & G. N., St. L. S. W. or S. P. Lines and when routed via said lines direct	7½		"
	E To all other Texas points beyond said lines	7½		"

COLUMN No. 1 - Figures apply to traffic to or from territory east of the east bank of Mississippi River and east of Illinois - Indiana State Line and east of Lake Michigan, and also on Texas Intrastate traffic covered by Texas Lines Tariffs No. 17-series on Cotton, 22-series on Miscellaneous commodities and 36-series on Lumber traffic, or reissues.

COLUMN No. 2 - Figures apply to traffic to or from territory Mississippi River points (both banks) points in Illinois and Michigan (west of Lake Michigan) and territory west thereof including Texas intrastate Traffic not covered by the above named tariffs.

ITEM 125 - Basis shown above will not apply on Rusk, Texas, traffic.

ITEM 130 - Proportions named will not apply when they exceed current local rates.

ITEM 132 - Where rates are made combination of locals same will divide as made.

ITEM 135 - It is also understood that basis shown applies to existing rates, therefore, is subject to revision in the event of subsequent changes in rates.

ITEM 140 - Referring to adoption Notice No. 1, I.C.C. No. 1271, R.C. of Texas No. 82 - Rates and Divisions previously operating over the State Railroad.

On all interstate traffic to or from points on the T. & N.O.R.R.Co., Rusk Branch, North Rusk to Palestine, inclusive, previously operated as Texas State Railroad Stations, divisions will be made by retaining for the T. & N.O.R.R. same per cents as are applicable to Rusk, Texas, where percentages apply and where mileage prorate governs actual mileage to or from actual origin or destination point governs.

On Texas intrastate traffic regular mileage scale of percents will apply, using mileage to or from actual origin or destination point. Individual division sheets will be amended as soon as possible.

AUTHORITY No. 908

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BOARD OF MANAGERS OF THE TEXAS STATE RAILROAD—August 31st, 1950



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