TWENTY-SEVENTH

ANNUAL REPORT

OF

Hudson & Manhattan Railroad Company

YEAR ENDED DECEMBER 31, 1935
HUDSON TERMINAL BUILDINGS
(CHURCH STREET FRONT)
CORTLANDT, CHURCH, DEY AND FULTON STREETS
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HUDSON & MANHATTAN RAILROAD COMPANY

BOARD OF DIRECTORS

WALTER F. BROWN, Chairman - New York City
LEWIS L. CLARKE - - - Rumson, N. J.
JEROME J. HANAUER - - Greenburg, N. Y.
ALBERT H. WIGGIN - - New York City
Wm. Henry Barnum - - New York City
PERCY H. JOHNSTON - - Montclair, N. J.

H. HOBART PORTER - - New York City
ARTHUR BRISBANE - - New York City
J. VIPOND DAVIES - - Flushing, N. Y.
CARL S. KLUMPP - - New York City

GENERAL OFFICERS

WALTER F. BROWN, Chairman of the Board
CARL S. KLUMPP, President and General Manager

J. VIPOND DAVIES, Vice-Pres. and Chief Engineer
WESLEY S. TWIDDY - Treas. and Asst. Secty.
PAUL SHEPARD - - - Comptroller
F. H. SILLICK - - - Asst. Comptroller
J. E. BUCK - - - General Counsel

P. COMPTON MILLER,
Vice-Pres. in Charge of Real Estate
ROBERT B. KAY - - Secty. and Asst. Treasurer
T. G. ANTHONY - - - Asst. to Chairman
HARRY W. WEBBER - - Purchasing Agent

REGISTRAR OF CAPITAL STOCK

GUARANTY TRUST CO. OF NEW YORK, 140 Broadway, New York City

TRANSFER AGENTS

CHEMICAL BANK & TRUST COMPANY, 165 Broadway, New York City

GENERAL OFFICES

HUDSON TERMINAL, 30 Church Street, New York City
TO THE STOCKHOLDERS OF THE

HUDSON & MANHATTAN RAILROAD COMPANY:

The following report of your Company’s operations for the year ended December 31, 1935, is respectfully submitted:

The traffic as compared with the year 1934 decreased 337,334 passengers or four-tenths of one per cent. This was due to the continuance of unemployment incident to the business depression, and in some measure to the competitive ferry service operated by the railroads that carry New Jersey suburban commuters. Passengers of those railroads are carried by ferries across the Hudson River without additional charge, whereas, if the facilities of the Hudson & Manhattan Railroad are used, an additional fare must be paid. Many commuters use your line because of the more rapid service and more convenient stations in New York City afforded; but during a period when so many people are faced with the necessity for rigid economies the ferry services appeal to a relatively large number of travelers. Your Directors still believe that if and when business and employment again reach normal levels, a substantial increase in passenger revenue may be confidently anticipated.

Rental receipts from Hudson Terminal Buildings continue to reflect the prevailing excess of rentable office space in Manhattan, making it necessary to continue downward rental adjustments, both to meet existing competition as well as to assist and retain valued tenants. Gross revenues from Hudson Terminal Buildings decreased $141,223.63, or eight and two-tenths per cent, and net income decreased $127,127.60, or eighteen and eight-tenths per cent in 1935.

Full interest on the First Lien & Refunding Bonds was earned and paid.

For the first six months of 1935, the aggregate surplus income available for the payment of interest on the Adjustment Income Bonds amounted to $665,166.73, and of this amount, $662,040.00, or $20 per $1,000 bond, was paid on October 1, 1935. For the full year ended December 31, 1935, after deducting the payment of $662,040.00 made on October 1, surplus income available for interest on these bonds aggregated $519,495.42, and of this amount $496,530.00, or $15 per $1,000 bond, has been authorized to be paid on April 1, 1936, making the total interest disbursed for the year 1935, three and one-half per cent. Consequently, the unpaid and accumulated interest on these bonds, consisting of one-half of one per cent for the year 1934, plus one and one-half per cent for the year 1935, is now a total of 2%.

No dividends were paid on the Preferred or Common Stocks of the Company.

The franchise under which that portion of the Sixth Avenue Extension of this Company’s uptown tunnel railroad, from 9th to 33rd Streets in New York City, was constructed, provides that the City shall have the right to purchase and take said portion for use as a part of a municipal system of rapid transit, at any time after the expiration of twenty-five years from the commencement of operation thereof, upon at least two years’ notice in writing, and payment to the Company of the value thereof as determined by agreement or by appraisal, with the proviso that such value shall not exceed the actual cost in money of the construction of said tunnel and railroad, including stations, real estate, etc., as the same exist at the time when said option shall be exercised. Operation over the Sixth Avenue Extension into the 33rd Street terminal station was commenced November 10, 1910, and said twenty-five year period of operation expired on November 10, 1935. For some years past the City of New
York has planned a rapid transit line under Sixth Avenue as part of its independent subway system, and, if possible, to avoid recapture of this Company’s Sixth Avenue Line for such purpose, representatives of your Company have carried on studies and negotiations with the Board of Transportation and other City authorities to evolve a plan which would permit joint occupancy of the street by the two facilities. These negotiations were concluded during the past year and various agreements providing for the execution of the work made necessary by such joint occupancy of Sixth Avenue have been prepared and have been approved by the City authorities. These agreements are now in process of execution by all parties in interest, and it is expected that they will be delivered and the necessary work begun in the near future. Under the principal agreement the Company’s 33rd Street terminal station will be entirely reconstructed, and during the period required for the work the Company will maintain a temporary terminal in the blocks between 28th and 30th Streets. Parts of the Company’s property will be taken by the City, for which the Company will be paid $300,000.00, and other parts of the Company’s structures which are to be taken by the City will be replaced by new construction. The Trustees under the Company’s several mortgages have tentatively agreed to the changes in the Company’s physical assets involved. A Modifying Certificate authorizing the work and providing for the operation of the temporary and final structures has been issued by the Transit Commission of the State of New York with the approval of the City authorities, acceptance of which by the Company must await delivery of the underlying agreements. Under the Modifying Certificate the City has the right to recapture the Sixth Avenue Extension as reconstructed, on five years’ notice in writing, and in the event the City shall exercise such right the Company then has the option, under certain conditions, of electing to have its railroad reconstructed in Sixth Avenue at a lower plane.

Mention was made in previous reports of an agreement with the Pennsylvania Railroad Company for the division of fares to be derived from the operation of joint train service between New York and projected new stations of the Pennsylvania Railroad at Market Street and South Street in Newark, with a supplementary service to the present Park Place Station in Newark. Altho substantial progress has been made, the projected stations are still uncompleted, and therefore no change in the joint train service operation has been made.

The properties of your Company have been maintained efficiently and are capable, without expansion, of providing the increased service incident to the business improvement which is hoped for.

Again grateful acknowledgment is made by your Board of the diligence and loyalty of the officers and employees of the Company in the performance of their respective duties.

By order of the Board of Directors,

WALTER F. BROWN
Chairman of the Board.
ACCOUNTANTS’ CERTIFICATE

HUDSON & MANHATTAN RAILROAD COMPANY:

We have made an examination of the balance sheet of the Hudson & Manhattan Railroad Company at December 31, 1935, and of the statements of income and profit and loss for the year 1935. In connection therewith, we examined or tested accounting records of the company (which consistently have been kept in accordance with the Classification of Accounts prescribed by the Interstate Commerce Commission) and other supporting evidence. We also made a general review of the operating and income accounts for the year.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of income and profit and loss fairly present the company’s position at December 31, 1935, and the results of its operations for the year.

HAS K I N S & S E L L S

NEW YORK, FEBRUARY 29, 1936.
### EXHIBIT No. 1

**INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1935, COMPARED WITH PREVIOUS YEAR**

<table>
<thead>
<tr>
<th>Description</th>
<th>1935</th>
<th>1934</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RAILROAD OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger fares</td>
<td>$5,498,734.64</td>
<td>$5,536,876.54</td>
<td></td>
<td>$38,141.90</td>
</tr>
<tr>
<td>Advertising</td>
<td>$103,000.00</td>
<td>$99,000.00</td>
<td>$4,000.90</td>
<td>$7,847.26</td>
</tr>
<tr>
<td>Other car and station privileges</td>
<td>$196,156.98</td>
<td>$204,004.24</td>
<td></td>
<td>$7,847.26</td>
</tr>
<tr>
<td>Rent of buildings and other property</td>
<td>$104,500.08</td>
<td>$104,500.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous transportation revenue</td>
<td>$42,346.00</td>
<td>$43,731.36</td>
<td></td>
<td>$1,385.36</td>
</tr>
<tr>
<td>Other miscellaneous revenue</td>
<td>$3,174.65</td>
<td>$3,859.79</td>
<td></td>
<td>$685.14</td>
</tr>
<tr>
<td><strong>TOTAL RAILROAD OPERATING REVENUES</strong></td>
<td>$5,947,912.35</td>
<td>$5,991,972.01</td>
<td></td>
<td>$44,059.66</td>
</tr>
<tr>
<td><strong>RAILROAD OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance of way and structures</td>
<td>$366,908.81</td>
<td>$316,895.26</td>
<td>$49,103.55</td>
<td></td>
</tr>
<tr>
<td>Maintenance of equipment</td>
<td>$396,197.20</td>
<td>$333,775.77</td>
<td>$62,421.43</td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td>$501,698.84</td>
<td>$487,592.36</td>
<td>$14,106.48</td>
<td></td>
</tr>
<tr>
<td>Transportation expenses</td>
<td>$1,177,464.37</td>
<td>$1,144,013.07</td>
<td>$33,451.30</td>
<td></td>
</tr>
<tr>
<td>General expenses</td>
<td>$333,121.12</td>
<td>$317,646.72</td>
<td>$15,474.40</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL RAILROAD OPERATING EXPENSES</strong></td>
<td>$2,774,485.34</td>
<td>$2,599,923.18</td>
<td>$174,562.16</td>
<td></td>
</tr>
<tr>
<td><strong>NET REVENUE FROM RAILROAD OPERATION</strong></td>
<td>$3,173,427.01</td>
<td>$3,392,048.83</td>
<td>$218,621.82</td>
<td></td>
</tr>
<tr>
<td><strong>TAXES APPLICABLE TO RAILROAD OPERATION</strong></td>
<td>$792,909.47</td>
<td>$816,367.78</td>
<td></td>
<td>$23,477.31</td>
</tr>
<tr>
<td><strong>RAILROAD OPERATING INCOME</strong></td>
<td>$2,380,516.54</td>
<td>$2,575,681.05</td>
<td>$195,144.51</td>
<td></td>
</tr>
<tr>
<td><strong>NET INCOME OTHER THAN RAILROAD OPERATIONS</strong></td>
<td>$618,530.97</td>
<td>$747,049.18</td>
<td></td>
<td>$128,518.21</td>
</tr>
<tr>
<td><strong>OPERATING INCOME</strong></td>
<td>$2,990,067.51</td>
<td>$3,322,730.23</td>
<td>$323,662.72</td>
<td></td>
</tr>
<tr>
<td><strong>NON-OPERATING INCOME</strong></td>
<td>$286,835.91</td>
<td>$302,090.11</td>
<td></td>
<td>$15,254.20</td>
</tr>
<tr>
<td><strong>GROSS INCOME</strong></td>
<td>$3,285,903.42</td>
<td>$3,624,820.34</td>
<td>$338,916.92</td>
<td></td>
</tr>
<tr>
<td><strong>Income Deductions other than Bond Interest:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rentals of tracks, yards and terminals</td>
<td>$56,671.22</td>
<td>$54,424.96</td>
<td>$2,246.26</td>
<td>$128.68</td>
</tr>
<tr>
<td>Amortization of debt discount</td>
<td>$38,697.47</td>
<td>$38,826.15</td>
<td></td>
<td>$3,661.10</td>
</tr>
<tr>
<td>Miscellaneous deductions</td>
<td>$105,123.72</td>
<td>$108,784.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DEDUCTIONS PRIOR TO BOND INTEREST</strong></td>
<td>$200,492.41</td>
<td>$202,035.93</td>
<td></td>
<td>$1,543.52</td>
</tr>
<tr>
<td><strong>NET INCOME APPLICABLE TO BOND INTEREST</strong></td>
<td>$3,085,411.01</td>
<td>$3,422,784.41</td>
<td>$337,373.40</td>
<td></td>
</tr>
<tr>
<td><strong>INTEREST ON FIRST LIEN AND REFUNDING 5's AND FIRST MORTGAGE 4½'s:</strong></td>
<td>$1,918,535.00</td>
<td>$1,918,535.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE</strong></td>
<td>$1,166,876.01</td>
<td>$1,504,249.41</td>
<td>$337,373.40</td>
<td></td>
</tr>
<tr>
<td><strong>INTEREST ON ADJUSTMENT INCOME 5% BONDS</strong></td>
<td>$1,655,100.00</td>
<td>$1,655,100.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DEFICIT FOR THE YEAR</strong></td>
<td>$488,223.09</td>
<td>$150,830.59</td>
<td>$337,373.40</td>
<td></td>
</tr>
</tbody>
</table>
EXHIBIT No. 2

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1935

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 1934</td>
<td>$3,853,793.85</td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
</tr>
<tr>
<td>Deficit for the year ended December 31, 1935, as per income account</td>
<td>$488,223.99</td>
</tr>
<tr>
<td>Appropriations of surplus to sinking fund reserve</td>
<td>101,590.44</td>
</tr>
<tr>
<td>Miscellaneous debits—Net</td>
<td>714.24</td>
</tr>
<tr>
<td><strong>Total.</strong></td>
<td><strong>590,528.67</strong></td>
</tr>
<tr>
<td>Balance, December 31, 1935</td>
<td><strong>$3,263,265.18</strong></td>
</tr>
</tbody>
</table>
# GENERAL BALANCE SHEET

## ASSETS

### Investments:
- Road and equipment: $111,473,339.22
- Sinking funds (including $1,505,529.04 par value of company's bonds)
  - At cost: 1,539,271.74
- Deposit in lieu of mortgaged property sold: 7.67
- Miscellaneous physical property: 13,526,510.63

### Investments in affiliated companies:
- Stocks: $2,000.00
- Advances: 41,807.25
- **Total investments**: 43,807.25

### Other investments:
- Stocks: $1,801.00
- Bonds: 563,978.44
- Notes: 175,000.00
- **Total other investments**: 740,779.44

### Total investments:
- **Total investments**: $127,323,715.95

### Current Assets:
- Cash: $426,155.63
- Special deposits: 75,485.92
- Notes receivable: 16,320.23
- Miscellaneous accounts receivable: 205,773.16
- Materials and supplies: 344,300.02
- Interest receivable: 74,069.56
- Other current assets: 31,162.00
- **Total current assets**: 1,173,266.52

### Deferred Assets:
- Insurance and other funds (including $1,030,000.00 par value of company's bonds)
  - At cost: $5,011,157.24
- **Total deferred assets**: 83,644.58

### Unadjusted Debits:
- Rents and insurance premiums paid in advance: $40,774.71
- Discount on funded debt: 1,862,419.72
- Other unadjusted debits: 50,345.01
- **Total unadjusted debits**: 1,953,768.11

### TOTAL:
- **TOTAL**: $135,545,552.40
# EXHIBIT No. 3

## DECEMBER 31, 1935

### LIABILITIES

**Capital Stock:**
- Common Stock: $39,995,385.00
- Preferred Stock: $5,242,938.75
- Stock liability for conversion: 11,026.25

Total Capital Stock: $45,249,950.00

**Funded Debt:**
- First Mortgage 4 1/2% bonds: $67,148,000.00
- Less pledged as collateral under the first lien and refunding mortgage and the adjustment income mortgage: $66,204,000.00

Total funded debt: $71,567,233.66

**Current Liabilities:**
- Audited accounts and wages payable: $165,727.89
- Miscellaneous accounts payable: 10,574.85
- Matured interest and dividends payable: 86,064.31
- Interest on adjustment income bonds, 1 1/2% declared February 13, 1936, payable April 1, 1936: 496,530.00
- Accrued interest and rents payable: 804,244.22
- Other current liabilities: 1,067.33

Total current liabilities: $1,564,208.60

**Deferred Liabilities:**
- Interest on adjustment income bonds, 2% deferred: $662,040.00
- Other deferred liabilities: 816.95

Total deferred liabilities: $662,856.95

**Unadjusted Credits:**
- Tax liability: $34,279.20
- Operating reserves: 32,680.04
- Accrued depreciation—Road and equipment: 4,593,727.63
- Accrued depreciation—Miscellaneous physical property: 5,430,955.30
- Other unadjusted credits: 27,231.35

Total unadjusted credits: $10,118,873.50

**Corporate Surplus:**
- Funded debt retired through surplus: $1,040,500.00
- Sinking fund reserve: 1,539,271.74
- Miscellaneous fund reserves: 539,392.77
- Profit and loss—Balance: 3,263,263.18

Total corporate surplus: 6,382,429.69

**TOTAL:** 135,545,552.40

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**NOTE:** Contingent upon the outcome of a case now pending there is a possible tax liability of approximately $150,000.00 for Federal income taxes in addition to current accruals, or a possible refund of approximately $100,000.00.
<table>
<thead>
<tr>
<th>CLASS OF BONDS</th>
<th>Denomination</th>
<th>DATE</th>
<th>When Due</th>
<th>INTEREST</th>
<th>Amount of Bonds Authorized</th>
<th>Amount Outstanding</th>
<th>TRUSTEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien and Refunding Mortgage</td>
<td>$1,000</td>
<td>Feb. 1, 1913</td>
<td>Feb. 1, 1957</td>
<td>5%</td>
<td>Feb. 1, Aug. 1</td>
<td>$65,000,000.00</td>
<td>Central Hanover Bank &amp; Trust Co. of N. Y.</td>
</tr>
<tr>
<td>Adjustment Income Mortgage</td>
<td>1,000</td>
<td>Feb. 1, 1913</td>
<td>Feb. 1, 1957</td>
<td>5%</td>
<td>Apr. 1, Oct. 1</td>
<td>33,574,000.00</td>
<td>Guaranty Trust Co. of N. Y.</td>
</tr>
<tr>
<td>First Mortgage</td>
<td>1,000</td>
<td>Feb. 1, 1907</td>
<td>Feb. 1, 1957</td>
<td>4 3/4%</td>
<td>Feb. 1, Aug. 1</td>
<td>*$944,000.00</td>
<td>Guaranty Trust Co. of N. Y.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$99,518,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$71,567,233.66</td>
<td></td>
</tr>
</tbody>
</table>

*The balance of the issue of First Mortgage 4 3/4% bonds ($66,204,000.00) is deposited with the trustees of the First Lien and Refunding Mortgage and the Adjustment Income Mortgage in accordance with the terms thereof.