



Pikes Peak Country

Pikes Peak
Photo by David Martinek

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James J. Hagerman - A profile: raising the money to build the Colorado Midland

(Part 5) John P. Lipsey, author of *The Lives of James J. Hagerman*, described Hagerman's efforts to raise money and move the Colorado Midland Railway company from paper to a railroad on the ground as "a big man (who) got the job done almost single-handedly."

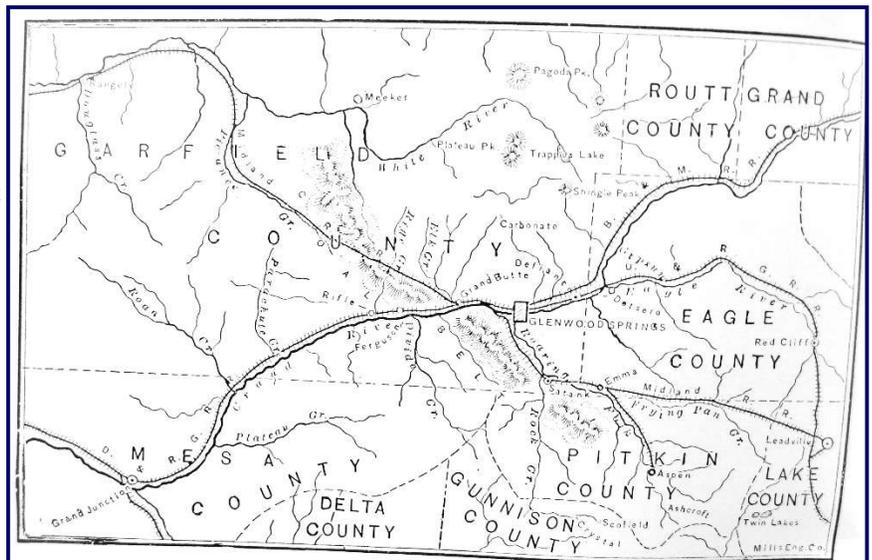
Indeed, when reading the many letters and the reports of many meetings that Hagerman wrote or attended, it is easy to agree. His letters to moneyed persons with whom he had done business in the past were prolific and persuasive. As early as July 1885, Hagerman wrote to John H. van Dyke in Milwaukee, a trusted friend and one of his former partners in the Menominee mining adventure. "If we get the money, we propose to show that at least one railroad can be honestly built in Colorado." Hagerman was referring to the Denver & Rio Grande Railroad (the "D&RG") directly and to numerous other instances where corruption was just part of the game of railroad building, dating all the way back to the building of the transcontinental railroad and the Cr dit Mobilier scandal of 1872.

He wrote to Albert Keep, president of the Chicago and Northwestern Railroad Company, a long-time friend and business acquaintance to whom Hagerman had sold "thousands of tons" of iron rails, giving him a brief synopsis of the Colorado Midland. Hagerman also asked Keep for a letter of referral to English investors across the Atlantic.

Hagerman wrote van Dyke that Charles A. Otis, a Cleveland steel manufacturer and long-time loyal friend and generous supporter of Hagerman's, also

"believes in it fully (i.e., the Colorado Midland) and is willing to take quite an interest in it."

In future letters Hagerman encouraged van Dyke and



The first plan was to construct the Colorado Midland line starting from Colorado Springs. But that plan was revised early in 1886 in favor of the "Western Division" from Leadville to Aspen and Glenwood Springs to exploit the coal/coke and silver ore traffic.
Map from the Colorado Midland, a Guide and Data Book by Mel McFarland

others to contact other men who may want to invest in the fledgling railroad. Included with his letters were favorable analyses of the future profitability of the Colorado Midland, particularly coming from anticipated coal and coke business out of the Elk Creek (later named New Castle) and Glenwood Springs areas, and the transport of ores from Aspen silver mines to the Leadville smelters. Equally favorable costs for rails, locomotives and other construction or operating materials were also predicted. The Aspen silver mines and coal reserves were of particularly interest to J. B. Wheeler, the Colorado Midland vice-president, who had mining interests in the area and "controlled the accessible coal in that region."

The Colorado Midland's first plan was the immediate construction of the line out of Colorado Springs. But as his letter-writing campaign began to develop and as overseas investment efforts were proving unproductive

"James J. Hagerman - continued on page 2

"James J. Hagerman" - continued from page 1

(Carmichael, the company's overseas agent, was getting nowhere), Hagerman began focusing on a new approach – raising a smaller amount of capital to build the line from Leadville to Glenwood Springs. He estimated that \$1,500,000 would be needed to start work on the Western Division, as it was called (as compared to \$7 million to start from Colorado Springs), with the likelihood of more immediate revenues from ore, coal and coke transport. Wheeler, who would prove to be a thorn in Hagerman's side, certainly approved of this revised plan.

Hagerman's letters were most persuasive in also describing how the Midland might take business away from other railroads serving Leadville and South Park, especially the D&RG which at the time was embroiled in restructuring efforts, and under a receivership.

While many of Hagerman's letters expressed confidence that certain men would subscribe to and contribute various amounts towards the building of the railroad, he eventually became more worrisome. Carmichael had, indeed, submitted a proposal to Bischoffsheim and Goldschmidt, but the London bankers would not accept it without significant guarantees of cooperation from state-side railroad companies, like the Burlington, which was unlikely. Carmichael, who was working on an expense account and had no problem traveling, headed to Germany to seek investors there. But he cabled back from Berlin that the troubles of the Denver & Rio Grande were souring the market. He telegraphed the same story from Frankfurt.

"I am afraid the D&RG polecat has tainted the whole financial structure over there for anything originating in Colorado," commented Hagerman to Orlando Metcalf. His confidence in Carmichael was also wearing thin, wishing to others that he (Carmichael) had stayed in London.

More desperate, in December 1885 Hagerman sent General Manager Homer D. Fisher and Engineer Thomas Wigglesworth to New York to see Russell Sage (of the Gould and Sage contingent) about the Midland. Hagerman had heard that Jay Gould and Russell Sage were planning to extend their Missouri Pacific lines "in this direction, most likely to Colorado Springs." He was interested to know if Gould and Sage would consider an alliance with the Midland – or if they wanted to buy the paper railroad out right.

In responding letters to Hagerman Sage professed a willingness to consider the Midland proposal if it proved a favorable opportunity, but he was non-committal. Later, Fisher and Wigglesworth proposed to Sage that there be a stock purchase arrangement (with Gould and Sage buying two-thirds and the Midland men one-third) and that the Missouri Pacific guarantee the Midland's bonds. In the end, Gould and Sage were not impressed with what the Midland men were selling, confirming Hagerman's earlier prediction that "if they want our line at all, they want it for nothing."

Frustrated, in January 1886 Hagerman himself went to New York, taking Henry T. Rogers, the Colorado Midland attorney, with him. They traveled in style, as a railroad president should, in a private Pullman car leased at \$35 a day - and they took their wives along.

From January 19 to March 22, 1886, Hagerman was talking.

He met with friends and *their* friends and in the course of two days had raised nearly all of the \$1,500,000 needed to begin construction of the Colorado Midland's Western Division.

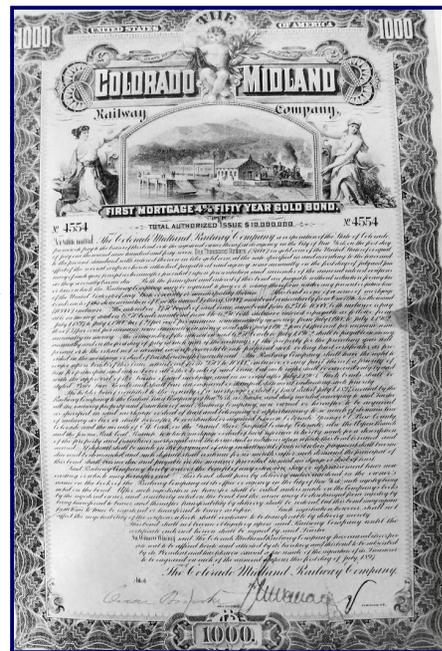
Among those contributing were: William D. Sloane, a New York merchant; Samuel S. Sands, a New York capitalist, Theodore M. Davis, an investor out of Newport, Rhode Island; patent-medicine baron Frederick Ayer of Lowell, Mass.; and Dave P. Eels, as well as J. B. Wheeler, Charles Otis and particularly J. R. Busk. Busk proved to be a valuable contact for Hagerman because his brother-in-law was William Lidderdale, governor of the Bank of England. Lidderdale, who would later become a Colorado Midland director, had serious connections with other English and Scottish speculators.

Back in Colorado Springs, Hagerman moved quickly to let contracts to begin construction of the line west out of Leadville. In early April Hagerman hired George W. Cook to oversee the construction of the Midland. Ironically, Cook was co-agent for the D&RG in Leadville, as well as for the Denver South Park & Pacific (the "DSP&P"). Hagerman also signed a contract with James B. Orman of Pueblo and others for construction of the railroad's "graduation, tunnels and masonry from Leadville to the mouth of the Fryng Pan River."

Along with contracting, Hagerman obtained unanimous permission from the Leadville City Council to cross and run tracks along their streets, even though people from the D&RG had gone to Leadville to oppose the request. The D&RG, under receiver William S. Jackson, and the Union Pacific (the "U.P.") would prove to be formidable obstacles for the Midland in the days and months to come.

Late in March, Hagerman had held conferences with Jackson to coordinate "getting our rails and other stuff up to Leadville." Hagerman wrote to Samuel Sands that Jackson spoke "moderately" in person but his actions were a different story. Jackson would do nothing unless the Midland agreed not to build the eastern line from Colorado Springs to Leadville, nor make any bargain or business with any other railroad until the D&RG was reorganized; and, he wanted a satisfactory trade agreement with the Midland on the coal and coke traffic in Leadville. "In other words," wrote an enraged Hagerman, "if we agree to cut our own throats, he will help us do it."

The D&RG hoped the Union Pacific would join their effort to thwart the Colorado Midland by agreeing to share the Leadville freight traffic, cornering the Midland out of the market before the first track was even laid. While the U.P. was



"James J. Hagerman" - continued from page 2

anxious to extract itself from that arrangement, it also didn't want the Midland to build the eastern line either, at least for awhile.

However, the obstruction by both competitors was only starting. William S. Jackson seemed determined to oppose the Midland at every turn. "Mr. Jackson has evidently made up his mind to oppose us all he can," wrote Hagerman. "He talks like a boy. He said that we had 'no right to build any railroad in Colorado or Utah, as that is our territory.'" Apparently, Jackson thought the D&RG had a monopoly on the coal trade, as well. Hagerman quotes him as saying, "It is a mean thing for you men (of the Colorado Midland) to go into the coal and coke trade which we have spent so much money to build up."

Hagerman played the game, too, attempting just what the D&RG and U.P. feared. He tried to cut the heart out of the D&RG's opposition by offering to sell coke to every smelter in Leadville for \$8 a ton if they would give the Midland their exclusive business for a "term of years." He wrote Wheeler after the D&RG was sold, and Jackson was named president, that "Jackson ought to be a Middle-Ages baron. That crowd seems to think that people who own coal mines and silver mines and other important interests have no right to build railroads."

By mid-April the matter of rates to be charged by the D&RG and the Union Pacific for transporting rails and construction materials to Leadville had come to a head. Both companies informed Hagerman that the freight cost for rails from Missouri River points would be \$40 per ton delivered to Leadville. The rate was obviously prohibitive. Hagerman wrote J. R. Busk that "Jackson and the U.P. (specifically Charles Francis Adams, president of the Union Pacific) are charging our contractors perfectly extortionate rates on everything."

Hagerman's response to Jackson and Adams was angry and profane. "My reply was more lurid than I care to remember," he wrote. "I am glad to know that the two railroad presidents did not take the advice I sent them and emigrate to a climate which is too hot for comfort."

"I told them that they were practically ordering us out of the State; if God Almighty had given them a quit-claim deed to the State of Colorado, I had not heard of it...and that instead of quitting work west of Leadville as they evidently expected us to do, we would build from Colorado Springs to Leadville and have our own broad-gauge connection with the Burlington and other roads to the East."

Thwarted in their effort to build the more lucrative line west out of Leadville, the freight rates charged by the Denver & Rio Grande and Union Pacific caused the Colorado Midland to change its focus once again and revisit building the eastern line from Colorado Springs first. Although Hagerman wrote bold words, he was not so certain. He was afraid that the Midland was on the verge of ruin, as did his directors. How would they raise the money needed to build the eastern section, they asked?

Fortunately, Hagerman's eastern backers were also afraid, and equally as indignant at the thought of losing their investments in the railroad, the Aspen mines and the coal and coke trade. The monopolistic actions of the D&RG and the U.P. prompted an immediate conference in Burlington, Iowa where

plans were laid to raise the \$7,000,000 needed to build the eastern line. Colorado Midland directors and their friends contributed more money. "More than they were really able to," said Hagerman. Two weeks later, around the first of May, 1886, on a Sunday morning at Hagerman's home on Cascade Avenue, the eastern backers came to Colorado Springs, along with William Lidderdale, and firmly subscribed to \$3,000,000 in cash, with Lidderdale (governor of the Bank of England, and J. R. Busk's brother-in-law) taking an option on the balance of the Colorado Midland bonds.

The deal was struck; the money was raised, and the Colorado Midland would not be denied. The "big man," James J. Hagerman, had done his job.

(Note: Readers are reminded that there will not be a Pikes Peak Country newsletter published for January 2013. However, Part 6 of the continuing profile of James J. Hagerman, focusing on the actual construction period of the Colorado Midland Railway, will continue with the February 2013 issue.)

This December 2012 issue of Pikes Peak Country marks the 75th monthly edition since I first started publishing a newsletter back in April 2006. While the initial premise has always been to sell real estate (and it still is), the featured stories that have appeared in each issue throughout the last seven years have caused more of a change in me than it possibly has in my readers.

I have learned to appreciate this place I love, and as a result, the people in it.

The knowledge I have gained in writing about the history of the Pikes Peak region of Colorado has caused me to become more involved in preserving the legacy of this place.

And over the course of 75 months, I have come to realize more profoundly that if we are to find "peace and goodwill among men" in the world, we must first look for it in our hearts.

Merry Christmas to all, and may our New Year be bright!

Dave's Buyers' Guide

Cabins, second-homes and land specials from Coldwell Banker 1st Choice Realty

Prices and status effective as of November 30, 2012



\$499,900

5728 CR 59, Guffey

Your Castle? A unique and magnificent home on 35.17 acres with mountain views, close to 11 Mile Reservoir. 0BR/3BA/4GAR w/ 2126 S.F. Radiant heat, stainless appliances, open and bright with vaulted T&G ceilings. Live in an enchanted castle and enjoy the mountains! #753077



\$459,900

1413 Masters Dr, Woodland Park
On the golf course! Look out on the 6th green from the covered deck and patio. Enjoy the beautiful great room w/ FP or the granite counters in the kitchen w/ center island, pantry and breakfast nook. 5BR/3BA/3GAR w/ 3976 S.F. of living space. Main level master and laundry. It's the best of both worlds waiting for your selection. #756034

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(Martinek Team listings are BOXED)



\$549,000

1192 County Rd. 112, Florissant
Sculptured Excellence! Open valley views on 37.7 acres, plus a functioning artist workshop. 3853 S.F. w/ 3BR/3BA/2GAR. Cherry cabinets, main level MBR, 3 walk outs. Back deck. #738857



\$275,000

2087 S. Mtn Est Rd, Florissant
Colorado Mountain Log! Sitting on 2.42 acres, covered porch views rock formations, elk and deer. FP and gourmet kitchen granite counters and designer cabinetry. 2080 S.F. 3BR/3BA/2GAR. #774513



\$244,900

10251 County Rd 1, Florissant
Horse Property! Fenced 4+ acres with incredible views. New carpet, maple HW floors, stainless appliances. 5BR/4BA/2GAR w/ 2120 S.F. Decks and breakfast bar. #757879



\$115,000

130 Wabash TE, Cripple Creek
Rustic! Set on 2.15 acres w/ plenty of aspen and pine, this is a getaway place to go back in time. One level living, T&G ceiling, wood burning stove, breakfast nook, large deck and two storage sheds. Nestled in the trees for privacy. #751023



\$309,850
PENDING!

1260 Ponderosa, Woodland Pk
Great views! 3BR/3BA/2GAR w/ 2750 S.F. on 0.77 acres on a ridge-line overlooking WP. Great room, 2-story wall of windows, Jennaire range in kitchen, walk-out deck, family/theatre room. Central vac, paved driveway. #723837



\$35,000

740 County Rd 45, Florissant
Two level lots! Here are two level lots at the intersection of CR 45 (Crystal Peak Road) and U.S. Highway 24 just north of Florissant. The main lot is 2.59 acres and the adjacent lot is 0.67 acres, both sold together. #795650



\$33,900

127 Carlton Cir, Florissant
Building Plans! This 2.04 acre lot is ready to go. Perc test done, fire mitigation trees cut, building plans available. A well permit is waiting. This is a beautiful parcel overlooking the CME valley. A dream lot for a dream home.



\$19,900

2847 N. Mountain Est. Florissant
Two Lots! Two adjacent lots on a corner that total 1.18 acres. Several building sites are among the many Ponderosa and Fir trees. A selective build produces a great view of Pikes Peak.



\$13,000

317 Blue Spruce Dr, Florissant
Scenic! 1.61 acres lot with the building sites is on the ridge line. Then the lot slopes severely down to Four Mile Road. View of the Dome Rock area. Secluded and very private. #756145



\$16,000

1001 S. Mtn Est. Rd, Florissant
Meadow! Two acres of meadow and trees and some nice building sites in beautiful Colorado Mountain Estates, south of Florissant. Easy access to nearby Fossil Beds and Cripple Creek. #530773



\$9,999

0 McKinney St, Cripple Creek
Three Lots! Here are three small lots sold together in the Montrose Addition of Cripple Creek, and located across Hetig Avenue from the Retirement and Rehabilitation Center.

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