

was still an experiment in the minds of most Eastern capitalists, was not a time to enlarge the volume of securities or ask outside capital to bid for them. All that this could have secured would have been some sales at much below par and an impaired credit. Yet money must be had to keep going the extension which was creating a new Northwest; and, through that, a profitable and assured future for the Company. So another method was adopted. The Company diverted to these uses the money which might have been divided as profits among the stockholders. At one time 210 miles of road were built and \$1,700,000 were spent on equipment without a bond issue. The Company became its own banker while waiting for a favorable market to be created. The stockholders temporarily renounced their profits in order to leave their money in the enterprise. But it remained their money, and their title to it was indisputable. It was costing now very much more than \$12,000 a mile to build a substantial track. In all, about \$11,000,000 of profits were put into new construction and betterments. The stockholder of that day expected these profits to be distributed. His right to them was sanctioned by public opinion as well as by custom and law. It was recognized in 1883.

In that year the credit foundation of the Company was broadened and its methods systematized by the authorization of \$50,000,000 consolidated mortgage bonds. Of this amount, \$19,426,000 were reserved to retire prior bonds, \$10,574,000 were to be issued im-

mediately and the remaining \$20,000,000 were to be issued only on the construction thereafter of additional track at the rate of not to exceed \$15,000 per mile, although the cost per mile was often as high as \$25,000, and the cost of terminals added largely to this sum. Of the \$10,574,000 bonds issued on execution of the mortgage, \$10,000,000 were sold to the stockholders at par, payable ten per cent. in cash and ninety per cent. in the property that had been constructed or acquired with the stockholders' money, thus returning to them \$9,000,000 of the forced loans taken from them by sequestration of \$11,000,000 of their profits during the previous years. To the stockholders the only difference was they received a portion of the legitimate earnings of the Company in the shape of bonds instead of cash, and were deprived of the personal use of it during the time that it had been used by the Company. The difference to the Company was \$2,000,000, or more, as it sold to its stockholders at par bonds which if placed on the market three years before could have been sold only at a heavy discount; besides it was an indispensable aid to immediate growth and a conservation and building up of credit. The difference to the public was not a penny either way.

As branch lines were built or acquired their bonds were guaranteed. In 1887 an issue of \$25,000,000 on lines in Montana was authorized. Some improvement bonds were issued. The extension to the Pacific Coast was financed by the issue of £6,000,000 of mortgage bonds against the extension lines by the Manitoba

Company. In 1889 the bonded debt had become \$60,985,000. The Great Northern, which now took the place of the other companies, issued collateral trust bonds, which were afterward retired from the proceeds of stock issues in 1898. It assumed the payment of bonds, principal and interest, of the companies taken into the system; and its bonded debt thus became \$125,975,909 in 1908, of which over \$28,000,000 were held as free assets in the Company's treasury. Last year the total bonds on the property outstanding in the hands of the public amounted to \$144,331,909.

Of this total, \$35,000,000 were part of the issue of first and refunding mortgage gold bonds authorized in 1911; which brings us to the final standardization of the Company's securities and the act by which it provided against future contingencies. This issue, of \$600,000,000 in all, stands to the big systems of today as the \$50,000,000 issue of consolidated bonds did to the small system of twenty-eight years before. It creates a financial clearing house through which its several outstanding securities may be converted into one of standard form and value; and it forms in addition a reservoir of authorized credit so carefully guarded by the conditions of the mortgage that it cannot be abused or dissipated, yet so ample that it will supply all needs for probably fifty years to come. No private estate in this country is more carefully provided against the future than is the property of the Great Northern Railway Company. All prior mortgages become closed, and more than one half of the total \$600,000,000 is to

be used to redeem bonds issued under them and those issued to buy the Company's interest in the Burlington. Nearly \$123,000,000 may be used to cover the cost of other properties acquired or to be acquired; while \$100,000,000 may be issued, at not to exceed \$3,000,000 per annum, to cover the cost of future construction, acquisition and betterments.

The financial outlook of this Company is as well assured as that of most governments. It has a provision made now, deliberately and not under any pressure of necessity, for the work of years to come. That provision may be utilized in lean years and held in suspense in fat years, so as always to realize the best prices for securities and to keep the credit of the Company unimpaired. No emergency can surprise it. It is financed for a period beyond which it would be fanciful to attempt to provide. And the development of its business throughout every part of the practically half a continent which it serves makes the payment of dividends on the stock as certain as that of its bond coupons. There has never been a default in either. There has never been a dollar's worth of stock or bonds issued that was not paid for in cash, property or services at its actual cash value at the time. The stock has paid a dividend ever since 1882, and since 1900 the rate has remained steadily at 7 per cent.

The occasion permits no more than this condensed statement, passing in hasty review the fortunes of the railroad enterprise for more than thirty-five years. The first phase of the Great Northern Railway System is



ended. The value of the property is founded on the resources of the country it traverses. From the head of the lakes to Puget Sound this is rich agricultural land. From fifty to one hundred miles of the line run through mountain valleys, but even these are susceptible of cultivation. Barring only the actual summits of the mountain passes, the country is capable, under the best modern agricultural treatment, of multiplying its wealth indefinitely and furnishing increasing and profitable tonnage for years to come. The Great Northern is now wrought so firmly into the economic as well as the corporate body of the land as to have fitted itself permanently into the natural frame of things. So far as any creation of human effort can be made, it will be proof against the attacks of time.

Not lightly may the relation between a man and the work in which he has had a vital part be set aside. My personal interest in the Great Northern remains as keen as ever. The financial interest of myself and family in it is larger now than it ever was at any time in the past and any change would more probably increase than diminish it. While I shall be no longer the responsible head of the Great Northern I will contribute henceforth such counsel and advice as may seem best from one no longer holding the throttle valve or controlling the brake.

Most men who have really lived have had, in some shape, their great adventure. This railway is mine. I feel that a labor and a service so called into being, touching at so many points the lives of so many millions

with its ability to serve the country, and its firmly established credit and reputation, will be the best evidence of its permanent value and that it no longer depends upon the life or labor of any single individual.

JAMES J. HILL.

JULY 1, 1912.