

Jacob says Morawetz has reviewed for Morgan the Clough-Simpson plan. He holds that nothing in charter of Great Northern or Statutes Minnesota authorizes a guarantee in return for traffic contract, and he is unqualifiedly of opinion that if such guarantee is tested in court it would not hold. He is further of opinion that the fifty million stock turned over to Great Northern interest would be construed as one of the main features, and that Courts would not permit Great Northern to exercise directly or indirectly, control of Northern Pacific by reason of stock acquired as proposed. I am personally not capable of judging whose opinion is correct, but I feel even were Adams Committee and Morgan willing to accept Clough-Simpson plan in face of Morawetz dissenting opinion we could not afford to take control with certainty that it would involve Great Northern in protracted litigation with at least even chance that in end we might again lose control of Northern Pacific, and our property and its credit be damaged. Have just learned that Ives has already in his possession written opinion from high Minnesota and Montana local authorities that Great Northern cannot assume control Northern Pacific or guarantee its bonds, and I feel satisfied that he and other interests will, if given chance, betterly fight proposed combination. Koster makes following counter proposition, which has entire approval Adams and Morawetz, and which all stand ready carry out promptly. It will accomplish in every way what we desire, and will give us indisputable control without Northern Pacific's getting into bed with us. Organize under general laws State of New York or any other State. The Great Northern's capital twenty-five millions to be issued to holders Great Northern

Great Northern Railway

Wm. F. Hill,
President.

President's Office.

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Asst. to the President.

St. Paul

preferred stock in exchange for their holdings, which are to be deposited so that they can never be disposed of. The G. N. Co. of N.Y. to guarantee the issue of R. P. 4th, as provided in London agreement, and to receive as consideration fifty millions income bonds of reorganized R. P. Co., entitled to the same interest that dividends are declared upon R. P. stock. The income bonds shall be made convertible into stock at the pleasure of R. P. Co. if expressed by three fourths vote, but shall not be convertible at pleasure of holders of bonds. The re-organized R. P. Co. to have capital of one hundred million of which fifty millions are to be reserved in treasury for conversion of the income bonds if so decided by the Board of Directors. The remaining fifty millions are to be placed perpetually in hands of three voting trustees, all to be named by G. N. interest, who shall issue in exchange beneficiary certificates for purposes of R. P. reorganization Committee.

I shall suggest some modifications as to capitalization of proposed new G. N. Co. in order to provide working capital which such a large combination ought to possess, but with this exception I think we can do nothing better than to adopt the plan as a whole. If you are in accord with this plan a prompt conference between you,

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St. Paul.

Memo. - Earnings and Income Year Ending June 30/90

Earnings

Total	\$ 13,210,698.86
Passage	3,350,491.53
Mail	533,038.40
Expenses	250,850.50
Misc	86,901.51
	<u>\$ 17,434,980.80</u>

Of Expenses

Maint. way &c	\$ 2,722,423.44
" Equipmt.	1,591,290.98
Cond Transp	5,948,358.63
Genl Expenses	1,057,609.36
	<u>11,319,682.41</u>
	\$ 6,115,298.39

To find net earnings of Gov. Pac.
Property owned or leased by its
direct mortgagees, there should
be deducted as follows

Taxes	\$ 501,715.91
App & h. Pac Int	508,000.00
Gov Pac Int "	70,000.00
Int at 5% on certain Branch lines leased or used paid by Govt	245,000.00
	<u>1,354,715.91</u>

Actual net Earnings of Gov. Pac. }
available for payt of Interest &c }
on property owned }

\$ 4,760,582.48