

November 18, 1896.

James J. Hill,
President,

Dear Sir:

Under charter limitation the Great Northern Railway Company is authorized to issue for the purposes of its incorporation, not to exceed thirty millions of dollars of capital stock.
(Section 3, act of March 1st, 1856)

By an amendatory act approved February 28th, 1865, the company is authorized to create and issue

"on such terms as it may deem expedient, one or more classes of preferred stock and special stock, and to make such agreements as it may deem proper, with the holders thereof as to the dividends thereon and the securities for such dividends, and for the appropriation of the net earnings of the company to the payment of such dividends".
(Section 10)

The Eastern Railway Company of Minnesota was organized as a sub-company, under the Great Northern charter, and has issued five millions of dollars of capital stock. The Great Northern has issued twenty-five millions preferred. Thus the charter limit has been reached. No common stock has been issued and it may be thought expedient to treat the stock as preferred, in view of the special provisions of the act authorizing its issue and giving authority to contract for an appropriation of earnings to the payment of the dividends.

The authority to increase the capital stock of the company is found

in Chapter 228, Laws of the State of Minnesota for the year of 1889.

This act provides:

"That any railway company of this state empowered by the laws thereof to consolidate its railway property and franchises or any portion thereof, with the railway property and franchises of another railway company, or to purchase the railway property and franchises, or any part thereof, of another railway company, may effect such consolidation or purchase by acquiring the stock, the bonds or other securities of such other railway company, AND FOR THE SPECIAL PURPOSE OF ACQUIRING THE SAME MAY CREATE, ISSUE OR DISPOSE OF ITS OWN STOCK, BONDS OR OTHER SECURITIES IN ADDITION TO THE AMOUNTS OF THE SAME IT IS OTHERWISE EMPOWERED TO ISSUE TO AN AMOUNT NOT EXCEEDING THE ACTUAL VALUE OF THE STOCK OR BONDS OF SUCH OTHER COMPANY ACQUIRED BY IT. Any railway company of this state may also, for any other purpose authorized by its Articles of Incorporation or act of incorporation, create, issue, and dispose of such amounts of stock as the Board of Directors may find necessary for such purpose".

But as to this last clause there is a limitation under Chapter 12, of the laws of 1887, which provides:

"That it shall not be lawful for any railroad company existing by virtue of any of the laws of this state, nor for any officer of any such company to sell, dispose of or pledge any shares in the capital stock of such company, nor to issue certificates of shares in the capital stock of such company until the shares so sold, disposed of or pledged, and the shares for which such certificates have been issued SHALL HAVE BEEN FULLY PAID NOR ISSUE ANY STOCK OR BONDS EXCEPT FOR MONEY, LABOR OR PROPERTY ACTUALLY RECEIVED AND APPLIED TO THE PURPOSE FOR WHICH SUCH CORPORATION WAS CREATED. And all fictitious stocks, dividends and other fictitious increase of the stock or indebtedness of any such corporation shall be void".

STOCK MAY BE LAWFULLY ISSUED.

1st. Under the charter, to the amount of thirty millions of dollars. This has been done.

2nd. For the purpose of acquiring, by purchase, the railway property and franchises of another railway company, (not a parallel or connecting line), or by purchasing the stock, bonds or securities of such other railway company, being of the value of the stock issued.

3rd. For any lawful purpose, upon condition that the stock shall be fully paid in money, labor or property actually received and applied to the purposes for which the corporation was created.

I doubt if it is necessary to apply to the Railroad and

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Warehouse Commission of the state for leave to create and issue stock
authorized by the provisions of the act of 1889, above referred to.

Yours truly,

(Signed) M. D. Grover.

General Solicitor.