

[1895] [7]

MEMORANDUM.

By this mode of adjustment, no draft will be made until 1921 on Northern Pacific earnings, in excess of the amount of the \$6,200,000. guaranty, because of the failure to refund the three series of firsts, into the new 4s.

On January 1 1921, the firsts will all have been paid off, through operation of the regular sinking fund. They may be earlier paid off, with assistance of proceeds of land sales.

Should the regular sinking fund get no help from land sales, and the new 4s be sold in adjustment, according to the annexed plan, at 90, on January 1 1921, the new 4s will be increased about \$13,500,000. beyond what they would have been, had the firsts been refunded, as contemplated by the London agreement. This would increase the amount of the guaranty, from that date, by about \$540,000.

OUTLINE OF PLAN FOR REORGANIZATION OF THE CAPITAL OF THE  
NORTHERN PACIFIC R. R. UPON THE BASIS OF THE LONDON AGREEMENT.

1.

The G.N. and N.P. to agree, that, at all existing and future points where the two systems touch, or intersect, suitable and convenient transfer facilities shall be supplied and maintained at the equal joint expense of the parties, and that all traffic starting at any terminal or other point on ~~the~~ other systems, destined for any terminal or other point on the other, shall be received by the latter, at such junction point as the forwarding Company shall select, and be carried and delivered at destination, with like despatch, and convenience to shipper and consignee, as if the traffic had originated upon the lines of the Company so making delivery.

As far as practicable, the parties shall make joint tariffs for interchange business, and the freight charges therefrom shall be divided pro rata, in proportion to miles hauled on each system, respectively; save that when the haul of one party shall be short, as compared with that of the other, the proportion to the former should be so increased as to make the division of earnings fair and equitable, in view of the service rendered.

11.

The N.P. is now insolvent, and in the hands of Receivers; and unable to make or carry out the foregoing arrangement.

That it may be ~~alone~~, and so to secure for the respective railway systems, and for the public, the great conveniences and benefits resulting, the existing Mortgages in the Northern Pacific properties, junior to the divisional and general first Mortgages shall be foreclosed, so that all existing liens therein, below the said Mortgages, shall be extinguished. This, however, shall not apply to the branch lines classed in the N.P. annual reports as "leased", or "operated under contract."

After foreclosure, the capital shall be reorganized, so as



to consist of the securities contemplated by the London agreement.

To insure the reorganized Company against the risk of diminution of its revenues through the operation of the proposed traffic agreement, the Great Northern Company will guaranty that, during the existence of said agreement, the net revenues of the reorganized Company, exclusive of the proceeds of sales of its granted lands, and applicable to the payment of interest upon its bonds, shall not, in any year, fall below the sum of \$6,200,000.

The trustee in the Mortgage to be made by the reorganized Company for securing an issue of its bonds, bearing interest at the rate of four per cent per year, payable semi-annually, to an aggregate amount of \$155,000,000. principal, shall certify upon each of said bonds, before the issuance thereof, the fact that the earning, by the reorganized Company, of a sufficient revenue for the payment of the interest on said bond, has been guaranteed by the Great Northern Company; or the Great Northern Company will, at the request of the reorganized Company, endorse upon each of such bonds, before issuance thereof, its own guaranty of the payment of the interest on such bond.

111.

This guaranty will involve the risk of loss to the stockholders of the G.N.Co., by the division of portions of the revenues of that Company, otherwise applicable to dividends, to the payment of interest upon the guaranteed bonds.

As compensation for this risk, the reorganized Company will issue its income bonds to an amount equal to the amount of stock issued in process of reorganization, and transfer said bonds to a trustee, or trustees, in trust, for the rateable benefit of such persons, firms and corporations as shall from time to time be or become stockholders in the Great Northern Company.

The said income bonds shall bear interest as follows: First, one per cent per year out of the surplus net revenue of the reorganized Company, remaining after payment of interest and sinking



fund charges on outstanding first mortgage issues, and interest upon the new four per cents.

Second, such additional per cent as shall at the same time be paid as dividends upon the stock of the reorganized Company.

At any time, at the request of a majority in amount of the beneficiaries in the last named trust, and by an affirmative vote of a majority of the Board of Directors of the reorganized Company, the said income bonds shall be convertible into stock of the reorganized Company, at par; such stock to be uniform in quality and rights with the other stock of the reorganized Company, then outstanding.

By concurrent vote of a majority in amount of the beneficiaries under the last named trust, the ownership and possession of the said income bonds, or of any stock into which the same may have been converted, may be transferred to any other Company or person, upon like trusts as when held by the original trustee.

IV.

All stock issued by the reorganized Company in process of reorganization, shall be issued in the name of, and be held by, three trustees, who shall have and retain full, complete and uncontrolled voting power upon the same. The income from such stock shall be received by the said trustees for the benefit of such persons as shall be designated in the process of reorganization, and transferable beneficial certificates for such income shall be issued to such persons.

Vacancies in such board of trustees shall be filled by appointments to be made by the remaining member or members.

In event of the conversion of the said income bonds into stock, as provided by the next preceding article, the trust mentioned in this article shall terminate, and the stock held by the said trustees shall be surrendered to the reorganized Company, and the holders of the said beneficial certificates may convert the same into an equal amount of stock, out of the shares so surrendered.