

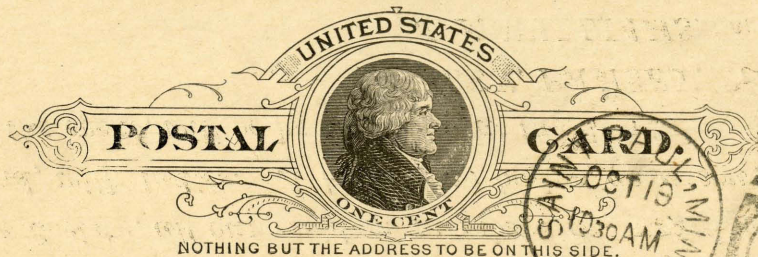
[October, 1892]

The Minnesota Historical Society.

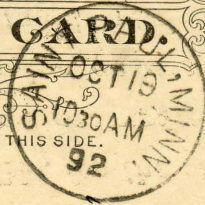
Desiring to render our Celebration of the Columbian Anniversary as successful as possible, for the credit of the Society, all our resident members are urged to attend, with ladies. A handsome badge, as a souvenir of the event, will be handed you at the door.

ALEX. RAMSEY, Prest.

J. F. WILLIAMS, Sec.



NOTHING BUT THE ADDRESS TO BE ON THIS SIDE.



James T. Bell

city

CHICAGO ST. PAUL & KANSAS CITY RAILWAY COMPANY.

REPORT OF COMMITTEE ON SCHEME OF RE-ORGANIZATION.

In consequence of representations made by the Management of the above Company that they did not expect to be in a position to meet the Coupons on the First Mortgage Bonds of the Minnesota & North Western and Chicago St. Paul & Kansas City Railroads maturing January 1, 1893, a Conference of leading Bondholders was summoned at the office of Messrs. ROBERT BENSON & Co., on August 31st last. After an explanation from the Chairman of the Board and some discussion a Committee was appointed to consider the position of the Railway Company and take steps with the object of permanently placing the credit of the concern on a sound basis. The Committee consisted of the following gentlemen:—

Mr. JOHN S. GILLIAT, M.P., of Messrs. JOHN K. GILLIAT & Co.
 Mr. FREDERICK PENNINGTON.
 Mr. J. G. SILLEM, of Messrs. HOPE & Co., Amsterdam.
 Mr. A. F. WALLACE, of Messrs. WALLACE BROTHERS.

The above Committee after giving full consideration to the facts and evidence at their disposal have arrived at the following conclusions:—

That the above Railway Company cannot meet the interest on the above-mentioned Bonds due January 1, 1893, nor so far as the Committee are able to judge any interest whatever for some time to come and at the same time maintain the undertaking in full and proper efficiency for the reason that unless cash is otherwise provided it will be compelled to devote earnings to the payment of necessary capital expenditure. A re-organization of the Company therefore appears to be imperative upon a basis which while providing cash for necessary capital expenditure will leave net earnings available for interest or dividends.

That in the interests of all parties alike it is desirable that such a re-organization should be voluntary and harmonious in order that the expense and delay of a Receivership and re-organization under the authority of the American Law Courts should be avoided.

That such re-organization should limit fixed charges to such an amount as will give the Railway Company sufficient credit to enable it to raise money for the necessary Capital expenditure on favourable terms but under proper control.

That the provision of a sum of money approximating \$3,000,000 is required for the purpose of meeting liabilities incurred for increased facilities at various stations and for the better working of the line as well as for meeting the cost of further necessary improvements to the line and providing further facilities for its efficient working.

That the First Mortgage Bondholders and the General Mortgage Bondholders are entitled to preserve their respective priorities in future earnings.

That by the operation of the Funding Plan of three years ago the above two classes of Bondholders have practically submitted to an assessment already and the Income Bondholders and Common Stockholders may fairly be called upon to contribute for the present necessities of the Railroad.

That the control of the finance of the Railroad should be assured to the present First Mortgage Bondholders or their representatives.

That with regard to a contention which has been raised respecting the relative values of the Minnesota & North Western and Chicago St. Paul & Kansas City First Mortgage Bonds the Committee after full consideration are unable to recommend that any difference be made between these issues which conclusion also seems to have been accepted by the respective holders when the Funding Plan was arranged three years ago. The prices paid for the Bonds are a matter of market and other considerations into which they are unable to enter; the amount of the Mortgage Debt per mile is about the same if the respective annual payments due for leases and rentals are capitalized; the value of the traffic appears to be about equal and the relative selling value of the original sections very difficult to decide. But the Committee are distinctly of opinion that the value of each section is far greater combined than separated.

The Committee have had placed before them by different Bondholders various schemes of reconstruction and it has also been suggested that they should make enquiries among other matters as to the past history of the Railroad. The Committee feel however that such enquiry is not included in the duties for which they were appointed but they take the present opportunity of stating that nothing has come before them to indicate the expediency of any such enquiry and the Committee themselves are fully satisfied in the matter.

For the purpose of facilitating a simple and inexpensive re-organization the Chicago Great Western Railway Company has been organized under the laws of the State of Illinois and a lease of the Chicago St. Paul & Kansas City Railway has been made to the above Corporation which is now operating the line.

The Committee having examined the terms of the lease recommend the approval of the provisions thereof subject to certain alterations which the Chicago Great Western Company are willing to accept. With these alterations the terms of arrangement will stand as follows:—

1. The Chicago Great Western shall assume all obligations of the Chicago St. Paul & Kansas City Railway ranking prior (see table annexed) to the First Mortgage Bonds.

2. The present authorized stocks of the Chicago Great Western Railway Company being:—

\$30,000,000 First Preferred Guaranteed 4 % Dividend Stock

\$30,000,000 Preferred Stock

\$40,000,000 Common Stock

the Company shall amend its Articles of Incorporation so as to create in lieu of the above the following classes and amounts of Stock to be issued as hereinafter provided:—

\$15,000,000 4 % Debenture Stock, interest payable half-yearly in Gold.

\$15,000,000 5 % Preferred Stock A, dividend contingent on earnings payable half-yearly in Gold.

\$10,000,000 4 % Preferred Stock B, dividend contingent on earnings payable in Gold.

\$30,000,000 Common Stock.

3. As to the Preferred Stock A inasmuch as the financial year runs from 1st July to 30th June and the net earnings are usually more in the half-year ending 31st December than in the half-year ending 30th June, the Company shall so soon as practicable make up an accurate statement of its earnings and expenses for each half-year and the balance of earnings over expenses shall be considered the net earnings of the Company for that half-year. Out of such net earnings in each half-year all prior charges and interest on the Debenture Stock shall be paid or provided for. The surplus in the half-year ending 31st December up to an amount sufficient to pay $2\frac{1}{2}$ % Dividend on the 5 % Preferred Stock A shall be applied for that purpose and any further surplus shall be carried forward to the next half-year; the ultimate balance of net earnings in each year ending 30th June after payment of interest on the Debenture Stock and 5% on the Preferred Stock A being applicable to dividends upon the 4 % Preferred Stock B and the Common Stock of the Company.

4. The Company shall secure payment of interest on the 4 % Debenture Stock and dividends on the 5 % Preferred Stock A by a Trust Deed and Agreement with the Trustee which Trust Deed shall also provide that in case of liquidation the net assets of the Company shall be applicable to the payment in Gold of the Capital of the different classes of Stocks or Securities in the same order of priority as the interest or dividends on such Stocks or Securities are provided to be paid.

5. The Trust Deed shall provide that the holders of the Debenture Stock and the 5 % Preferred Stock A at a joint meeting to be held annually shall select from their own number a Committee of not less than three or more than five Members to be designated the Finance Committee of the Company and this Committee shall exercise a general supervision and control of the finances of the Company. The Committee shall have authority to appoint an Accountant to examine and audit the accounts of the Company and if at any time a controversy should arise as to the amount of net earnings applicable to the payment of dividends on the 5 % Preferred Stock A the decision of the said Committee shall be final and conclusive.

6. The Trust Deed shall provide for further issues of Debenture Stock and 5 % Preferred Stock A or either of such Stocks but only with the consent of holders of a majority in amount of both classes of Stock collectively present in person or by proxy at a meeting called for the purpose of voting as to the issue.

7. The Trust Deed shall also provide that with the consent of holders of two-thirds in amount of these two classes of Stock collectively present at a like meeting Bonds or other Securities may be issued by the Company and made a charge upon the undertaking prior to the Debenture Stock or subordinate to the Debenture Stock but prior to the 5 % Preferred Stock A as the case may require.

8. The Trust Deed shall further provide that whenever new issues of Stocks or Securities shall be made pursuant to the foregoing provisions the Finance Committee shall superintend or approve the sale of such issues and the appropriation of the proceeds thereof to the specific purposes for which they are authorized.

9. The Trust deed shall further provide that upon default of the Company to pay the interest upon the Debenture Stock or to appropriate the balance of net earnings in accordance with its agreement in payment of dividends upon the 5 % Preferred Stock A the Trustee shall when so required by the Finance Committee appoint a Receiver to receive and apply the income and to manage the property under the direction of the Finance Committee acting as a quasi Board of Directors subject to the control of the holders of the Debenture Stock and the 5 % Preferred Stock A only the holders of the subordinate Stocks during the time the Receiver is in control having no voice whatever in the management.

10. The Trust deed shall also provide that upon the Company making good its default and if so required by the Finance Committee giving reasonable additional security against future default the Receiver shall be discharged and the possession and management of the Railway revert to the Company.

11. The holders of the Debenture Stock and 5 % Preferred Stock A will be entitled to vote in the management of the Company in the same manner as the holders of any other classes of Stock.

12. The Chicago Great Western Railway Company shall offer:—

(a) To the holders of the First Mortgage Bonds of the Minnesota & North Western and Chicago St. Paul & Kansas City Railway Companies—

In exchange for each \$1000 Bond with Coupon of January, 1893 and all subsequent Coupons.

\$500 4 % Debenture Stock entitled to interest from 1st July, 1892 and

\$600 5 % Preferred Stock A entitled to dividend from 1st July, 1892.

(b) To the holders of the General Mortgage Bonds of the Chicago St. Paul & Kansas City Railway Company—

In exchange for each \$1,000 Bond with Coupon of January, 1893, and all subsequent Coupons.

\$1,000 4 % Preferred Stock B.

(c) To the holders of the Income Bonds of the Chicago St. Paul & Kansas City Railway Company an **option** for 60 days after the scheme of re-organization has been accepted by a majority of the First Mortgage Bondholders to pay an assessment of 10 % in cash on the nominal amount of their Bonds and to make over the Bonds in exchange for twice the amount of cash paid in 4 % Preferred Stock B and twice the amount of the Bonds made over in Common Stock of the Chicago Great Western Railway Company. Holders failing to exercise this option or to pay the assessment within the time specified shall be entitled to exchange their Income Bonds for 150 % in Common Stock of the Chicago Great Western Railway Company.

(d) To the holders of the Common Stock of the Chicago St. Paul & Kansas City Railway Company an **option** for 60 days after the scheme of re-organization has been accepted by a majority of the First Mortgage Bondholders to pay an assessment of 10 % in cash on the nominal amount of their Common Stock and to make over the Common Stock in exchange for twice the amount of cash paid in 4 % Preferred Stock B and an amount equal to the Stock made over in Common Stock of the Chicago Great Western Railway Company. Holders failing to exercise this option or to pay the assessment within the time specified shall be entitled to exchange their Common Stock for half the amount in the Common Stock of the Chicago Great Western Railway Company.

13. The Finance Committee shall have the power to sell the forfeited Stock and 4 % Preferred Stock B which the Income Bondholders and Common Stockholders not paying assessment would have received if they had paid assessment for the benefit of the Chicago Great Western Railway Company.

14. The Finance Committee shall also have power to sell from time to time not exceeding \$2,000,000 additional of the Company's 4 % Debenture Stock so as to provide for any future capital requirements in excess of the assessments on the Income Bonds and Common Stock.

15. The Leavenworth & St. Joseph Railway is now rented by the Chicago St. Paul & Kansas City Railway Company at \$30,300 per annum and as this Railway connects two important points of that Company's system and the rental is one of the prior charges on its undertaking the Chicago Great Western Railway Company shall be authorised to complete arrangements for the purchase of the Leavenworth & St. Joseph Railway for \$500,000. The present owners of that Railway are also holders of about \$10,000,000 Common Stock of the Chicago St. Paul & Kansas City Railway Company upon which they have already agreed to pay in the cash assessment in accordance with section (d) clause 12 hereof which will produce \$1,000,000.

16. The Chicago Great Western Railway Company shall pay all the expenses of re-organization including reasonable remuneration for their services to the Committee and others engaged in carrying it into effect.

17. It shall be arranged that the cash received by way of assessment shall be paid into the Bank of England or the National Bank of Illinois in Chicago to the order of the Finance Committee.

The result may be tabulated as follows:—

SECURITIES TO BE ASSUMED AND NEW SECURITIES TO BE ISSUED.

	Rolling Stock Lease Warrants.	Priority Loan.	4 % Deb. Stock.	5 % Pref. Stock A.	4 % Pref. Stock B.	Common Stock.
Assume all the Rolling Stock Lease Warrants ...	\$ 1,723,430	—	—	—	—	—
Assume the Priority Loan ...	—	2,823,150	—	—	—	—
Exchange \$18,954,000 First Mortgage Bonds for ...	—	—	9,477,000	11,372,400	—	—
Exchange \$4,886,000 General Mortgage Bonds for ...	—	—	—	—	4,886,000	—
Exchange \$4,891,700 Income Bonds (all assessments paid or forfeited Stock sold) for ...	—	—	—	—	—	9,783,400
Exchange \$14,892,900 present Stock (all assessments paid or forfeited Stock sold) for ...	—	—	—	—	—	14,892,900
For Cash assessment 10 p. ct. on \$4,891,700 Income Bonds	—	—	—	—	978,340	—
For Cash assessment 10 per cent. on \$14,892,900 Stock ...	—	—	—	—	2,978,580	—
Issue for any future Capital requirements in excess of assessments on Income Bonds and Stock ...	—	—	2,000,000	—	—	—
Total assumed and New Issues ...	1,723,430	2,823,150	11,477,000	11,372,400	8,842,920	24,676,300

Under this plan there will be available for payment of floating debt for capital expenditures and for purchase Leavenworth & St. Joseph Railway:—

From assessments (and sale of forfeited Stocks if assessments are not paid) ...	\$1,978,460
Deduct the cost of the Leavenworth and St. Joseph Railway ...	\$500,000
Leaves available for other capital expenditures and payments of floating debt ...	\$1,478,460

and in addition the proceeds of \$2,000,000 Debenture Stock.

The purchase of the Leavenworth and St. Joseph Railway will reduce the rentals by \$30,300 and the payment of floating debt and extended rolling stock lease warrants mostly bearing 8% interest will reduce the prior annual charges by about \$60,000 more.

On the basis of last year's net earnings this would give about \$744,000 as applicable to interest and dividend

The interest on \$9,477,000 of 4% Debenture Stock (the amount given in exchange for the First Mortgage Bonds) is \$379,080, leaving \$364,920 for dividends on the 5 % Preferred Stock A, or equal to about $3\frac{1}{10}$ per cent.

In making the above calculation the interest on the \$2,000,000 4 % Debenture Stock which is authorized to be issued and sold hereafter is not taken into consideration, for the reason that it does not bear interest until sold, and it may be assumed that when sold its proceeds will be so appropriated as to increase the earning capacity of the undertaking by as much at least as the interest.

A large majority of the holders of General Mortgage Bonds having assented to the foregoing scheme and the holders of more than \$10,000,000 of Common Stock having also assented and elected to pay in the proposed cash assessment amounting to over \$1,000,000, the holders of Minnesota & North Western and Chicago St. Paul & Kansas City First Mortgage Bonds and of the remaining General Mortgage Bonds, are invited to deposit their securities with the MERCHANTS TRUST LIMITED, 63, Cornhill, London, or with Messrs. HOPE & Co., Amsterdam, or with Messrs. C. W. BENSON & Co., St. Paul, to be dealt with in accordance with the provisions of the scheme.

And for the same purpose holders of the Common Stock and of the Income Bonds who have not already assented are invited to deposit their securities with the same depositories and signify whether they accept the option herein offered.

Cash assessments will be payable within 60 days after the scheme has been adopted by a majority of the First Mortgage Bondholders of which due notice will be given.

Certificates of Deposit will be issued pending the preparation of the securities for exchange.

Copy of the Articles of Incorporation of the Chicago Great Western Railway Company and proposed amendments thereof also copies of the Lease of the Chicago St. Paul & Kansas City Railway to the same Company and the Trust Deed as agreed upon can be seen at the Offices of Messrs. MURRAY, HUTCHINS & Co., 11, Birchin Lane London, E.C.

3rd October, 1892.

JOHN S. GILLIAT	} Committee.
FREDERICK PENNINGTON	
J. G. SILLEM	
A. F. WALLACE	

New York Security and Trust Company,

NO. 46 WALL STREET.

New York, *Oct. 3rd*, 189*2*

James J. Hill Esq.
St. Paul, Minn.

Dear Sir:

A stated meeting of the Board of
Trustees will be held at the office of this
Company on Wednesday, the *5th*
day of *October*, 189*2* at 1 o'clock.

Yours truly,

JOHN L. LAMSON,

Secretary.

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Oct 9
Moorhead ~~1892~~
Mr C. Stephens

Dear Sir

You will remember I wrote you some time ago in regard to renting some land in Sec-4 and other land near Moorhead - You referred me to Mr Van-Missigen. The land has had no crop as far as I can see and this summer it grew up to wild oats and mustard - On talking to Mr Van - the other day in regard to it he said I could have the use of the ^{over 100 acres} land if I would go ahead with my men and teams and

plow the weeds and wild oats
ignores - He also said that
his authority would expire
the first of July 93 but
thought you would be perfectly
willing to let me carry out
my agreement with him for
the sake of having the weeds
and wild oats destroyed - But
I thought it would be as
well to write you before going
to the expense of plowing and
fitting the land for crop - Now
if you have no objection to
an arrangement of that sort
please let me know right away
so I can go on this fall
and get the land in good shape
for spring work - And obliges
Yours Very truly
C. F. Pomeroy



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