

ANNUAL REPORT
of the
CHICAGO
NORTH SHORE
AND
MILWAUKEE RAILROAD
COMPANY



FOR THE YEAR ENDED
DECEMBER 31, 1930

**CHICAGO NORTH SHORE AND MILWAUKEE
RAILROAD COMPANY**

EDISON BUILDING—72 WEST ADAMS STREET
CHICAGO

**NOTICE OF
ANNUAL MEETING OF STOCKHOLDERS**

January 31, 1931.

The stockholders of Chicago North Shore and Milwaukee Railroad Company are hereby notified that the regular annual meeting of the stockholders of said Company will be held in Room 1741 Edison Building, 72 West Adams Street, in the City of Chicago, Illinois, on the 2nd day of March, 1931, at 11:00 o'clock A. M., for the purpose of electing Directors and of transacting such other business as may be properly brought before such meeting.

All stockholders are requested to be present at such meeting in person or by proxy.

LINCOLN C. TORREY,
SECRETARY.

CHICAGO NORTH SHORE AND MILWAUKEE RAILROAD COMPANY

BOARD OF DIRECTORS

SAMUEL INSULL	JOSEPH E. OTIS
BRITTON I. BUDD	JOHN R. THOMPSON, JR.
H. S. OSLER	CHARLES C. SHEDD

*R. FLOYD CLINCH

EXECUTIVE COMMITTEE

SAMUEL INSULL	JOHN R. THOMPSON, JR.
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*R. FLOYD CLINCH

OFFICERS

SAMUEL INSULL, *Chairman*
BRITTON I. BUDD, *President*
BERNARD J. FALLON, *Vice President*
CHARLES E. THOMPSON, *Vice President*
WILLIAM V. GRIFFIN, *Vice President*
HAL M. LYTLE, *Vice President*
RALPH H. JAMES, *Vice President*
RALPH R. BRADLEY, *General Counsel*
JOHN R. BLACKHALL, *General Manager*
LINCOLN C. TORREY, *Secretary and Treasurer*
FLORENCE M. O'DONNELL, *Assistant Secretary and Assistant Treasurer*
ARTHUR E. KULLAS, *Assistant Secretary*
JOHN W. EVERS, JR., *Assistant Secretary*
GEORGE R. APFEL, *Assistant Treasurer*
CHARLES R. MAHAN, *Comptroller*
WILLIAM W. O'TOOLE, *General Auditor*

* Mr. Clinch died on November 7th, 1930.

**To the Stockholders of the
Chicago North Shore and Milwaukee Railroad Company:**

By direction of the Board of Directors I transmit to you a report of the operation of the Chicago North Shore and Milwaukee Railroad Company, including the operation of the Chicago and Milwaukee Electric Railway Company, for the fiscal year ended December 31, 1930.

SAMUEL INSULL,
CHAIRMAN.

**TO THE STOCKHOLDERS
OF THE
CHICAGO NORTH SHORE AND
MILWAUKEE RAILROAD COMPANY**

The Board of Directors submits this annual report for the fiscal year ended December 31, 1930.

The Year's Business

Following is a summary of revenues and expenses for the year:

Operating Revenues	\$6,672,508.37
Operating Expenses (including reserve for equipment retirement, \$208,470.92)	5,638,471.20
Net Revenue from Railway Operation.....	\$1,034,037.17
Net Auxiliary Revenue	43,071.87
Net Revenue from Operations.....	\$1,077,109.04
Taxes assignable to Railway Operation.....	290,592.06
Operating Income	\$ 786,516.98
Non-Operating Income:	
Profit on the Sale of Investments and other holdings..	\$901,162.16
Other Non-Operating Income.....	486,206.73
	1,387,368.89
Gross Income	\$2,173,885.87
Deductions from Gross Income:	
Interest on Funded and Unfunded Debt.....	\$1,458,462.50
Amortization of Discount and Miscellaneous....	117,568.31
	1,576,030.81
Net Income	\$ 597,855.06

General Information

Revenue from railway operation was \$6,672,508.37 compared with \$8,020,762.28 for the year 1929, a decrease of \$1,348,253.91. Operating expenses were \$5,638,471.20 compared with \$5,913,692.01 last year, a reduction of \$275,220.81. Net revenue from railway operation was \$1,034,037.17 compared with \$2,107,070.27 the previous year, a decrease of \$1,073,033.10. Gross Income available

for return on the investment was \$2,173,885.87 an increase of \$5,562.37.

The decrease in revenues from railway operation was due to the general business depression during the year which affected the rail carriers and all other branches of industry throughout the nation. The decrease in revenues was partially compensated for by a reduction in the operating expenses.

The Company had an opportunity to dispose of the Skokie Valley Realty Association holdings at a substantial profit and decided to do so, and with certain investments which were sold, a profit of \$901,162.16 was realized.

Surplus at the end of the year was \$1,033,326.93, as compared with \$1,018,981.02 as of December 31, 1929.

Quarterly dividends were paid regularly on the 7% Prior Lien Stock. No dividends were declared during the year on the 6% Non-Cumulative Preferred Stock.

On February 23, 1930, the Company sustained a serious grade crossing wreck at the Washington Road crossing, Kenosha, Wisconsin. The accident was caused by a careless motorist, who, disregarding crossing signals, drove directly in the path of a passenger train.

While the Company was in no way responsible for the accident, and was exonerated by a Coroner's Jury, it was decided to make settlements in order to avoid costly litigation. Releases from liability have been taken from practically all claimants. All expenses in connection with this accident paid during the year have been included in operating expenses and ample reserves have been provided to take care of any costs in connection therewith not yet paid.

Financial Operations

First and Refunding Mortgage 6 per cent Gold Bonds in the amount of \$128,300 and First and Refunding Mortgage 5½ per cent Gold Bonds in amount of \$72,000 were acquired during the year through the operation of the sinking fund.

Equipment Trust Certificates to the amount of \$175,700 were retired.

Non-interest bearing notes amounting to \$77,000 were presented for conversion into 6 per cent non-cumulative Preferred Stock, pursuant to terms of the agreement under which the notes were issued, leaving a balance of \$65,008.07 of these notes not presented for conversion at the end of the year.

To provide for refunding the \$2,500,000 three-year 6 per cent Gold Notes maturing February 1, 1930, the Company sold \$2,500,000 short term 6 per cent Gold Notes maturing January 1, 1931.

Equipment Trust Certificates Series "G" in the amount of \$700,000 were sold during the year in connection with the purchase of twenty-five new steel motor cars.

An issue of \$2,500,000 twenty-five year Income Debentures dated December 31, 1930, was sold to provide funds to pay the \$2,500,000 short term 6 per cent Gold Notes maturing January 1, 1931, and as these notes were paid immediately after the close of the year, they are omitted in the attached statement of funded debt.

Important Service Improvements

In a further effort to meet the present day demand for the utmost speed consistent with safety and comfort, a still faster service was inaugurated between Chicago and Milwaukee. Four flyers operating over the Skokie Valley Route now cover the distance between the heart of the Loop district of Chicago and the heart of the business district of Milwaukee in one hour and fifty minutes. These trains are composed of new all-steel cars embracing the latest facilities for comfort and safety and three carry parlor-observation cars. Excellent on-time records have been maintained by these trains.

The Company's passenger equipment was augmented by 25 new steel motor cars during the year. These cars, which have individual bucket seats, unusual lighting arrangements and are elegant in interior finish, attracted wide public attention.

A new station was established during the latter part of the year at Kinzie and Wells Street, Chicago. The station facilities are in the Merchandise Mart Building, the world's largest building, and which will house about 20,000 people when fully occupied.

Industrial Development

In spite of the business depression, twelve new industries were located on the railroad during the year. These concerns are engaged in manufacturing or in the handling of coal, lumber and building materials and should in the future add a substantial increase to the business of the Company.

The additions of sidings and industrial tracks to the Company's lines amounted to 1.52 miles during the year. In addition, 3,000 lineal feet of single track was constructed at Niles Center, and 3,800 lineal feet of single track at Great Lakes, together with the necessary switch connections to provide facilities for interchange of freight with the Chicago and North Western Railroad.

Crossing Protection Betterment

During the year 24 grade crossings were equipped with new automatic crossing gates, making a total of 31 crossings now protected with this equipment. The installation of automatic gates provides a more adequate protection and it is expected will bring about a substantial reduction in expenses.

Employe Relations

Group insurance for the protection of employes and their dependents to the amount of \$2,628,000 was in force at the end of the year. Claims were paid through the insurance company amounting to \$54,216.68.

The Employes' Mutual Benefit Association, to which the Company contributes an amount equal to 50 per cent of the amount contributed by the employes, had a membership of 1,250 at the close of the year, or about 72 per cent of the employes. The contributions made by the Company during the year amounted to \$7,414.00. Benefits to the amount of \$24,097.58 were paid and the Association had in its treasury a balance of \$20,092.84 comprising cash and securities owned.

Free medical services were rendered employes through the Medical Department in 7,724 cases during the year. Four sanitary inspections were made of all Company property and four inspections were made of all First Aid Stations.

It is with deep regret that we here record the death on November 7, 1930 of R. Floyd Clinch, a Director, a member of the Executive Committee and a Vice President of the Company.

Another death which occasioned extreme regret was that of Luke Grant, Publicity Manager, who passed away on December 2, 1930.

Certificate of Audit

Appended hereto is a certificate of audit of the Company's books and accounts by Arthur Young & Company, Certified Public Accountants, together with an Income Account, Surplus Account and a Consolidated Balance Sheet for the year.

By order of the Board,

BRITTON I. BUDD,
PRESIDENT.

CABLE ADDRESS ARTHUYOUNG

NEW YORK
CHICAGO
DETROIT
PITTSBURGH
KANSAS CITY
MILWAUKEE
LOS ANGELES
DALLAS
TULSA
LONDON, ENG.
PARIS, FRANCE

ARTHUR YOUNG & COMPANY

ACCOUNTANTS AND AUDITORS

1 NORTH LA SALLE STREET

CHICAGO January 14, 1931.

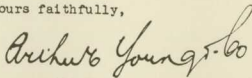
To the Chairman and Board of Directors,
Chicago North Shore and Milwaukee Railroad Company,
Chicago.

Dear Sirs,

We have audited the accounts of the Chicago North Shore and Milwaukee Railroad Company and the Chicago and Milwaukee Electric Railway Company for the year ended December 31, 1930.

We certify that the attached Consolidated Balance Sheet and Income and Surplus Accounts are in agreement with the books and, in our opinion, present a correct statement of the financial condition of the Company at December 31, 1930, and the result of the operations for the year.

Yours faithfully,



Certified Public Accountants.

CHICAGO NORTH SHORE AND MILWAUKEE RAILROAD COMPANY

AND

CHICAGO AND MILWAUKEE ELECTRIC RAILWAY COMPANY

Consolidated Income Account For the Year Ended December 31, 1930

OPERATING REVENUE:		
Passenger and Special Car.....	\$4,816,088.73	
Freight and Express.....	1,384,547.58	
Miscellaneous	471,872.06	
		\$6,672,508.37
OPERATING EXPENSES:		
Way and Structures.....	\$ 492,939.72	
Equipment (Including Reserve for Retirement \$208,470.92)	616,787.37	
Power	601,770.34	
Conducting Transportation.....	2,300,783.73	
Traffic	228,679.27	
General and Miscellaneous.....	1,397,510.77	
		\$5,638,471.20
Net Revenue from Railway Operations.....	\$1,034,037.17	
Net Auxiliary Operating Revenue.....	43,071.87	
Net Revenue from Operations.....	\$1,077,109.04	
Taxes Assignable to Railway Operations.....	290,592.06	
Operating Income.....		\$ 786,516.98
Non-Operating Income:		
Profit on the Sale of Investments and other holdings.....	\$901,162.16	
Other Non-Operating Income.....	486,206.73	
		\$1,387,368.89
Gross Income		\$2,173,885.87
DEDUCTIONS FROM GROSS INCOME:		
Interest on Funded Debt.....	\$1,175,196.53	
Interest on Unfunded Debt.....	283,265.97	
Amortization of Debt Discount and Expense.....	73,329.14	
Miscellaneous Deductions.....	44,239.17	
		\$1,576,030.81
Net Income to Surplus.....		\$ 597,855.06

Surplus Account

Surplus, December 31, 1929.....	\$1,018,981.02
Less: Miscellaneous Debits and Credits (Net).....	27,800.15
	991,180.87
Net Income for year as above.....	597,855.06
	1,589,035.93
Dividends Paid on 7% Cumulative Prior Lien Stock.....	555,709.00
Surplus, December 31, 1930.....	\$1,033,326.93

**CHICAGO NORTH SHORE AND
CHICAGO AND MILWAUKEE
CONSOLIDATED BALANCE SHEET**

ASSETS

INVESTMENTS:

Road and Equipment.....	\$42,438,676.67	
Sinking Funds.....	47,154.39	
Deposits in Lieu of Mortgaged Property Sold..	89,955.45	
Miscellaneous Physical Property.....	1,989,765.26	
Advances to Affiliated Interests.....	1,089,378.87	
Miscellaneous Investments.....	675,300.00	
Miscellaneous Bonds in Treasury.....	22,500.00	
		\$46,352,730.64
Special Deposits.....		10,000.00

CURRENT ASSETS:

Cash	\$ 340,379.03	
Loans and Notes Receivable.....	86,996.50	
Special Note Receivable due in four equal annual installments beginning December 31, 1931..	1,250,000.00	
Accounts Receivable	453,609.68	
Material and Supplies.....	337,977.30	
		\$ 2,468,962.51

PREPAID EXPENSES AND DEFERRED ITEMS:

Prepaid Insurance.....	\$ 35,612.40	
Prepaid Interest.....	6,638.90	
Discount and Expense on Funded Debt.....	829,545.35	
Unadjusted Items.....	72,055.69	
		\$ 943,852.34

TOTAL ASSETS \$49,775,545.49

MILWAUKEE RAILROAD COMPANY

AND

ELECTRIC RAILWAY COMPANY

AS OF DECEMBER 31, 1930

LIABILITIES

CAPITAL STOCK:

Common: Authorized and Issued, 50,000 shares, Par Value \$100.....	\$5,000,000.00	
Preferred: 6% Non-Cumulative, Authorized	\$ 7,684,200.00	
Issued	7,619,200.00	
Preferred: 7% Cumulative Prior Lien, Authorized	\$10,000,000.00	
Issued	7,990,100.00	
Subscribed	2,100.00	
		\$20,611,400.00
Funded Debt (Schedule Page 14).....	\$22,310,600.00	
Real Estate Mortgages.....	712,296.63	
Unsecured Five Year Non-Interest Bearing Notes Due July 1, 1928, Convertible into 6% Non-cumulative Preferred Stock....	65,008.07	
Contract Liabilities	10,868.95	

CURRENT LIABILITIES:

Loans and Notes Payable.....	\$1,200,000.00	
Accounts Payable	1,412,933.88	
Accrued Interest and Taxes.....	493,160.16	
		\$ 3,106,094.04

RESERVES:

Retirement	\$1,783,375.21	
Other Reserves.....	142,575.66	
		\$ 1,925,950.87
Surplus (As per statement attached).....	1,033,326.93	

CONTINGENT LIABILITIES:

The Company has guaranteed the outstanding First Mortgage Bonds of the North Shore Material Company amounting to \$265,500, maturing serially from 1931 to 1936. This guaranty is made in the interest of producing freight revenues amounting to approximately \$180,000 per year. The book value of the Common Stock of the North Shore Material Company is \$874,945.

TOTAL LIABILITIES

	\$49,775,545.49
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The above Balance Sheet gives effect to the issue and sale on January 2, 1931 of Income Debentures Series "A" of \$2,500,000 and retiring with the proceeds thereof the Notes Payable falling due January 1, 1931 of \$2,500,000 which notes were issued February 1, 1930 to retire the Three-Year 5½ per cent Gold Notes falling due on that date.

CHICAGO NORTH SHORE AND MILWAUKEE RAILROAD COMPANY

Schedule of Funded Debt, December 31, 1930

	Par Value	Maturity	INTEREST	
			Rate Per Cent	Payable
BONDS:				
First Mortgage Gold Bonds.....	\$ 4,000,000.00	July 1, 1936	5	January-July
First and Refunding Mortgage Gold Bonds.....	9,332,400.00	January 1, 1955	6	January-July
First and Refunding Mortgage Gold Bonds*.....	2,410,000.00	April 1, 1956	5½	April-October
	\$ 2,000,000.00	April 1, 1932	6	April-October
	100,000.00	1931-1932	6	January-July
	139,200.00	1931-1933	6	April-October
	325,000.00	1931-1936	5½	January-July
	804,000.00	1933-1942	5½	June-December
	700,000.00	1935-1944	6	June-December
	2,500,000.00	December 31, 1955	6	April
	\$22,310,600.00			

BONDS:

First Mortgage Gold Bonds.....
 First and Refunding Mortgage Gold Bonds.....
 First and Refunding Mortgage Gold Bonds*.....

NOTES:

Three Year Gold Notes.....
 Equipment Trust Certificates:
 Series "C".....
 Series "D".....
 Series "E".....
 Series "F".....
 Series "G".....
 Income Debentures, Series "A".....

*Does not include \$2,722,000.00 5½% First and Refunding Mortgage Gold Bonds held in Treasury.