


REPORT  
*of the*  
CHICAGO  
NORTH SHORE  
AND  
MILWAUKEE RAILROAD  
COMPANY

(A. A. SPRAGUE AND BRITTON I. BUDD, *Receivers*)



FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 1932

# CHICAGO NORTH SHORE AND MILWAUKEE RAILROAD COMPANY

(A. A. SPRAGUE and BRITTON I. BUDD, *Receivers*)

## BOARD OF DIRECTORS

BRITTON I. BUDD  
SAMUEL INSULL, JR.  
GEORGE R. JONES

JOSEPH E. OTIS  
JOHN R. THOMPSON, JR.  
CHARLES C. SHEDD

## EXECUTIVE COMMITTEE

JOHN R. THOMPSON, JR.

SAMUEL INSULL, JR.

## OFFICERS

BRITTON I. BUDD, *President*

BERNARD J. FALLON, *Vice President*

CHARLES E. THOMPSON, *Vice President*

WILLIAM V. GRIFFIN, *Vice President*

HAL M. LYTLE, *Vice President*

JOHN R. BLACKHALL, *General Manager*

LINCOLN C. TORREY, *Secretary and Treasurer*

ARTHUR E. KULLAS, *Assistant Secretary*

GEORGE R. APFEL, *Assistant Treasurer*

CHARLES R. MAHAN, *Comptroller*

WILLIAM W. O'TOOLE, *General Auditor*

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

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There is submitted, herewith, the annual report of the Chicago North Shore and Milwaukee Railroad Company for the year ended December 31, 1932.

In order that this report may be in form which is readily comparable with reports for preceding years, the result of operations by the Receivers from September 30, 1932 to December 31, 1932 has been combined with the operations during that part of the fiscal year which preceded the appointment of the Receivers.

**The Year's Business:**

Severity of the continued business and industrial depression in 1932 resulted in a further marked decline in both passenger and freight business with a corresponding decrease in revenues. As a result, earnings were reduced to the extent that the Company was unable to meet its financial obligations.

Total revenue from railway operation was \$1,327,857 less than in 1931. Operations for the year resulted in a deficit of \$377,963, compared with gross income available for return on the investment of \$635,636 the previous year. This unfavorable showing was made despite the fact that operating expenses were reduced \$789,369.

Many economies were effected during the year including a further reduction in salaries, wages and personnel, resulting in a decrease in pay roll of \$621,588, compared with the previous year.

**Receivership Proceedings:**

On September 30, 1932 the American Brake Shoe and Foundry Company, to whom the Company was indebted for materials furnished, filed a bill of complaint in the District Court of the United States for the Northern District of Illinois, Eastern Division, alleging the inability of the Company to meet its matured and maturing indebtedness and requesting the appointment of Receivers to take charge of the assets of the Company and operate the property. The Company admitted the allegations made in the bill of complaint and the Court thereupon appointed Mr. Albert A. Sprague and Mr.

Britton I. Budd as Receivers and they immediately took charge of the property and are now operating it under direction of the Court.

**Reconstruction Finance Corporation Loan:**

In order to meet interest payments and other maturing obligations, the Company, on February 20, 1932, made application to the Reconstruction Finance Corporation for a loan which was approved. The proceeds, \$1,150,000, were received on June 29, 1932. As security for the loan the Company pledged \$2,056,000 of its First and Refunding Mortgage 5½ per cent Gold Bonds.

**Financial Operations:**

To provide for refunding the \$2,000,000 three-year 6 per cent gold notes maturing April 1, 1932, the Company, in accordance with a plan submitted to, and accepted by the holders of the notes, secured authority to issue in exchange, eighty per cent of the principal amount, or \$1,600,000 in three-year 7 per cent income gold notes and to pay twenty per cent of the principal amount, or \$400,000 in cash. At the close of the year, \$1,915,000 principal amount of the three-year 6 per cent gold notes were refunded in accordance with the plan.

First and Refunding Mortgage 6 per cent Gold Bonds in the amount of \$428,600 and First and Refunding Mortgage 5½ per cent Gold Bonds in the amount of \$60,600 were acquired and retired during the year through the operation of the Sinking Fund.

Equipment Trust Certificates to the amount of \$96,400 were retired.

**Maintenance of Property:**

The property of the Company including the rolling stock has been maintained in a safe and efficient condition throughout the year.

**Certificate of Audit:**

On the following pages will be found the certificate of audit of Arthur Young & Company, Certified Public Accountants, with appended consolidated Corporate and Receivers' statement of Earnings and Expenses, Income Statement, Statement of Surplus Account and Balance Sheet.

By order of the Board,

BRITTON I. BUDD,  
President.

CABLE ADDRESS "ARTHYOUNG"

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

## ARTHUR YOUNG & COMPANY

ACCOUNTANTS AND AUDITORS

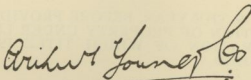
1 NORTH LA SALLE STREET

CHICAGO February 17, 1933.

Messrs. A. A. Sprague and Britton I. Budd, Receivers,  
Chicago North Shore and Milwaukee Railroad Company,  
Chicago.

We have audited the accounts of Chicago North Shore and Milwaukee Railroad Company (in Receivership) and its Subsidiaries for the year ended December 31, 1932. Company bonds reacquired are stated at par value and investments in and advances to other companies are stated at estimated value at the date of Receivership. Contracts, notes, accounts, etc. pertaining to transactions in real estate are stated at face value. Provision was made during the year for Retirement Reserve for equipment in the amount of \$203,356.08 as determined by the Company. No provision was made for Retirement Reserve for other property. Interest has not been accrued on Income Debentures amounting to \$150,000 for the year 1932 and \$300,000 in total to December 31, 1932. Substations and facilities having a book value of \$1,719,061.84 are under lease for the period from December 31, 1928 to December 31, 1958 at an annual rental of \$180,656.04, at the expiration of which title is to be relinquished to the lessee. An Annuity Trust Fund created for the retirement of this property was dissolved during the year and the funds therein returned to the Company. No provision has been made for the amortization of the leased property.

Subject to the foregoing, the annexed Consolidated Balance Sheet and Income and Surplus Accounts, in our opinion, set forth the financial condition of the Company at December 31, 1932 and the results of its operations for the year ended that date.



Certified Public Accountants.

**CHICAGO NORTH SHORE AND MILWAUKEE  
RAILROAD COMPANY (IN RECEIVERSHIP)  
AND SUBSIDIARY COMPANIES**

**Consolidated Income Account  
For the Year Ended December 31, 1932**

**OPERATING REVENUES:**

Passenger and Special Car.....	\$2,734,382.84	
Freight and Express.....	682,299.40	
Miscellaneous .....	436,854.21	
		<u>\$3,853,536.45</u>

**OPERATING EXPENSES:**

Way and Structures.....	\$ 392,920.30	
Equipment (including Retirement Reserve for Equipment of \$203,356.08).....	484,105.73	
Power .....	496,508.75	
Conducting Transportation.....	1,561,968.15	
Traffic and Advertising.....	131,401.19	
General and Miscellaneous.....	1,014,781.61	
		<u>4,081,685.73</u>

NET REVENUE—RAILWAY AND MOTOR COACH OPERATIONS ( <i>DEFICIT</i> ).....	<u>\$ 228,149.28</u>
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NET AUXILIARY OPERATING REVENUE ( <i>DEFICIT</i> ).....	<u>5,961.49</u>
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NET REVENUE FROM OPERATIONS ( <i>DEFICIT</i> ).....	<u>234,110.77</u>
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TAXES ASSIGNABLE TO RAILWAY OPERATIONS....	<u>349,442.60</u>
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OPERATING LOSS.....	<u>\$ 583,553.37</u>
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**NON-OPERATING INCOME:**

Rent received under Lease Contract covering property to which title is to be relinquished at expiration of lease....	\$ 185,056.08	
Miscellaneous .....	20,534.01	
		<u>205,590.09</u>

GROSS INCOME ( <i>DEFICIT</i> ).....	<u>\$ 377,963.28</u>
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**OTHER DEDUCTIONS:**

*Interest on Funded Debt.....	\$1,163,143.99	
Interest on Unfunded Debt.....	38,483.93	
Amortization of Discount and Expense on Funded Debt....	48,390.76	
Miscellaneous Debits.....	45,690.63	
		<u>1,295,709.31</u>

NET LOSS FOR THE YEAR, BEFORE PROVIDING FOR AMORTIZATION OF PROPERTY UNDER LEASE AT THE EXPIRATION OF WHICH TITLE IS TO BE RELINQUISHED .....	<u>\$1,673,672.59</u>
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\* Does not include unpaid Cumulative Interest for the year on Income Debentures in the amount of \$150,000.

# CHICAGO NORTH SHORE AND MILWAUKEE RAILROAD COMPANY (IN RECEIVERSHIP)

AND SUBSIDIARY COMPANIES

## Consolidated Surplus (Deficit Account)

December 31, 1932

SURPLUS, DECEMBER 31, 1931.....		\$ 226,971.72
ADD: Discount on Funded Debt reacquired.....	\$ 759,768.28	
Net Profit on Sale of Real Estate.....	85,251.31	
Reserve for Retirement Fund, for property under lease to which title is to be relinquished at expiration thereof, returned to Surplus on dissolution of Trust Fund.....	38,920.98	
Contributions for Extensions.....	11,952.94	
Miscellaneous Credits.....	9,337.34	
	<u>905,230.85</u>	
		\$1,132,202.57
LESS: Adjustment of Investments, Notes, etc. to estimated value at date of Receivership.....	\$1,297,962.49	
Appropriation to Reserve for Bad Debts and Accounts written off .....	94,284.64	
Preliminary Expenses in connection with proposed new construction, etc. written off.....	50,330.45	
Miscellaneous Debits.....	22,757.28	
Net Loss for the Year.....	1,673,672.59	
	<u>3,139,007.45</u>	
SURPLUS (DEFICIT), DECEMBER 31, 1932.....		<u>\$2,006,804.88</u>

# CHICAGO NORTH SHORE AND MILWAUKEE AND SUBSIDIARY

## CONSOLIDATED BALANCE

### ASSETS

#### INVESTMENTS:

Road and Equipment.....	\$43,508,629.95	
Property Leased (Substations and Facilities).....	1,719,061.84	
Sinking Fund—Cash.....	1,174.66	
Other Property not used in Operation, at Cost.....	381,378.39	
Contracts, Notes, Accounts, etc. pertaining to transactions in Real Estate, at face value.....	100,736.75	
Other Investments at estimated value at date of Receivership	92,080.22	
	<u>                    </u>	\$45,803,061.81

#### SPECIAL DEPOSITS:

Deposit in Escrow—To purchase bonds of the Company to be pledged under Collateral Loan.....	\$ 38,727.00	
Deposit in Trust—Income from which is to be applied on payments of \$50 per month in settlement of personal injury claim .....	10,000.00	
Deposits for Retirement of Gold Notes— Three Year 6% Gold Notes due April 1, 1932 .....	\$ 17,000.00	
5½% Gold Notes due February 1, 1930..	500.00	
	<u>                    </u>	17,500.00
		<u>66,227.00</u>

#### CURRENT ASSETS:

Cash .....	\$ 273,165.71	
Notes and Accounts Receivable.....	\$284,529.54	
Due from Officers and Employees.....	22,002.65	
	<u>\$306,532.19</u>	
LESS: Reserve for Bad Debts.....	75,731.13	
	<u>230,801.06</u>	
Accrued Interest Receivable.....	1,248.00	
Materials and Supplies, at Cost.....	270,843.08	
	<u>                    </u>	776,057.85

#### DEFERRED CHARGES AND UNADJUSTED ACCOUNTS:

Equipment purchased under contract—not received (See Funded Debt—Contra).....	39,000.00	
Unexpired Insurance.....	33,791.41	
Unamortized Debt Discount and Expense.....	649,650.21	
Miscellaneous Unadjusted Items.....	5,113.13	
	<u>                    </u>	727,554.75

Note 1: Dividends on Preferred 7% Cumulative Prior Lien Stock are in arrears since September 30, 1931 amounting to \$699,072.50 at December 31, 1932.

\* Note 2: Interest on Income Debentures Series "A" due December 1, 1935 is cumulative at 6% per annum from December 31, 1930. This interest is payable from time to time only if and when declared by the Board of Directors, provided that all accrued and unpaid cumulative interest must be paid (1) before any dividends are paid on the Company's 6% Non-Cumulative Preferred and Common Stock and (2) at the maturity of the Bonds. At December 31, 1932 the accrued and unpaid Cumulative interest (which does not appear on the above Balance Sheet) amounted to \$300,000.

\$47,372,901.41

# RAILROAD COMPANY (IN RECEIVERSHIP) COMPANIES

SHEET, DECEMBER 31, 1932

## LIABILITIES

### CAPITAL STOCK:

Common—Authorized and Issued, 50,000 shares, Par Value \$100 per share.....	\$ 5,000,000.00	
Preferred 6% Non-Cumulative, Par Value \$100 per share—		
Authorized—76,842 shares.....	<u>\$ 7,684,200.00</u>	
Issued —76,250 shares.....		7,625,000.00
Preferred 7% Cumulative Prior Lien, Par Value \$100 per share—		
Authorized—100,000 shares.....	<u>\$10,000,000.00</u>	
Issued — 80,000 shares.....	<u>\$ 8,000,000.00</u>	
LESS: In Treasury—106 shares..	<u>10,600.00</u>	
		<u>7,989,400.00</u>
		\$20,614,400.00

### FUNDED DEBT (See Statement attached):

Secured by Liens on Property—		
Past Due.....	\$ 95,225.00	
Due in 1933.....	332,926.70	
Due in 1934.....	429,550.00	
Due subsequent to 1934.....	<u>15,776,750.00</u>	
		\$16,634,451.70
Unsecured—*Income Debentures and Gold Notes—		
Past Due.....	\$ 144,513.41	
Due subsequent to 1934.....	<u>4,024,000.00</u>	
		<u>4,168,513.41</u>
		20,802,965.11

### COLLATERAL LOANS (Secured by First and Refunding Gold Bonds of The Company, Par Value \$3,191,700, and Investments having an estimated value of, at date of Receivership, \$40,001):

Reconstruction Finance Corporation.....	\$ 1,150,000.00	
Others .....	<u>1,145,980.58</u>	
		2,295,980.58

### ACCOUNTS PAYABLE AT DATE OF RECEIVERSHIP AND ACCRUED INTEREST ON FUNDED DEBT AND COLLATERAL LOANS:

Accounts Payable.....	\$ 1,738,005.12	
Accrued Interest on Funded Debt to December 31, 1932..	515,249.99	
Accrued Interest on Collateral Loans.....	<u>77,139.71</u>	
		2,330,394.82

### CURRENT LIABILITIES:

Accounts Payable.....	\$ 255,820.58	
Accrued Wages.....	66,050.51	
Accrued Taxes.....	574,474.65	
Accrued Interest on Equipment Trust Certificates, Special Assessment Taxes, Real Estate Mortgages, etc.....	<u>98,206.70</u>	
		994,552.44

### DEFERRED LIABILITIES:

Special Assessments due subsequent to 1933, estimated...\$	96,093.51	
Deposits by Protective Committee of old Predecessor Company, less Securities on hand (\$11,600) deposited by Committee.....	4,800.07	
Deposits for Industrial Sidings.....	<u>2,034.09</u>	
		102,927.67

### RESERVES:

Retirement .....	\$ 2,067,469.82	
Amortization of Franchises.....	89,129.36	
Injuries and Damages.....	77,156.37	
Plate Glass Insurance.....	<u>4,730.12</u>	
		2,238,485.67
SURPLUS (DEFICIT).....		<u>2,006,804.88</u>

\$47,372,901.41

# CHICAGO NORTH SHORE AND MILWAUKEE RAILROAD COMPANY (IN RECEIVERSHIP) AND SUBSIDIARY COMPANIES

## FUNDED DEBT, DECEMBER 31, 1932

	In Hands of Public	Past Due	Maturity	
			1934	Subsequent to 1934 Date Amount
Secured by Liens on Property:				
First Mortgage Gold Bonds, 5%—				
Issued .....				\$5,967,800.00
Less: Pledged as collateral to Chicago North Shore and Milwaukee Railroad Company, First and Refunding Gold Bonds.....				2,080,000.00
				<u>\$ 3,887,800.00</u>
				July 1, 1936 \$ 3,887,800.00
First Mortgage Gold Bonds, 6%—				
Issued .....				\$3,420,000.00
Less: Pledged as collateral to Chicago North Shore and Milwaukee Railroad Company, First and Refunding Mortgage Gold Bonds .....				3,420,000.00
				<u>None</u>
				July 1, 1936 None
First and Refunding Mortgage Gold Bonds—				
Series "A", 6%—Issued.....				\$8,502,100.00
Less: Pledged as collateral to Loans.....				404,700.00
				<u>8,097,400.00</u>
				June 1, 1935 8,097,400.00
Series "B", 5½%—Issued.....				\$2,236,700.00
Less: Pledged as collateral to Loans.....				65,000.00
				<u>2,171,700.00</u>
				Apr. 1, 1936 2,171,700.00
Series "C", 5½%—Issued.....				\$2,722,000.00
Less: Pledged as collateral to Loans.....				2,722,000.00
				<u>None</u>
				Apr. 1, 1936 None

Equipment Trust Certificates—

Series "D-1" 6%.....	46,400.00	65,000.00	46,400.00	65,000.00	Dec. 31, 1935	65,000.00
" " "E-1" 5½%.....	260,000.00	65,000.00	65,000.00	65,000.00	1935 to 1942	576,000.00
" " "F-1" 5½%.....	720,000.00	72,000.00	72,000.00	72,000.00	1935 to 1942	67,200.00
" " "F-2" 5½%.....	84,000.00	8,400.00	8,400.00	8,400.00	1935 to 1944	700,000.00
" " "G" 6%.....	700,000.00				$\left\{ \begin{array}{l} 1935 \\ 1936 \\ 1937 \end{array} \right\}$	201,650.00
Real Estate Mortgages (Various Interest Rates)....	629,651.70	30,225.00*	116,126.70	271,650.00		5,000.00
Purchase Contract Notes for equipment not received (See Contra) 6%.....	37,500.00		25,000.00	12,500.00		

Total Funded Debt secured by Liens on Property (*Includes indefinite temporary extensions)	\$16,634,451.70	\$95,225.00	\$332,926.70	\$429,550.00		\$15,776,750.00
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Unsecured:

Income Debentures, Series "A", 6%.....	\$ 2,500,000.00	Dec. 31, 1955	\$ 2,500,000.00
Three Year Gold Notes, 7%—		Apr. 1, 1935	1,524,000.00
Issued .....	\$1,532,000.00		
Less: In Treasury .....	8,000.00		
Three Year Gold Notes, 6%, due April 1, 1932.....	1,524,000.00		
Three Year Gold Notes, 5½%, due February 1, 1930.	85,000.00		
Five Year Gold Notes, Non-Interest bearing due July	500.00		
1, 1928.....	59,013.41		
	59,013.41		
	\$ 4,168,513.41		\$ 4,024,000.00

MEMORANDUM FOR MR. FALLOH

ANNUAL MEETING, MONDAY, MARCH 6, 1933

Questions of a General Nature That May Be Asked

1

- Q. Is the receivership costing the Company a lot of money?
- A. To date no compensation has been paid to the Receivers. Compensation paid to the Officers for the Receivers is substantially less in the aggregate than the amount the Officers had been receiving.

2

- Q. Will any interest be paid on the underlying bonds?
- A. Defaults have been made on all interest payments and at present there is no prospect of resumption under existing conditions.

3

- Q. When will there be more dividends paid?
- A. This is entirely dependent on the recovery of business and the progress of reorganization.

4

- Q. Will my stock be wiped out on account of this receivership?
- A. This question can not be answered at the present time as it is difficult to say what arrangement may be made in this connection until a reorganization is effected.

5

- Q. Why was the former President of the Company made one of the Receivers?

5

- A. The Court appointed Mr. Britton I. Budd as a Receiver, unquestionably recognizing his ability and integrity. It is common practice in receivership to retain the operating head owing to his being familiar with the Company's affairs.

6

- Q. Has Mr. Samuel Insull any more to do with this property?

A. No.

7

- Q. Can other Directors than those mentioned in the proxies be nominated and elected to the Directorship of the Company?
- A. Yes, other Directors can be nominated, and if nominated they may be voted for by writing their names on the ballot.

8

- Q. Why are stocks and bonds of the Company selling so low?
- A. Due to the receivership and the general financial situation.

MEMORANDUM FOR MR. FALLON

ANNUAL MEETING, MONDAY, MARCH 6, 1933

Questions Pertaining to the Financial Data in the  
Report That May be Asked

CONSOLIDATED SURPLUS (Deficit Account)

Page 7

1

Discount on Funded Debt. . . . . \$759,768.28

Q. What does discount on funded debt reacquired represent?

A. This discount represents the difference between the purchase price and the par value of bonds reacquired through funds of the Company placed in the hands of Trustees.

There were acquired through sinking funds and retired:

	<u>Par Value</u>	<u>Price Range</u>	<u>Cost</u>
First & Refunding 6% Mortgage Bonds	\$428,600.00	12 to 27½	\$ 73,600.25
First & Refunding 5½% Mortgage Bonds	60,600.00	12 to 25	10,161.75

Acquired through escrow fund  
and pledged on loans:

		<u>Average Price of</u>	
First & Refunding 6% Mortgage Bonds	\$404,700.00)		
First & Refunding 5½% Mortgage Bonds	65,000.00)	12.71	\$ 59,701.00
Total	\$469,700.00	15.59	\$149,463.00

2

Net Profit on Sale of Real Estate. . . . . \$ 85,251.31

Q. What real estate was sold to realize a profit of \$85,251.31?

A. A twenty (20) ft. strip of land was sold for \$98,428.00 and the proceeds deposited in an escrow fund, and in accordance with mortgage provisions was used to acquire bonds of the Company; the bonds

so acquired being pledged as collateral to the Company's Notes of \$600,000.00 - Notes held by Public Service Subsidiary and Commonwealth Subsidiary Corporations, \$300,000.00 each.

3

Reserve for Retirement Fund. . . . . \$ 38,220.96

Q. Why was the "Trust Fund" created to retire property under lease and why dissolved?

A. The "Trust Fund" was created voluntarily by the Company to provide a fund at the expiration of the lease that would be adequate to enable the Company to convey to the lessee title to the leased property. Due to the continued decline in earnings the Company elected to dissolve the Fund.

4

Contributions for Extensions. . . . . \$ 11,952.94

Q. What is the nature of contributions for extensions?

A. This represents the actual cost of additions and betterments to the Company's property paid for by lessees, such as the cost of industrial tracks on the right of way and paid for by industries, etc.

5

Adjustments of Investments, Notes, etc., to  
Estimated Value at date of receivership. . . . . \$1,227,962.49

Q. What is the nature of investments, notes, etc., and why should they be written down?

A. Public Accountants in auditing and closing the books as of September 30, 1932 wrote down to a nominal value the following investments:

	<u>Par Value</u>	<u>Nominal</u>
Metropolitan Motor Coach Company		
Capital Stock	\$ 675,000.00	\$ 1.00
Metropolitan District Realty Trust	845,875.00	2.00
Corporation Securities Company and		
Insull Utility Investments, Inc.		
Balance due under contract	33,750.00	2.00
Racine-Wisconsin Yellow Cab Company		
Common Stock, Notes and Accrued		
Interest thereon	240,685.11	2.00
Interurban R.R. Employees Investment		
Fund Units acquired by the Company		
from employees who left the service,		
together with advances made under		
obligation assumed by the Company;		
"this applies to Investment Fund		
No. 1, which has been dissolved		
and under the present Investment		
Fund No. 2 the Company assumes no		
obligation".	107,325.78	7,862.40
Racine Hotel Company		
Second Mortgage 7% Bonds	2,500.00	1.00
Membership Certificate		
Racine Country Club	500.00	1.00
Total	\$1,305,835.69	\$7,871.40
Nominal Value	<u>7,871.40</u>	
WRITE DOWN	<u>\$1,297,964.29</u>	

6

Appropriation to Reserve for Bad Debts  
and Accounts Written Off . . . . . \$94,284.64

- Q. What is the nature for this reserve and is it adequate?
- A. This provision was made to cover uncollectible accounts receivables at September 30, 1932. In the auditing and closing of the Company's books the Public Accountants added to the reserve account already created an appropriation of \$75,000.00 which provided a reserve account that was considered by them to be adequate.

7

Preliminary Expenses in Connection with  
Proposed New Construction, etc., written off. . . . . \$50,330.43

- Q. What expenses relating to proposed new construction were written off?
- A. The proposed new construction of the following projects, if carried to completion, would have been considered as proper charges to additions and betterments, but owing to the present financial conditions it was deemed advisable to abandon them:

Milwaukee Terminal Development	\$19,660.08
Track Elevation in Illinois	18,250.54
Merchandise Despatch Terminal, Chicago	9,087.84
Commissary - Chicago	3,462.21
Realignment of Tracks, Glencoe	1,479.34
New Passenger Station - Racine	1,370.47
	<u>\$50,330.43</u>

8

Miscellaneous Debits. . . . . \$22,757.28

- Q. What is the nature of miscellaneous debits?
- A. Appropriation of surplus representing the cost of additions and betterments to the property paid for by lessees, of \$11,982.79, is merely a bookkeeping entry to indicate on a separate account the amount contributed to cover the cost of additions to the property. The balance of \$10,804.49 covers various miscellaneous items charged off throughout the year.

CONSOLIDATED BALANCE SHEET

Page 3

Current Assets Due from Officers and Employees . . . . . \$22,002.65

9

- Q. What is the nature of the items under Current Assets due from

Officers and Employees?

1. It has been the policy of the Company to loan money to employees in distress. The Court has authorized the continuance of this arrangement to the extent of a loan fund of \$15,000.00. The balance in the loan fund is approximately \$7,000.00. The difference, approximately \$15,000.00, is supported by Notes for amounts advanced to Officers of the Company prior to receivership.