

CHAPTER VI

Considerable new construction equipment was purchased in 1906. In order to avoid curves and grades as far as possible, it was necessary to do some very expensive, heavy construction work between Racine and Milwaukee. This work continued during 1907.

At this April 5, 1906 stockholders' meeting, Messrs. Osborne and Francis held proxies to 14,013 shares and A. C. Frost held 26,914 out of the total 50,000 shares. An expenditure of \$200,000 of the Company's surplus was authorized for improvement of the Company's property at Lake Forest, Fort Sheridan, Highwood, Highland Park and Glencoe.

Property
Improvements
in
Illinois

Authority was given at this meeting for entering into a contract with the Chicago & Milwaukee Power Company, a corporation located in Waukegan, organized by Albert C. Frost, under the terms of which that company was to build a power plant and issue bonds in payment therefor, and the principal and interest was to be guaranteed by the Chicago & Milwaukee Electric Railroad Company of Illinois. This was another of Mr. Frost's projected enterprises, and one which was not completed. The plant was to have a capacity of 50,000 kilowatts and cost approximately \$5,000,000. The contract provided for the power company to build immediately at its Waukegan plant and to install two 5000 kilowatt turbines, also two 3000 kilowatt turbines to furnish power to both the Illinois and Wisconsin Corporations for the operation of the entire line from Evanston to Milwaukee.

Power

At the April 6, 1906 stockholders' meeting, Gordon A. Ramsey was elected a Director to take the place of Mr. Oakley. Mr. Ramsey was elected Vice President and Mr. Seward, Secretary, at the Directors' meeting following. Mr. Seward resigned as Secretary in July of the same year and Pierre G. Beach was elected in his place.

At stockholders' meeting April 4, 1907, Mr. Frost reported increased earnings.

Annual
Report

- justified expenditures by reference to extraordinary territory thru which the road was built -



Here are a few of the boys who were responsible for keeping the right of way of the old Chicago and Milwaukee Electric

"We've Been Workin' on the Railroad"

Railroad in condition. Several members of the early "work Train" crew are still with the road, and all of them are familiar to North Shore employees of the present generation. The men of this 1906 train are "Ed" Whiting, George Merriman, "Bill" Ives, Frank Sheehan and Frank Curley.



Famous Highwood "Pit" Mystery Solved!

This picture shows the car pits which existed around 1907 or 1908 but which were filled in when the shops were built. The name of the "Pit" will live forever to designate the car stop at the Highwood Office.

When Racine Was the Terminal of the "Milwaukee Electric"



This picture was taken a short time before the fire that wiped out the old station when Racine was the Northern terminal of the Chicago and Milwaukee Electric Railroad Company.

William (Red) Scott is the trim appearing conductor standing beside his car, while motorman William Ludwig is in the cab.

- all but four franchises are in perpetuity -
- all Wisconsin franchises are perpetual except into Milwaukee, which is for thirty years -
- A number of new stations and shelters built - a cutoff between Highland Park and Lake Forest, about two miles, on private right of way, for four track construction, thereby eliminating two bad curves and reducing running time between the cities -
- \$200,000. expended out of surplus for permanent improvements -
- Wisconsin Division to Racine placed in service September 2, 1906 -
- Road constructed to within 15 miles of Milwaukee, expect to complete road to Milwaukee by October 1, 1907 -
- "The Chicago & Milwaukee Electric Railroad operates in a territory which is unequalled anywhere in this country, connecting the City of Chicago with the City of Milwaukee and 26 other cities and towns along the line" -
- serving a population of 3,000,000 which is rapidly increasing -
- on December 1, 1906, the Company entered into a contract with the United States Express Company for operating its express business over this Company's lines, from which contract this Company is assured a profit of at least \$25,000. for the year -
- contract made with Racine Stone Company which has its quarries and plant on the Railroad's main line, three miles north of Racine, for hauling its entire product of about 1000 cubic yards of crushed stone per day. This contract assures the Company a profit of \$75,000 a year -

Wisconsin
Franchises

Service to
Racine
Started

United States
Express Co

Racine
Stone Company

On April 4, 1907, the date of the last meeting of the stockholders of the Chicago & Milwaukee Electric Railroad Company, Illinois Corporation, A. C. Frost held 38,495 shares of the capital stock of the Company. Gordon A. Ramsey held 10 shares. F. J. Geraghty, Engineer of the Company, 100 shares. Pierre G. Beach - 10 shares, Messrs. Osborne and Francis, by proxy, 1830 shares, J. Ernest Osborne, by proxy, 256 shares and G. A. Ball, by proxy - 500 shares. Mr. Beach and Mr. Francis were elected Directors to take the place of George M. Seward and Joseph E. Otis. The capital stock was increased from \$5,000,000. to \$10,000,000. It was voted to buy the Chicago & Milwaukee Electric Railroad Company, Wisconsin Corporation, with \$3,000,000. of the increased stock of the Chicago & Milwaukee Electric Railroad Company, Illinois Corporation, and to use the other \$2,000,000. of increased stock to complete the road into Chicago.

It was also voted to expend \$300,000. of the surplus earnings of the Company in the year 1906, to purchase additional land for the right of way and in the reconstruction of the road between Winnetka and Glencoe and thru Highland Park, Highland and Lake Forest.

On February 27, 1907, the Wisconsin Corporation Directors authorized a \$2,000,000. issue of Two-Year 6% convertible and Collateral Gold Notes, to be secured by \$2,500,000. of the January 1, 1905 bonds of the Company. A trust agreement, dated March 1, 1907, was entered into with the Western Trust and Savings Bank as Trustee.

Road
Construction

\$2,000,000.
Convertible
Gold Notes
Issued

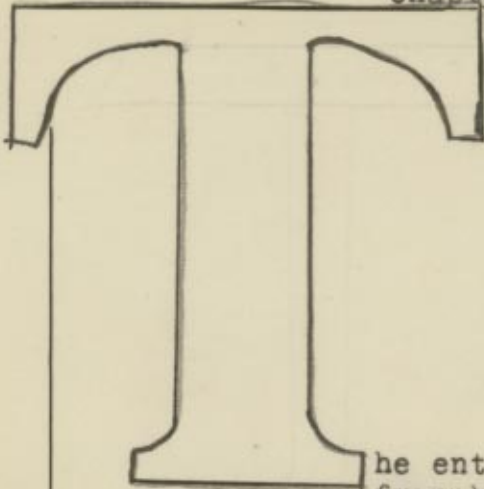
The "End of the Line" in 1908 -North



"Evanston" far as we go - this was the information given to passengers of the old Chicago-Milwaukee Electric in 1908, shortly after service was extended to that thriving village.



This picture shows a "heavy train" in 1910, when the road was still operating as the Chicago and Milwaukee Electric Railroad ~~road~~ Company. The sign hanging on the front of the train shows it was operating between Waukegan and Evanston. The crew was (left to right) Conductor Nicholas Stiegleman and Motorman John Johnson.



he entire Wisconsin Division property, franchises, etc., were, on May 4, 1907, sold to the Chicago & Milwaukee Electric Railroad Company, Illinois Corporation, for \$3,000,000. of the additional capital stock of the Illinois Corporation. The capital stock of the Wisconsin Company was increased from \$300,000. to \$1,000,000.

Illinois
Corporation
Purchases
Wisconsin
Corporation
Properties

In the same month a loan of \$500,000. was authorized, to be evidenced by the notes of the Wisconsin Corporation. It was stated that the loan was made for the purpose of completing the road to Milwaukee and to pay the Western Trust & Savings Bank \$100,000, for which amount the Company was indebted to the Bank. It was resolved that the Company issue no more notes or borrow any more money until the \$500,000. indebtedness was fully paid.

At a special Directors' meeting of the Chicago & Milwaukee Electric Railroad, Illinois Corporation, held on October 1, 1907, a resolution was adopted stating that the line from Lake Bluff north to the Wisconsin State Line belonged to and was part of the Chicago & Milwaukee Electric Railroad Company, Wisconsin Corporation.

On January 27, 1908, Otto R. Hansen, filed his creditor's bill against the Chicago & Milwaukee Electric Railroad Company, Illinois Corporation, and Judge Grosscup appointed D. B. Hanna, W. I. Osborne and Henry Haugan as Receivers of the Illinois Corporation.

Otto
Hansen's
Creditor's
Bill

At the final Stockholders' meeting of the Chicago & Milwaukee Electric Railroad Company, Illinois Corporation, held April 2, 1908, it was resolved that the Illinois Company consent that the holders of the Wisconsin Company bonds, who wish to agree to issue of \$1,000,000. of Receivers' Certificates as a lien prior to the lien of such bonds, could do so without prejudice to any rights they might have or be entitled to under the contract of guaranty of the Illinois Company attached to the Wisconsin bonds. It was further resolved that the Receivers of the Illinois Company turn over to the Receivers of the Wisconsin Company semi-annually, after payment of maintenance charges, a sum not exceeding \$30,000., to pay the interest of \$1,000,000. of Receivers Certificates issued by order of Court to complete the lines into Milwaukee.

Receivers'
Certificates

At February 1, 1908, the Republic Construction Company had been paid \$2,400,000. par value in capital stock and \$10,300,000. par value in bonds of the Illinois and Wisconsin Divisions.

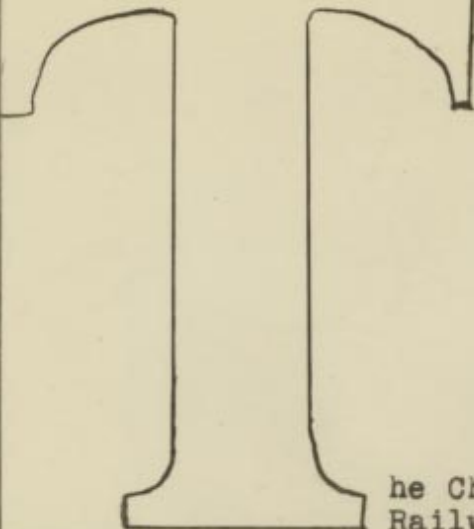
Explanation was made at the Directors' meeting of January 24, 1908, relative to the payment of \$2,100,000. par value of bonds to the Republic Construction Company, which was in excess of that Company's contract. It was stated that the Construction Company could not sell the Wisconsin bonds during the financial difficulties of 1907, and that in order to realize money on them, they had to put up large margins of the First Mortgage bonds. This necessitated delivery of more bonds to that Company than was contemplated in the contract. It was stated that the understanding was that the Republic Construction Company would complete the road into Milwaukee, build and equip a substation at the south limits of Milwaukee, make the necessary payments for the completion of the First Avenue and Sixth Street Viaduct, and furnish ten additional cars, then being built by the Jewett Car Company.

Bonds Issued
in Excess of
Authorization

On February 1, 1908, a meeting of Directors of Chicago & Milwaukee Electric Railroad Company, Wisconsin Corporation, was held, and a resolution passed stating that whereas the Company was insolvent, and consequently, unable to meet its obligations and complete the Line to Milwaukee, it therefore submit itself and its property to the jurisdiction of the Circuit Court, of the United States for the Eastern District of Wisconsin, and that the Company's attorney file an answer in the case of the Sovereign Bank of Canada versus Chicago & Milwaukee Electric Railroad Company of Wisconsin, admitting the allegations of the bill and joining in a prayer for a receiver.

Wisconsin
Corporation
Receivers
Appointed

On January 28, 1908, the same gentlemen were appointed Receivers for the Chicago & Milwaukee Electric Railroad Company, Wisconsin Corporation, by Judge Grosscup, sitting at Chicago, in response to a creditor's bill of the Sovereign Bank of Canada, without judgment, filed in the United States Circuit Court at Milwaukee against the Wisconsin Corporation.


 he Chicago and Milwaukee Electric Railway Company, was organized through the efforts of A. C. Frost, January 31, 1906, with power to construct and operate street railways in the City of Milwaukee, Wisconsin. The authorized capital stock was \$100,000. It had no bond issue authorized or outstanding. Its entire capital stock was assigned to the Western Trust & Savings Bank, Trustees of the bond issue of the Chicago & Milwaukee Electric Railroad Company, Wisconsin Corporation, as additional security for that issue.

C&ME Ry
 Company
 Milwaukee
 City Line

The Common Council of the City of Milwaukee, by ordinance ~~andxxxxxxxxxxxxxxxxxxxx~~ granted the Chicago & Milwaukee Electric Railway Company, Wisconsin Corporation, the right to construct and operate a double track electric railway, with terminals, bridges and viaducts, over and across certain portions of Second Street, Wells Street, Seventh Street, Sixth Street, St Paul Avenue, First Street, Madison Street and Grove Street, to a point in the south corporate limits of the City of Milwaukee.

Milwaukee
 Franchise

In 1908, the year the Receivers were appointed for the Chicago & Milwaukee Electric Railroad Company, Wisconsin Corporation, the Railway Company had completed construction of about two miles of double track railway along and upon the streets of Milwaukee from the southern city limits, on Grove and Madison Streets, and east on Madison Street to First Avenue, and north on First Avenue to Washington Street; and had partially constructed its lines upon other streets. The road was completed to the heart of Milwaukee after the appointment of Receivers, with proceeds from sale of Receivers' Certificates.

Road
 Completed
 to Business
 District of
 Milwaukee

When Service Was Extended to Milwaukee



The first car of the Chicago and Milwaukee Electric Railroad to enter Milwaukee in 1908 when the service was extended north to the "Cream City" This picture was taken when the car was on North Second Street. Water Street is on the left and Wells Street in the rear.

The triangular building has been razed and the space is now a park.



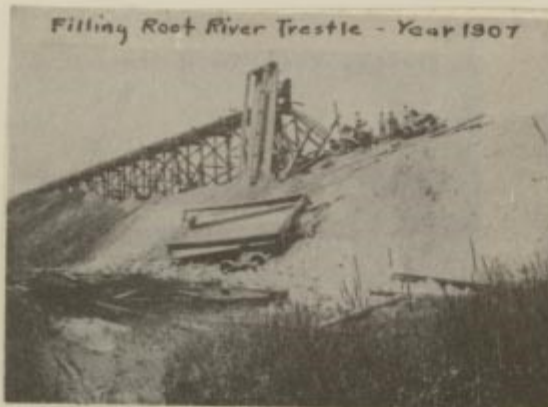
The Receiver changed from time to time but in February 1911, the Court appointed W. O. Johnson as Receiver, and he remained in that position until he was discharged by the Court in 1916.

W.O. Johnson
Receiver

The Illinois and Wisconsin Divisions were operated by the Receivers as one railroad from the beginning of the Receivership in 1908 until the Receiver was discharged in the summer of 1916.

During these years, the road was greatly improved and many cars were purchased; timber trestles and bridges, near Milwaukee were rebuilt with the best materials and workmanship; a new bridge was built over the river at Racine; Willow Street Bridge built in Winnetka, the roadbed was rebuilt over a considerable part of the Road; limited express service was established between Milwaukee and Evanston.

Improvement



In January 1912 the several groups and committees concerned in protecting the interests of the bondholders of the two companies, Illinois and Wisconsin, merged in one committee, named the "Protective Committee". About 97% of the Wisconsin bonds, and over 98% of the Illinois bonds, were deposited with this Committee.

Protective
Committee

The members of the Protective Committee were -

George M. Reynolds	George A. Somerville
Ernest A. Hamill	Robert Cassels
W. E. Stavert	E. A. Shedd
H. S. Osler	R. Floyd Clinch
Miller Lash	John R. Thompson

The first meeting of the Committee was held on January 26, 1912. At this meeting the Plan and Agreement of January 26, 1912 was approved. Under this Plan and Agreement, the Protective Committee assumed responsibility for obligations of the old Wisconsin Committee and was authorized to act for the bondholders in reorganization matters. The purpose of the Plan and Agreement was to provide for the purchase at judicial sales, of the properties of each of the Divisions, and for the purchase of 1,000 shares of the capital stock of the Chicago & Milwaukee Electric Railway Company and the properties of that Company, and for the operation of such property for the benefit of the bondholders who deposited their bonds under the agreement. The Plan contemplated the two Divisions were to be owned and controlled as one continuous line by one corporation.

Plan and
Agreement
of
January 26,
1912

Mr. Johnson, as Receiver, entered into a lease with the Public Service Company of Northern Illinois for power, and a lease was made with that company covering the Company's power plant at Highwood, Illinois, on May 6, 1913.

Power

At the June 10, 1913 meeting of the Protective Committee, George M. Reynolds, Ernest A. Hamill and R. Floyd Clinch were appointed as a Special Committee to acquire for the Protective Committee the properties of the Chicago & Milwaukee Electric Railroad Company of Illinois and the Chicago & Milwaukee Electric Railroad Company of Wisconsin and to do various other things as described in the January 26, 1912 Plan and Agreement.

Protective Committee

Special Committee

The Protective Committee on May 2, 1912, entered into an agreement with Samuel Insull which provided that a new Company should be formed to acquire the properties of the Chicago & Milwaukee Electric Railroad Company, Illinois Corporation, and Chicago & Milwaukee Electric Railroad Company, Wisconsin Corporation, when the receivership ended.

New Operating Company

The stock of the new Company under the Plan was to be placed in a Voting Trust. Mr. Insull was to be elected Chairman of the Board of Directors, was to manage and operate the railroad properties during the existence of the Voting Trust, but not to exceed ten years. It was understood he would obtain an entrance to Chicago for the new Company's trains.

Entrance Chicago

On September 25, 1912, the properties of the Company were sold under foreclosure and bid in by Jacob Newman of the Reorganization Committee at \$1,600,000. for the Wisconsin Division and \$1,650,000. for the Illinois Division. The sale of the Illinois Division was set aside by Judge Landis of the United States District Court on January 2, 1913, on the grounds that bidding was suppressed and that the price obtained was much below true valuation. On June 6, 1913, the United States Circuit Court of Appeals affirmed the order of Judge Landis.

First Sale of Railroad Properties

Sale set aside

On February 27, 1914, Judge Geiger, in the United States District Court, Northern District of Illinois, Eastern Division, ordered the re-sale of the Wisconsin Division and denied the petition of a stockholder to intervene to become a party to the

Re-sale Ordered



Samuel Insull

suit to prevent the Reorganization Committee from being permitted to bid at the next sale. On May 29, 1914, the United States Circuit Court of Appeals affirmed the decision of Judge Geiger, ordering the re-sale of the Wisconsin Division. On December 12, 1915, Judges Geiger and Landis in the United States District Court, for the Northern District of Illinois Eastern Division, at Chicago, overruled a motion for further delay and ordered the properties sold at foreclosure.

On May 1, 1916, the properties in Wisconsin were sold under mortgage sale, pursuant to August 7, 1912 Decree of the District Court of the United States for the Eastern District of Wisconsin; and pursuant to March 24, 1914 Decretal Order of Sale to Frank A. Vath and Charles White, nominees of the Protective Committee.

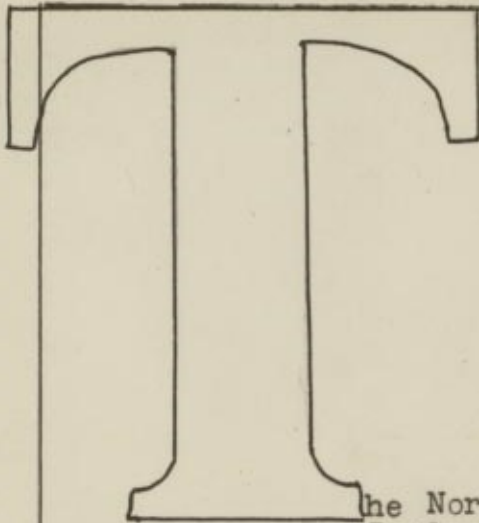
Final
Sale of
Wisconsin
Properties



In 1913 the "Cannon Ball Limited" shown above with its crew, was reputed to be the fastest train on what was then the Chicago, Milwaukee Electric Railway, forerunner of the North Shore Line.

The motorman is Mort Gilkeson, and the conductors are Tom Russell and "Bob" Botner.

CHAPTER X



The North Shore Racine & Milwaukee Railroad was organized June 25, 1916, to purchase the Wisconsin Division of the Chicago & Milwaukee Electric Railroad Company and to maintain and operate it.

North Shore
Racine & Mil-
waukee Rail-
road Organize

Subscriptions to the 1000 shares of \$100,000. capital stock, par value \$100. a share, were made by -

Charles L. Burlingham	1 share
Anthony White	1 share
Harry Goodman	1 share
Frank A. Vath	1 share
Charles White	996 shares

who became the Directors of the Company.

Articles of Incorporation for the North Shore Racine & Milwaukee Railroad were filed in the office of the Secretary of State of Illinois on June 15, 1916.

Articles of
Incorporation

The By-Laws of the Company were approved at the July 22, 1916 meeting of the incorporators.

By-Laws

The Directors were authorized, subject to the approval of the Railroad Commission of Wisconsin, to issue \$100,000. capital stock.

Capital
Stock

At this meeting on July 22, 1916, the Directors were authorized to acquire, subject to the prior approval of the Railroad Commission of Wisconsin, the property and franchises of the Chicago & Milwaukee Electric Railroad Company, Wisconsin

Authority to
Acquire
Wisconsin
Corporation
Properties,
et cetera

Corporation, and to lease the property to Chicago North Shore and Milwaukee Railroad for 25 years from July 1, 1916, for \$105,000. a year. The Directors were also authorized at this meeting to sell all the remaining interests, franchises and property to the Chicago North Shore and Milwaukee Railroad, and after payment of its liabilities, to distribute the remainder to the stockholders upon surrender of stock certificates.

At a special meeting of the Directors of North Shore Racine & Milwaukee Railroad on August 23, 1916, the sale of the properties, franchises and privileges of North Shore Racine and Milwaukee Railroad to Chicago North Shore and Milwaukee Railroad, was authorized, in consideration of the Chicago North Shore and Milwaukee Railroad assuming a certain note of North Shore Racine & Milwaukee Railroad for \$964,000. due in six months from date. The sale was effective August 14, 1914. The Chicago North Shore and Milwaukee Railroad accepted the properties subject to all liens against it. Included in these liens were -

Receiver's Certificates, dated May 11,
1908, with interest at 6% from
May 11, 1916 for.....\$961,000.

Receiver's Certificates dated July 21,
1911 with interest at 6% from July
1, 1916 for..... 75,000.

\$1,036,000.

and various claims.

Authority to
Lease and
Sell North
Shore Racine
& Milwaukee
Railroad
Properties
to CNS&M RR

Sale of
Wisconsin
Properties
by North
Shore Racine
& Milwaukee
Railroad to
Chicago North
Shore & Mil-
waukee Rail-
road author-
ized

E

Effective May 1, 1916, Frank A Vath and Charles White sold the property and franchises of the

Illinois Division of the Chicago & Milwaukee Electric Railroad Company to Chicago North Shore and Milwaukee Railroad. The purchase price on consideration paid to, or on the order of Mr. Vath and Mr. White, was the execution, issue and delivery of its securities and agreements, which are the essence of the "Offer to Sell" made by Frank A. Vath and Charles White on June 1, 1916. That offer was accepted by the Chicago North Shore and Milwaukee Railroad on July 12, 1916, and the North Shore Company agreed to deliver to Vath and White -

Illinois
Properties
Sold to
Chicago
North Shore
and Milwauk
Railroad

- 1 1000 shares of Chicago North Shore and Milwaukee Railroad Common Capital stock - par value - \$100,000.
- 2 \$1,500,000. on note of Chicago North Shore and Milwaukee Railroad, dated June 1, 1916, and payable with interest at 5% on or before six months after date

3. An agreement to be made by it to take said property subject to the lien of a Trust Deed made by Chicago & Milwaukee Electric Railway Co. to Cleveland Trust Co. and Royal Trust Co., Trustees, securing bonds for \$1,080,000, with interest after July 1st, 1916, at the rate of 5% per annum, said bonds being dated July 1st, 1899, and due July 1st, 1919.
4. An agreement to be made by it to take said property subject to the rights and claims, if any, of General Electric Company, Westinghouse Traction Brake Co., Marion Steam Shovel Co., F.S. Munro, as Receiver of the Republic Construction Co., to the ownership and possession of certain specific portions of said property.
5. An agreement obligating it to assume and pay the certain liens and claims hereinafter mentioned upon or against the said property proposed hereunder to be sold and transferred or unpaid and owing by the undersigned on account thereof and wherein said Chicago North Shore and Milwaukee Railroad, if this offer is accepted, shall agree and warrant to save and keep harmless the undersigned from or on account of said liabilities, or any of them or any part thereof, as follows:
 - (a) All taxes, assessments and government fees unpaid upon or against said property or unpaid and owing by the undersigned on account thereof:
 - (b) All claims against the Receivers of the Chicago and Milwaukee Electric Railroad Company, an Illinois

Corporation, or any one of them, for personal injuries or other wrongful acts that have occurred or which shall occur during and in connection with the receivership of said last mentioned Corporation prior to such transfer and sale, and which within six months after the first publication of a notice, as provided in said decrees of sale above referred to, as entered in the District Court of the United States for the Northern District of Illinois, for the presentation of such claims shall have been duly presented to Charles B. Morrison, Special Master of the United States, and which shall be duly allowed by said Special Master without objection, or established by the final order, judgment or decree of said court.

6. An agreement obligating it upon terms and provisions satisfactory to or approved by counsel for the undersigned, in event only that it shall hereafter acquire by purchase the property the Chicago and Milwaukee Electric Railroad Company, a Wisconsin Corporation, also purchased by the undersigned on May 1st, 1916, at a mortgage foreclosure sale pursuant to decrees of the District Court of the United States for the Eastern District of Wisconsin, to execute, issue and deliver in part payment of the purchase price of said property and in lieu of the 1,000 shares of capital stock, each of the par value of \$100, mentioned in paragraph 1 hereof, the following:

- (a) Its First Income Bonds, secured by a Second Mortgage on the property hereunder offered to be sold and transferred and by a Third Mortgage on the property of the Chicago and Milwaukee Electric Railroad Company, a Wisconsin Corporation, to the aggregate amount or \$5,000,000. Said First

Income Bonds and the Second Mortgage securing the same shall mature at such time and embody such terms, covenants, agreements, provisions and conditions as may be approved by counsel for the undersigned; said First Income Bonds to bear non-cumulative interest at the rate of four (4) per cent per annum, payable semi-annually out of the annual net earnings and not otherwise. Said Second Mortgage shall always be inferior to and subject to the prior lien of a First Mortgage securing \$10,000,000 par value of bonds and of a General Mortgage securing \$1,500,000 par value of bonds and the bonds therein mentioned and thereby respectively secured.

- (b) Its Second Income Bonds secured by a Third Mortgage on the property offered to be transferred and sold hereunder and by a Second Mortgage on the property of the Chicago and Milwaukee Electric Railroad Company, a Wisconsin Corporation, to the aggregate amount of \$5,800,000. Said Second Income Bonds and the Third Mortgage securing the same shall mature at such time and embody such terms, covenants and agreements, provisions and conditions as may be approved by counsel for the undersigned; said Second Income Bonds to bear non-cumulative interest at the rate of four (4) per cent per annum, payable semi-annually out of the annual net earnings and not otherwise. Said Third Mortgage shall always be inferior and subject to the prior lien of a First Mortgage securing \$10,000,000 par value of bonds and of a General Mortgage securing \$1,500,000 par value of bonds and the bonds therein mentioned and thereby respectively secured, and shall ~~be~~ also be inferior and subject to the prior lien of said Second Mortgage and the First

Income Bonds secured thereby and therein mentioned on the properties proposed to be sold and transferred hereunder and as to the prior interest claims of said First Income Bonds upon annual net earnings.

- (c) 62,000 shares of its common capital stock, each of the par value of \$100, to the aggregate amount of \$6,200,000 or such lesser amount as may hereafter be designated by the undersigned.

Said First and Second Income Bonds and said Second and Third Mortgages respectively securing the same, and said additional common capital stock shall be executed, issued and delivered only in the event that the execution, issue and delivery thereof for the full amounts herein stated shall be first authorized and approved by the State Public Utilities Commission of Illinois and the Railroad Commission of Wisconsin, and whenever the execution, issue and delivery of said securities may otherwise be lawfully made, and in the event that the State Public Utilities Commission of Illinois and the Railroad Commission of Wisconsin, or either of them, shall not authorize the issue of said First and Second Income Bonds and the Second and Third Mortgages securing the same, and said additional capital stock, or if Counsel for the undersigned shall be of opinion that the execution, issue and delivery of said securities may not be lawfully made, then said Chicago North Shore and Milwaukee Railroad is to be relieved and discharged from paying any portion of the consideration for the sale

and transfer of said property in this paragraph numbered 6 hereof provided for, and in that event the undersigned agree to accept, in full satisfaction and discharge of all claims and demands whatsoever arising under this offer for the sale and transfer of the property hereinabove described, and as full payment for the sale and transfer thereof, the consideration mentioned in paragraphs numbered 1, 2, 3, 4 and 5 hereof.

Under the agreement so to be executed by Chicago North Shore and Milwaukee Railroad under this paragraph numbered 6, it shall be obligated, when requested by the undersigned, to make and file due application, conformable to law, with the State Public Utilities Commission of Illinois and the Railroad Commission of Wisconsin for the issue of the First and Second Income Bonds and the Second and Third Mortgages securing the same, and the issue of the additional capital stock, all as herein provided for, and it shall comply with all such requirements of law in the making of the application to the said Commissions for the issue of said securities and on the hearing thereof as may be requisite, necessary and lawful to have a determination of the question as to whether the securities provided for in this paragraph may be lawfully executed, issued and delivered.

On July 1, 1916, Frank A. Vath and Charles White, nominees of the Protective Committee, sold to George M. Reynolds, Samuel Insull and R. Floyd Clinch, as Trustees, approved by Protective Committee, at meeting June 28, 1916, in accordance with the July 1, 1916 Trust Agreement signed by each of them, their 1000 shares of the capital stock of the Chicago North Shore and Milwaukee Railroad and their 1000 shares of the capital stock of the

Sale of
Capital Stock
of Chicago
North Shore &
Milwaukee RR
and Chicago
and Milwaukee
Electric Rail-
way Company

Chicago & Milwaukee Electric Railway Company (the street railroad in Milwaukee). These shares were designated as the "Trust Estate".

It was agreed between these parties to the Trust Agreement that the 1000 shares of the combined stock of the Companies would be divided into 170,000 shares being issued, instead of income bonds, as provided in the Plan and Agreement of January 26, 1912, of which -

Participatio
shares

50,000 shares would be First Preferred Participation shares

58,000 shares would be Second Preferred Participation shares

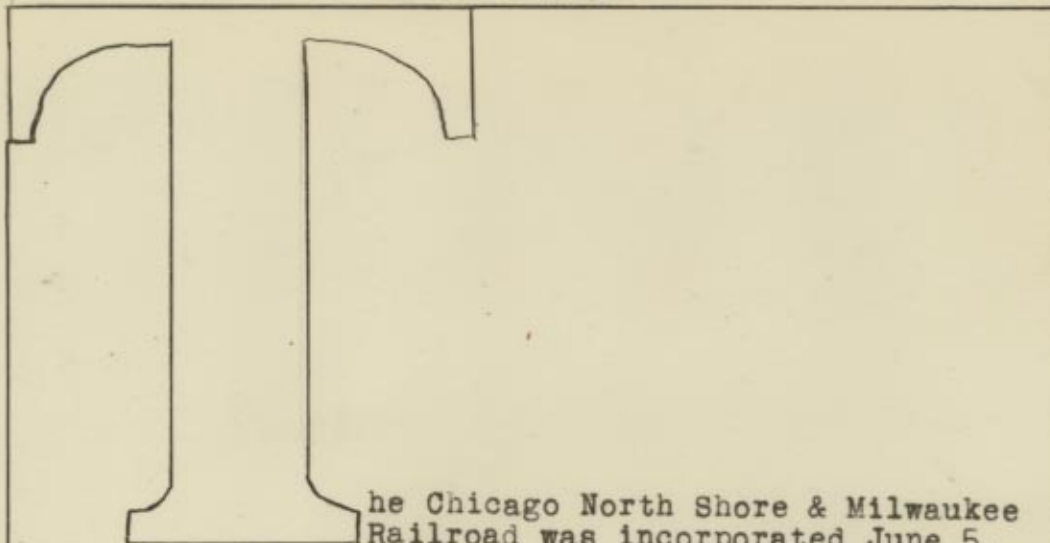
62,000 shares would be Common Participation shares

These shares were, under direction of the Protective Committee (Acting under January 26, 1912 Plan and Agreement) issued in March 1917, to the bondholders who had deposited bonds with the Protective Committee of the Chicago & Milwaukee Electric Railroad Company, Illinois Corporation, and Chicago & Milwaukee Electric Railroad Company, Wisconsin Corporation.

The Trust Agreement provided that the First and Second Preferred Participation Shares were to receive dividends each year. The dividend account was to be credited with the net income of the Railroad or 30% of the gross income after deducting any interest accrued in the year. Unpaid dividends were to bear interest at 5%.

Dividend
Policy

CHAPTER XII



he Chicago North Shore & Milwaukee Railroad was incorporated June 5, 1916, by

Incorporators

Archie F. Hooper	7200 Ellis Ave., Chgo
John Moran	11951 Princeton Ave., Chgo
Frank Stava	3904 W. Twenty-fourth St. Chgo
E. L. White	6620 St. Lawrence Ave., Chgo
W. D. Johnston	1923 Sherman Ave., Evanston
R. E. Simond	6026 Kenwood Ave., Chgo
Keith Richardson	74 Seventh Ave., La Grange, Ill.

who constituted the first Board of Directors, and each subscribed for 1 share of the Company's capital stock of \$100 par value, except Mr. Hooper who subscribed for 994 shares. Mr. Richardson, one of the directors mentioned in Article of Incorporation, resigned and transferred his interest in one share of the corporation to H. A. Pillman.

At the First Meeting of the Incorporators, held July 12, 1916, By-Laws were adopted, the Board of Directors was authorized to issue capital stock of the Corporation to the amount of \$100,000; Directors approved execution of trust deed to Continental Illinois Trust & Savings Bank, being a First Mortgage for \$10,000,000 on the Company's properties. The First Mortgage Gold Bonds were dated July 1, 1916, due July 1, 1936, interest at 5% payable semi-annually on the first day of July and January in each year.

First Meeting
of
Incorporators

At this meeting of the stockholders, on July 12, 1916, the issuance of \$3,400,000 First Mortgage Bonds was authorized.

First
Mortgage
Bonds

A General Mortgage of \$1,500,000 was approved at the meeting. The bonds were dated

General
Mortgage Bonds

August 1, 1916, interest rate to be decided upon before issuance of bonds. The bonds matured August 1, 1936. An immediate issue of \$1,180,000 of these General Mortgage Bonds was authorized.

An issue of \$600,000. par value Collateral Gold Notes, Central Trust Company of Illinois, Trustee, dated August 1, 1916, was authorized. These notes matured \$266,000 August 1, 1917, \$67,000 August 1, 1918 and \$267,000 August 1, 1919.

Collateral
Gold
Notes

John Moran's resignation as a Director was accepted at Stockholders' meeting July 17, 1916, and the vacancy was filled by the election of W.O. Johnson as a Director.

Directors

At the Stockholders' meeting on August 15, 1916, resignations and elections were as follows:

W.O. Johnson resigned - E.A. Shedd elected
R.E. Simond resigned - Britton I. Budd elected
W.D. Johnston resigned - John R. Thompson elected
E.L. White resigned - R. Floyd Clinch elected

At a second meeting of the Incorporators on July 12, 1916, attended by each of the Incorporators, the Directors were authorized to accept the offer of Frank A. Vath and Charles White to sell the properties and franchises of the Chicago & Milwaukee Electric Railroad Company to the Chicago North Shore and Milwaukee Railroad; to acquire from the North Shore Racine & Milwaukee Railroad the old Chicago & Milwaukee Electric Railroad Company's railroad and properties, and in payment of the purchase price thereof, to assume on behalf of the Chicago North Shore and Milwaukee Railroad the payment of an outstanding, unsecured promissory note of North Shore Racine & Milwaukee Railroad, dated June 1, 1916, and payable six months thereafter, in amount of \$964,000, with interest at 5%, and to take the railroad property of the North Shore Racine & Milwaukee Railroad subject to liens and claims as stated in the "acceptance" of the Railroad, as follows

2d Meeting
of
Incorporators

Purchase
of
North Shore
Racine &
Milwaukee
RR Properties

" (a) All taxes, assessments and governmental license fees that may be unpaid upon or against said property

- (b) All claims against the Receivers of the Chicago and Milwaukee Electric Railroad Company, a Wisconsin Corporation, or any one of them, for personal injuries or other wrongful acts that have occurred or which shall occur during and in connection with the Receivership of said last mentioned corporation prior to such transfer and sale; and of ^{the} payment of all unpaid indebtedness, if any, legally contracted or incurred by any of the receivers prior to such transfer and sale, and which, within six months after the first publication of notice, as provided in the decrees of sale as entered in the District Court of the United States for the Eastern District of Illinois, for the presentation of such claims, shall be duly presented to Charles B. Morrison, Special Master of the United States, and be duly allowed by said Special Master, without objection, or established by the final order, judgment or decree of said Court, to the extent and so far as the same are not paid, satisfied and discharged out of the funds available for such purpose in the hands of the receiver in said cause.
- (c) Receivers' Certificates dated May 11, 1908 with interest at six per cent, from May 11, 1916, for \$961,000.
- (d) Receivers' Certificates, dated July 21, 1911, with interest at six per cent, from July 1, 1916, for \$75,000.
- (e) The rights, liens and claims, if any, of the General Electric Company, the Ketler-Elliott Erection Company, the Commercial & Savings Bank, and the Filer & Stowell Company, to any of the property herein mentioned or to any lien thereon, or to any of the proceeds thereof, or to compensation for the use and value thereof, to the extent and so far as the same are hereafter allowed and ordered to be paid by the final order, judgment or decree of the United States District Court for the Eastern District of Wisconsin, in the cause entitled Investment Registry, Limited, complainant, vs Chicago & Milwaukee Electric Railroad Company, A Wisconsin

Corporation, et al., defendants, consolidated cause in equity No. 80, Civil Docket C. C.; and upon the cross bill therein filed by Western Trust & Savings Bank and Willoughby Walling, as Trustees, under the deed of trust, dated January 1, 1905, made by the Chicago & Milwaukee Electric Railroad Company under and pursuant to the terms of said decree of sale, and not paid, satisfied and discharged out of the funds available for said purpose in the hands of the receiver in said Cause."

At stockholders' meeting of August 15, 1916, Directors' resignations were accepted and elections approved as follows:

Directors

H. A. Pillman resigned	Samuel Insull elected
Archie F. Hooper resigned	H. L. Stuart elected
Frank Stava resigned	H. S. Osler elected

The capitalization of the Chicago North Shore and Milwaukee Railroad, at September 11, 1916, was as follows -

Capitalization

"Capital Stock

The capital stock is in the nominal sum of \$100,000, which will be made the basis of an authorized issue of 170,000 Participation Certificates with no face value expressed.

Funded Debt

First Mortgage 5% Gold Bonds due July 1, 1936
(this issue)

<u>Authorized</u>	<u>Outstanding in hands of Public</u>
\$10,000,000.	\$3,620,000

*5½% Collateral Gold Notes
 due serially
 August 1, 1917-1919
 (secured by deposit of
 \$480,000 General Mortgage
 5% Gold Bonds) \$600,000 \$400,000

General Mortgage 5% Gold Bonds
 due August 1, 1936 \$1,500,000 \$460,000

*The remaining \$200,000 Notes were issued and
 canceled."

The Directors elected by the stockholders
 on August 15, 1916 were -

Directors

Britton I. Budd	E. A. Shedd
R. Floyd Clinch	H. L. Stuart
H. S. Osler	John R. Thompson
Samuel Insull	

The Executive Committee elected by the
 Board of Directors on October 16, 1916 was composed
 of -

Executive
 Committee

R. Floyd Clinch	Samuel Insull
H. L. Stuart	

The Officers at December 31, 1917 were -

Officers

Samuel Insull	-	Chairman, Board of Directors
Britton I. Budd	-	President
R. Floyd Clinch	-	Vice President
W. V. Griffin	-	Secretary and Treasurer
C.E. Thompson	-	Assistant to President
E. J. Doyle	-	Assistant Secretary
W. F. Holtz	-	Assistant Treasurer
Ralph R. Bradley	-	General Counsel

The first annual report to stockholders
 by Samuel Insull, Chairman, was made December 31, 1917,
 for the period of July 26, 1916 to December 31, 1917.
 Net Income was \$345,469.18 for that period. Balance
 sheet at December 31, 1917 follows.

First
 Annual Report
 to
 Stockholders

Balance Sheet - December 31, 1917

Assets

Road and Equipment as Per Appraisal Dated May 1, 1916, and Additional Construction Since July 26, 1916.....	\$12,963,023.58
Discount and Expense on Funded Debt, Subject to Amortization.....	116,621.52
Funds in Hands of Trustees.....	10,000.00
Inventories.....	\$ 219,351.67
Accounts Receivable.....	84,722.39
Cash.....	<u>377,675.20</u>
Unadjusted Accounts.....	681,749.26
	31,290.34
	<u>\$13,802,684.70</u>

Liabilities and Capital

Capital Stock.....	\$ 100,000.00
Equity of Participation Shareholders in Road and Equipment.....	7,151,827.00
Funded Debt:	
First Mortgage 5%	
Gold Bonds.....	\$5,000,000.00
Less: Pledged as Collateral.....	<u>940,000.00</u>
	\$4,060,000.00
General Mortgage 5%	
Gold Bonds.....	460,000.00
Equipment 6% Gold Notes.....	153,000.00
Serial 6% Gold Notes.....	<u>885,000.00</u>
	5,558,000.00
Liabilities Assumed, Expressed at Nominal Value..	2.00
Protective Committee.....	1,693.42
Current and Accrued Liabilities:	
Loans and Notes Payable.....	\$154,872.10
Accounts Payable.....	375,449.67
Liberty Loan Subscription	7,857.37
Accrued Interest and Taxes.....	<u>92,396.65</u>
	630,575.79
Unredeemed Tickets.....	15,117.31
Surplus.....	<u>345,469.18</u>
	<u>\$13,802,684.70</u>