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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 -

- 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

Illinois
Properties
Sold to
Chicago
North Shore
and Milwauk
Railroad

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 of \$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